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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2016

or

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

For the transition period from to

Commission File Number: 001-37980

COLONY NORTHSTAR, INC.

(Exact Name of Registrant as Specified in its Charter)

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

515 S. 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	Name of Each Exchange on Which Registered
Class A Common Stock, $0.01 par value	New York Stock Exchange
Preferred Stock, 8.75% Series A Cumulative Redeemable, $0.01 par value	New York Stock Exchange
Preferred Stock, 8.25% Series B Cumulative Redeemable, $0.01 par value	New York Stock Exchange
Preferred Stock, 8.875% Series C Cumulative Redeemable, $0.01 par value	New York Stock Exchange
Preferred Stock, 8.50% Series D Cumulative Redeemable, $0.01 par value	New York Stock Exchange
Preferred Stock, 8.75% Series E Cumulative Redeemable, $0.01 par value	New York Stock Exchange
Preferred Stock, 8.50% Series F Cumulative Redeemable, $0.01 par value	New York Stock Exchange
Preferred Stock, 7.50% Series G Cumulative Redeemable, $0.01 par value	New York Stock Exchange
Preferred Stock, 7.125% Series H Cumulative Redeemable, $0.01 par value	New York Stock Exchange

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 x No o

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 x

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 x No o

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

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

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

Large accelerated filer	x	Accelerated filer	o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

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, 2016, was $1,874,391,053, which represents the market value of NorthStar Asset Management Group, Inc. prior to the merger with Colony Capital, Inc. and NorthStar Realty Finance Corp., referred to as the Mergers. As of February 27, 2017, subsequent to the Mergers, Colony NorthStar, Inc. had issued and outstanding 562,718,967 shares of Class A common stock, $0.01 par value per share and 770,040 of Class B common stock, $0.01 par value per share.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement for the registrant's 2017 Annual Meeting of Stockholders to be filed within 120 days after the end of the registrant's fiscal year ended December 31, 2016 are incorporated by reference into this Annual Report on Form 10-K in response to Part III, Items 10, 11, 12, 13 and 14.

EXPLANATORY NOTE

On January 10, 2017, NorthStar Asset Management Group Inc., a Delaware corporation ("NSAM") merged with and into Colony NorthStar, Inc., a Maryland corporation ("Colony NorthStar") in order to redomesticate NSAM into a Maryland corporation with Colony NorthStar surviving the merger, followed by a series of internal reorganization transactions with subsidiaries of NorthStar Realty Finance Corp., a Maryland corporation ("NRF") resulting in NRF becoming a wholly owned subsidiary of one such subsidiary ("New NRF Parent"), and the merger of New NRF Parent with and into Colony NorthStar, and finally the merger of Colony Capital, Inc., a Maryland corporation ("Colony"), with and into Colony NorthStar, with Colony NorthStar surviving each of such merger transactions as the combined company (collectively, the "Mergers"), pursuant to the Agreement and Plans of Merger, dated as of June 2, 2016, by and among NSAM, Colony, NRF, Colony NorthStar, New NRF Parent, NorthStar Realty Finance Limited Partnership, Sirius Merger Sub-T, LLC, and New Sirius Merger Sub LLC, as amended from time to time (the "Merger Agreement"). Entry into the Merger Agreement was previously announced by Colony, NSAM and NRF on each of their respective Current Reports on Forms 8-K filed with the Securities and Exchange Commission ("SEC") on June 7, 2016. As a result of the Mergers, Colony NorthStar became the successor to NSAM, and, pursuant to Rule 12g-3(a) under the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), the Class A common stock of Colony NorthStar, as the successor issuer to NSAM, are deemed registered under Section 12(b) of the Exchange Act. Following the Mergers, the Class A common stock of Colony NorthStar was listed on the New York Stock Exchange (the "NYSE") under the symbol "CLNS" in the same manner that shares of common stock of NSAM was listed on the NYSE.

For more information concerning the effects of the Mergers and the succession of NSAM to Colony NorthStar upon their effectiveness, please see the Colony NorthStar Current Report on Form 8-K12B, filed with the SEC on January 10, 2017.

COLONY NORTHSTAR, INC.

FORM 10-K

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FORWARD-LOOKING STATEMENTS

Some of the statements contained in this Annual Report on Form 10-K constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and Section 21E of the 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 on Form 10-K 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 industrial real estate, single-family rental, healthcare, commercial real estate debt and equity, investment management and hospitality sectors;
- any decrease in our net income and funds from operations as a result of the Mergers (as defined in Item 1. - Business), or our other acquisition activity;
- our ability to manage and integrate following the Mergers and our other acquisitions effectively and maintain consistent standards and controls and realize the anticipated benefits of the acquisitions;
- our exposure to risks to which we have not historically been exposed, including liabilities with respect to the assets acquired through the Mergers and our other acquisitions;
- our business and investment strategy, including the ability of the businesses in which we have a significant investment to execute their business strategies;
- our ability to grow our business by raising capital for the companies that we manage;
- the ability to realize substantial efficiencies and synergies as well as anticipated strategic and financial benefits, and the impact of legislative, regulatory and competitive changes;
- 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;
- the impact of adverse conditions affecting a specific asset class in which we have investments;
- the impact of economic conditions on third parties on which we rely;
- adverse domestic or international economic conditions and the impact on the commercial real estate or real-estate related industries;
- 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 obtain and maintain financing arrangements, including securitizations;
- the availability of attractive investment opportunities;
- our ability to satisfy and manage our capital requirements;
- the general volatility of the securities markets in which we participate;
- changes in interest rates and the market value of our target assets;
- 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 availability of qualified personnel; 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. For a detailed discussion of the risks and uncertainties that may cause our actual results, performance or achievements to differ materially from those expressed or implied by forward-looking statements, refer to the section entitled “Risk Factors” beginning on page 14 of this Annual Report on Form 10-K, together with any risk factors contained in or incorporated by reference to other documents that we may file from time to time in the future with the Securities and Exchange Commission. Moreover, because we operate in a very competitive and rapidly changing environment, new risk factors are likely to emerge from time to time. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

PART I

Item 1. Business

References to "we," "us," "our," the "Company" or "Colony NorthStar" refer to Colony NorthStar, Inc. subsequent to the Mergers, as defined below, unless the context specifically requires otherwise. References to "NSAM" refer to the historical business of NorthStar Asset Management Group Inc., prior to the Mergers unless the context specifically requires otherwise. References to the "Operating Partnership" and the "OP" refer to Colony Capital Operating Company, LLC, a Delaware limited liability company, the operating partnership of Colony NorthStar.

Overview

Mergers of NorthStar Asset Management Group Inc. with Colony Capital, Inc. and NorthStar Realty Finance Corp.

On January 10, 2017, NSAM completed the tri-party merger with Colony Capital, Inc., or Colony, and NorthStar Realty Finance Corp., or NorthStar Realty or NRF, under which the companies combined in an all-stock merger of equals transaction, referred to as the Mergers, to create Colony NorthStar, an internally-managed, diversified real estate and investment management company. The Mergers create a leading global equity real estate investment trust, or REIT, with an embedded investment management platform with increased scale and capabilities with approximately $56 billion of assets under management.

Under the terms of the merger agreement, NSAM redomesticated to Maryland to be treated as a REIT beginning in 2017 and Colony and NorthStar Realty, through a series of transactions, merged with and into the redomesticated NSAM, which was renamed Colony NorthStar, Inc. NSAM's common stockholders received one share of Colony NorthStar's common stock for each share of NSAM common stock they owned. Upon closing of the Mergers, NSAM's stockholders received approximately 32.85%, Colony stockholders received approximately 33.25% and NorthStar Realty stockholders received approximately 33.90% of the combined company on a fully diluted basis, excluding the effect of certain equity-based awards issued in 2017 in connection with the Mergers. Prior to the closing of the Mergers, NSAM's board of directors declared a special cash dividend in the amount of $228 million to its common stockholders, which was paid in January 2017.

NSAM, Colony and NorthStar Realty each have significant pre-combination activities and the Mergers will be accounted for as a business combination by the combined company in accordance with the Financial Accounting Standards Board, or FASB, Accounting Standards Codification 805, *Business Combinations*. Although NSAM is the legal acquirer in the Mergers, Colony has been designated as the accounting acquirer, resulting in a reverse acquisition of NSAM for accounting purposes.

NSAM Historical Business

The historical consolidated financial statements included herein represent the consolidated financial position, results of operations, other comprehensive income and cash flows of NSAM prior to the Mergers. As such, the consolidated financial statements included herein do not reflect the Colony NorthStar consolidated balance sheet, statement of operations, other comprehensive income and cash flows in the future or what Colony NorthStar's consolidated balance sheet, statement of operations, other comprehensive income and cash flows would have been had NSAM been merged with Colony and NorthStar Realty during the historical periods presented. The consolidated financial statements included herein should be read and considered with the Colony and NorthStar Realty consolidated financial statements and notes thereto that are included as exhibits to this Form 10-K and pro forma financial statements and notes thereto that are filed with the SEC.

Prior to the Mergers, NSAM was a global asset management firm focused on strategically managing real estate and other investment platforms in the United States and internationally including substantial business raising and managing capital in the retail marketplace, accessing a variety of pools of capital through various vehicles that include REITs and closed-end funds, which are referred to as the Retail Companies. Such Retail Companies raise capital in the retail market through NorthStar Securities, LLC, or NorthStar Securities, a captive broker-dealer platform registered with the SEC. In addition, NSAM managed NorthStar Realty and NorthStar Realty Europe Corp., or NorthStar Europe, two publicly listed REITs, referred to as the NorthStar Listed Companies.

Colony NorthStar Business

Colony NorthStar (NYSE:CLNS) is a global real estate and investment management firm that was formed on May 31, 2016 and began trading on the New York Stock Exchange, or NYSE, on January 11, 2017 following the Mergers. Colony NorthStar has significant property holdings in the healthcare, industrial and hospitality sectors, other real estate equity and debt investments and an embedded institutional and retail investment management business and currently has assets under management of approximately $56 billion. We manage capital on behalf of our stockholders, as well as institutional and retail investors in private funds, non-traded and traded REITs and registered investment companies. In addition, we own NorthStar Securities, a captive broker-dealer platform which raises capital in the retail market. We intend to elect and qualify to be taxed as a REIT for U.S. federal income tax purposes commencing with our initial taxable year ending December 31, 2017.

Colony NorthStar Segments

Our business objective is to provide attractive risk-adjusted returns to our investors through five core strategic real estate segments summarized as follows:

- *Healthcare* - Our healthcare properties are comprised of a diverse portfolio of medical office buildings, senior housing, skilled nursing and other healthcare properties. Over half of our healthcare properties are medical office buildings and properties structured under a net lease to healthcare operators. Substantially all of our net leases include annual escalating rent provisions. In addition, our portfolio consists of senior housing operating facilities which include healthcare properties that operate through management agreements with independent third-party operators, predominantly through structures permitted by the REIT Investment Diversification and Empowerment Act of 2007, or RIDEA, structures that permit us, through a taxable REIT subsidiary, or TRS, to have direct exposure to resident fee income and incur customary related operating expenses. Our medical office buildings are a combination of single tenant and multi-tenant properties typically structured with long-term leases with the tenants.
- *Light Industrial* - Our industrial properties are comprised of primarily light industrial assets in infill locations that are vital for e-commerce and other tenants that require increasingly quick delivery times. These properties are generally either multi-tenant buildings of up to 500,000 square feet or single tenant buildings of up to 250,000 square feet with an office build-out of less than 20%. The portfolio is well-diversified with over 800 tenants and across 37 million square feet across 15 major U.S. markets, with significant concentrations in Atlanta, Dallas and Chicago.
- *Hospitality* - Our hotel portfolio is a geographically diverse portfolio primarily comprised of extended stay hotels and premium branded select service hotels primarily located in major metropolitan markets with the majority affiliated with top hotel brands.
- *Other Equity and Debt* - Includes our portfolios of net lease, multifamily and multi-tenant office properties, our interest in Colony Starwood Homes (NYSE: SFR), which is one of the largest publicly traded owners and operators of single family rental homes in the U.S., and a portfolio of commercial real estate, or CRE, loans and securities, our limited partnership interests in real estate private equity funds, or PE Investments, and various other equity investments.
- *Investment Management* - Our investment management business is expected to generate fee income through investment management services, sponsoring numerous investment products across a diverse set of institutional and retail investors.

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

The operating and financial results of NSAM are discussed in Part II. Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” which should be read in conjunction with Part II, Item 8. “Financial Statements and Supplementary Data” and the notes thereto. The segments of NSAM’s historical business do not represent segments of Colony NorthStar subsequent to the Mergers as described above.

Investment Strategy

We believe we can achieve our business objective of delivering attractive risk-adjusted returns through our rigorous underwriting and asset management processes, which benefit from our deep experience, having invested through multiple economic cycles, as more fully described below. These processes have been developed to implement a flexible yet disciplined investment strategy, which may involve any of the following:

- capitalizing on asset-level underwriting experience and market analytics to identify investments with pricing dislocations and attractive risk-return profiles that can be purchased at meaningful discounts to our estimates of intrinsic value;
- seeking to acquire assets that are undervalued as a result of operating uncertainty or liquidity constraints;
- enhancing cash flow and asset values during ownership by active asset management and implementing opportunistic resolution and exit strategies;
- originating and structuring senior and/or junior loans with attractive return profiles relative to the underlying value and financial operating performance of the real estate collateral and the strength and quality of the sponsorship;
- retaining control, where possible, over the formulation and execution of the management strategies with respect to our assets, including the restructuring of non-performing or sub-performing loans, the negotiation of discounted pay offs or

other modification of the terms governing a loan, and, if necessary, the foreclosure and active management of assets underlying non-performing loans in order to reposition them for disposition; and

- structuring transactions with a prudent amount of leverage, if any, given the risk of the underlying asset's cash flow, attempting to match the structure and duration of the financing with the underlying asset's cash flow, including through the use of hedges, as appropriate.

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 other points of an economic cycle, we may expand or change our investment strategy or target assets over time in response to opportunities available in different economic and capital market conditions. We believe that the diversification of the portfolio of assets that we have acquired, our ability to acquire, originate and manage our target assets and the flexibility of our strategy will position us to identify undervalued opportunities and to generate attractive long-term returns for our stockholders in a variety of market conditions.

Financing Strategy

Our financing strategy is to employ investment-specific financing principally on a non-recourse basis with matching terms and currencies, as available and applicable, through first mortgages, senior loan participations or securitizations. In addition to investment-specific financings, we may use and have used credit facilities on a shorter term basis and repurchase facilities and public and private, secured and unsecured debt issuances on a longer term basis. The amount of leverage we use is based on our assessment of a variety of factors, including, among others, the anticipated liquidity and price volatility of the assets in our investment portfolio, the potential for losses and extension risk in our portfolio, the ability to raise additional equity to reduce leverage and create liquidity for future investments, the availability of credit at favorable prices or at all, the credit quality of our assets, our outlook for borrowing costs relative to the income earned on our assets and financial covenants within our credit facilities. Our decision to use leverage to finance our assets is at our discretion and not subject to the approval of our stockholders. We currently expect to target an overall leverage of approximately 50% or less. To the extent that we use leverage in the future, we may mitigate interest rate risk through utilization of hedging instruments, primarily interest rate swap and cap agreements, to serve as a hedge against future interest rate increases on our borrowings. In connection with the Mergers, the Operating Partnership entered into a revolving credit facility with an aggregate principal amount of up to $1 billion with JP Morgan Chase Bank, N.A. as administrative agent and the several lenders that are parties thereto. This facility matures in January 2021 and includes two six-month extension options. Refer to Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" for discussion of liquidity requirements and sources of capital resources.

Risk Management

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

Underwriting

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

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

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

Portfolio Management

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

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

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

Interest Rate and Foreign Currency Hedging

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

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

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

Operating and Regulatory Structure

REIT Qualification

We intend to elect and qualify to be taxed as a REIT for U.S. federal income tax purposes, commencing with our initial taxable year ending 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, or 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 TRSs, which are subject to U.S. federal and applicable state and local income taxes (and any applicable non-U.S. taxes) at regular corporate rates. Due to the nature of the assets in which we invest, our TRSs may have a material amount of assets and net taxable income.

1940 Act Exemption

We intend to continue to conduct our operations so that we 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.

We are organized as a holding company that conducts its businesses primarily through wholly owned or majority owned subsidiaries. We intend to limit the investment securities we hold in our wholly owned or majority owned subsidiaries that rely on the exception from the definition of investment company contained in Section 3(c)(1) or 3(c)(7) of the 1940 Act, together with any other investment securities we may hold directly, in order that, combined, the value of such securities do not exceed 40% of the value of our total assets (exclusive of U.S. Government securities and cash items) on an unconsolidated basis. We intend to monitor our holdings to ensure ongoing compliance with this test. In addition, we believe we are not an investment company under Section 3(a)(1)(A) of the 1940 Act because we do not and will not engage primarily, or hold ourselves out as being engaged primarily, in the business of investing, reinvesting or trading in securities. Rather, through our wholly owned and majority owned subsidiaries, we are primarily engaged in the non-investment company businesses of these subsidiaries. Certain of our subsidiaries will qualify for an exemption from registration under the 1940 Act under other applicable exemptions, including Section 3(c)(5)(C) and Section 3(c)(6) of the 1940 Act.

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

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

If we 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 its capital structure (including our ability to use leverage), management, operations, transactions with affiliated persons (as defined in the 1940 Act), portfolio composition, including restrictions with respect to diversification and industry concentration, and other matters.

Regulation under the Investment Advisers Act of 1940

We have subsidiaries that are registered with the SEC as investment advisers under the Investment Advisers Act of 1940, as amended, or 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, including those resulting from any new presidential administration, 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, kickback laws, self-referral laws and false claims acts, the latter of which has resulted in increased enforcement activity 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 requirements and incentives for businesses to provide healthcare benefits. The ACA remains subject to continuing and increasing legislative scrutiny, including current efforts by Congress and the new presidential administration to repeal and replace the ACA in total or in part. If the ACA is 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.

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 may negatively impact healthcare property operations. Additionally, Congress and the new 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 consequence. 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, the Centers for Medicare and Medicaid Services, or 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 could reduce payments and patient volumes for some facilities. The new presidential administration is expected to maintain this focus, but 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 which, if enacted, could negatively impact the operations and financial condition of our tenants and operators, 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. Certain states are attempting to slow the rate of growth in Medicaid expenditures by freezing rates or restricting eligibility and benefits and some states have elected not to expand their Medicaid eligibility criteria pursuant to the ACA. Congress and the new presidential administration have expressed interest in repealing the ACA and substantially reforming the Medicaid program. In so doing, 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, which could result in states that expanded Medicaid under the ACA 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.

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 or operator. The failure of our tenants and operators to 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 and operators, 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 Colony NorthStar, refer to Item 1A. “Risk Factors.”

Competition

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

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

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

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

Employees

Subsequent to the Mergers, Colony NorthStar has approximately 575 employees worldwide. As of December 31, 2016, NSAM had 214 employees.

Available Information and Corporate Governance

Our principal executive office is located in Los Angeles at 515 South Flower Street, 44th Floor, Los Angeles, California, 90071 and our website address is www.clns.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 will also post corporate presentations on our website from time-to-time.

All of our reports filed with the SEC can also be obtained at the SEC’s website at www.sec.gov and they may be read and copied at the SEC’s public reference room at 100 F Street, N.E., Washington, D.C. 20549. Further information regarding the operation of the public reference room may be obtained by calling 1-800-SEC-0330.

Colony NorthStar 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 free of charge in print to any security holder who requests them in writing to: Colony NorthStar, 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 on Form 10-K 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. References to "Retail Companies" means, collectively, NorthStar Real Estate Income Trust, Inc., or NorthStar Income, NorthStar Healthcare Income, Inc., or NorthStar Healthcare, NorthStar Real Estate Income II, Inc., or NorthStar Income II, NorthStar/RXR New York Metro Real Estate, Inc., or NorthStar RXR New York Metro, and NorthStar Real Estate Capital Income Master Fund (and its two feeder funds), or NorthStar Capital Fund; and NorthStar/Townsend Institutional Real Estate Fund Inc., or NorthStar/Townsend Investment and any other non-traded company we may sponsor and raise capital for through NorthStar Securities in the future. References to "private funds" means private equity funds or vehicles sponsored and managed by affiliates of the Company. References to "managed vehicles" means, collectively, the private funds, Retail Companies and NorthStar Europe.

Risks Related to Our Company

We face risks different from those previously faced by NSAM, Colony and NRF, which may affect our results of operations and the market price of our Class A common stock.

Our business differs from that of NSAM, Colony and NRF, and, accordingly, the results of operations and financial condition of our company may be affected by factors different from those that affected NSAM's, Colony's or NRF's results of operations and financial condition prior to the Mergers. Examples of differences between NSAM's, Colony's and NRF's businesses and the new or increased risks we face include:

- a large increase in the amount of assets under management and a diversification of types of assets under management, which may create risks related to scaling and combining of the platforms necessary to manage the combined assets of the companies;
- additional conflicts between and among the clients and managed vehicles of the company;
- certain investment vehicles historically managed by NSAM or Colony may compete for investment opportunities and may be adversely impacted to the extent such opportunities are allocated between them;
- our possible failure to successfully implement our plan to optimize our combined portfolio consisting primarily of owned real estate; and
- our larger and newly-combined team of management and employees may require time to become fully effective and may not be able to achieve our anticipated synergies and higher earnings growth.

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

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

Our business is also closely tied to general economic conditions in the real estate industry. As a result, our economic performance, the value of our real estate and real estate related investments, and our ability to implement our business strategies may be significantly and adversely affected by changes in economic conditions in the United States and in the international geographic areas where a substantial number of our investments are located. The condition of the real estate markets in which we operate is cyclical and depends on the condition of the economy in the United States, Europe, China and elsewhere as a whole and to the perceptions of investors of the overall economic outlook. Rising interest rates, declining employment levels, declining demand for real estate, declining real estate values or periods of general economic slowdown or recession, increasing political instability or uncertainty, or the perception that any of these events may occur have negatively impacted the real estate market in the past and may in the future negatively impact our operating performance. In addition, the economic condition of each local market where we operate may depend on one or more key industries within that market, which, in turn, makes our business sensitive to the performance of those industries.

We have only a limited ability to change our portfolio promptly in response to 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.

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.

Our investment in certain assets may decline in value if long-term interest rates increase. Declines in market value may ultimately reduce earnings or result in losses to us, which may negatively affect cash available for distribution to our stockholders. If long-term interest rates increased significantly, the market value of certain investments may decline, and the duration and weighted average life of these investments may increase. As a result, we could realize a loss if these investments were sold prior to maturity.

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 cause our target investments that were issued prior to an interest rate increase to provide yields that are below prevailing market interest rates. 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. An increase in interest rates may cause a decrease in the volume of certain of our target investments, which could adversely affect our ability to acquire target investments that satisfy our investment objectives and to generate income and make distributions to our stockholders. As a result of 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.

Our business depends in large part on our ability to raise capital from investors through the issuance of public securities as well as, but not limited to, Retail Companies and private funds. If we were unable to raise such capital or deploy such capital into investments, there may be a material reduction in our revenues and cash flow, which would adversely affect our financial condition.

Our ability to raise capital through the issuance of public securities as well as, but not limited to, Retail Companies and private funds depends on a number of factors, including many that are outside our control, such as the general economic environment or the number of offerings in the market or other investment vehicles being raised at the same time by our competitors that are focused on the same or similar investment strategies. Additionally, investors may downsize (or even eliminate) their investment allocations to alternative investments, including private funds, non-traded REITs, 1940 Act funds, and hedge funds, to rebalance a disproportionate weighting of their overall investment portfolio among asset classes. Poor performance of our Company or our managed vehicles could also make it more difficult for us to raise new capital. Investors in our managed vehicles may decline to invest in future vehicles we raise, and investors may withdraw their investments in our managed vehicles (on specified withdrawal dates) as a result of poor performance. Our investors and potential investors continually assess our Company's and managed vehicles' performance independently and relative to market benchmarks and our competitors, and our and such managed vehicles' ability to raise capital depends, on our or any such managed vehicle's performance. To the extent economic and market conditions deteriorate, we may be unable to raise sufficient amounts of capital to support the investment activities of our Company and managed vehicles.

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 vehicles, particularly our managed vehicles 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 funds;
- other industry participants will from time to time seek to recruit our investment professionals and other employees away from us; and
- other investment managers may offer more products and services than we do, have more diverse sources of revenue or be more adept at developing, marketing and managing new products and services than we are.

We may find it harder to raise managed vehicles, 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 vehicles, either of which would adversely impact our business, revenues, results of operations and cash flow.

We require capital to comply with our distribution requirements as a REIT and to continue to operate and grow our business and portfolio of target investments, and the failure to obtain such financing would have a material adverse effect on our business, financial condition, results of operations and ability to maintain our distributions to our stockholders.

We require capital to fund acquisitions and originations of our target investments, to fund our operations, including overhead costs, to fund distributions to our stockholders and to repay principal and interest on our borrowings. We expect to meet our capital requirements using cash on hand, cash flow generated from our operations, and principal and interest payments received from our investments. However, because of distribution requirements imposed on us to qualify as a REIT which generally require 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. 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.

There can be no assurance that our share repurchase program and planned deleveraging transactions will be successful or that we will repurchase stock at favorable prices or at all, which could have a material adverse effect on our business, financial condition, results of operations.

Subject to our ability to continue to qualify as a REIT, and to our ability to access the necessary cash without significant adverse tax consequences, our board of directors approved a share repurchase program that permits us to repurchase shares of our Class A common stock in the open market or otherwise, in an aggregate amount of up to $300.0 million until February 28, 2018. We may also engage in deleveraging transactions, including repayment of debt or repurchase of preferred stock. Our ability to access cash to repurchase shares of our Class A common stock and/or shares of our preferred stock without adverse tax consequences is limited prior to January 2019, but those limitations would not apply to other potential deleveraging transactions. The actual number of shares to be repurchased will depend, however, on the market price of our Class A common stock at the time the share repurchase program is implemented. Assuming the entire $300.0 million program were used to repurchase shares of our Class A common stock, and using the closing price of Class A common stock as reported on the NYSE on February 27, 2017, the program would involve the purchase of approximately 20.8 million shares of our Class A common stock. There can be no assurance as to the number of shares that will be repurchased, if any, or the amount of any deleveraging transactions, and the share repurchase program and/or plans to deleverage can be discontinued at any time.

Our credit facility permits us to incur significant indebtedness, which could require that we generate significant cash flow to satisfy the payment and other obligations under our credit facility.

We may incur significant indebtedness in connection with draws under our credit facility. This indebtedness may exceed our cash on hand and/or our cash flows from operating activities. Our ability to meet the payment and other obligations under our credit facility depends on our ability to generate sufficient cash flow in the future. Our ability to generate cash flow, to some extent, is subject to general economic, financial, competitive, legislative and regulatory factors, as well as other factors that are beyond our control. We cannot assure you that our business will generate cash flow from operations, or that future borrowings will be available to us, in amounts sufficient to enable us to meet our payment obligations under our credit facility. If we are not able to generate sufficient cash flow to service our credit facility and other debt obligations, we may need to refinance or restructure our debt, reduce or delay capital investments, or seek to raise additional capital. If we are unable to implement one or more of these alternatives, we may not be able to meet our payment obligations under our credit facility, which could materially and adversely affect our liquidity.

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

Because we use debt to finance investments, our cash flow could be adversely affected.

Many of our investments are made by borrowing a portion of the total investment and securing the loan with a mortgage on the property. We typically borrow on a non-recourse basis to limit our exposure on any property to the amount of equity invested in the property. If we are unable to make our debt payments as required, a lender could foreclose on the property or properties securing its debt. Additionally, lenders for our mortgage loan transactions incorporate various covenants and other provisions that can cause a technical loan default, including loan to value ratio, debt service coverage ratio, and material adverse changes in the borrower's or tenant's business. Accordingly, if the real estate value declines or the tenant defaults, the lender would have the right to foreclose on its security. If any of these events were to occur, it could cause us to lose part or all of our investment, which could reduce the value of our portfolio and revenues available for distribution to our stockholders.

We may also secure financing that would require us to make a balloon payment at maturity. Our ability to make such balloon payments may depend upon our ability to refinance the obligation, invest additional equity, or sell the underlying property. When a balloon payment is due, however, we may be unable to refinance the balloon payment on terms as favorable as the original loan, make the payment with existing cash or cash resources, or sell the property at a price sufficient to cover the payment. Our ability to accomplish these goals will be affected by various factors existing at the relevant time, such as the state of national and regional economies, local real estate conditions, available mortgage or interest rates, availability of credit, our equity in the mortgaged properties, our financial condition, the operating history of the mortgaged properties, and tax laws. A refinancing or sale could affect the rate of return to stockholders and the projected disposition timeline of our assets.

Our outstanding indebtedness and indebtedness to be incurred in the future could subject us to increased risk of loss, which could have a material adverse effect on our results of operations and our ability to make distributions to our stockholders.

As deemed appropriate by our management in its discretion, we may incur indebtedness, which, together with our existing indebtedness, could subject us to several risks, including, among others, that:

- Our cash flow from operations may be insufficient to make required payments of principal of and interest on the debt or we may fail to comply with all of the other covenants contained in the debt, which is likely to result in:
  - acceleration of such debt (and any other debt containing a cross-default or cross-acceleration provision) that we may be unable to repay from internal funds or to refinance on favorable terms, or at all;
  - our inability to borrow unused amounts under our financing arrangements, even if we are current in payments on borrowings under those arrangements; and/or
  - the loss of some or all of our assets to foreclosure or sale;
- Our debt may increase our vulnerability to adverse economic and industry conditions with no assurance that investment yields will increase with higher financing costs;
- We may be required to dedicate a substantial portion of our cash flow from operations to payments on our debt, thereby reducing funds available for operations, future business opportunities, stockholder distributions or other purposes; and
- We may not be able to refinance debt that matures prior to the investment it was used to finance on favorable terms, or at all.

We depend on our key personnel, and the loss of their services, through the termination of their employment agreements, or 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, Thomas J. Barrack, Jr., our Executive Vice Chairman, David Hamamoto and our Chief Executive Officer and President, Richard B. Saltzman, in particular, and the services of the other members of our senior management team, including Messrs. Tangen, Sanders and Traenkle, each of whom has entered into an employment agreement with us. For instance, the extent and nature of the experience of our executive officers and the nature of the relationships they have developed with real estate professionals and financial institutions are critical to the success of our business. We cannot assure stockholders of the continued employment with these individuals. The loss of services of certain of our executive officers could have a material adverse effect on our business, financial condition, results of operations and ability to effectively operate our business. Furthermore, our key personnel possess substantial experience and expertise and have strong business relationships with investors in our managed vehicles and other members of the business community. As a result, the loss of these key personnel could jeopardize our relationships with investors in our managed vehicles and members of the business community and result in the reduction of capital or fewer investment opportunities.

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

Recruiting and retaining professionals may be more difficult in the future, which could adversely affect our business, results of operations and financial condition.

Our continued success is highly dependent upon the efforts of our key personnel and other professionals. Our future success and growth depends to a substantial degree on our ability to retain and motivate our key personnel and to strategically recruit, retain and motivate new talented personnel.

We may not be successful in our efforts to recruit, retain and motivate the required personnel as the market for qualified investment professionals is extremely competitive. Competition for experienced real estate professionals could require us to pay higher wages and provide additional benefits to attract or retain qualified employees, which could result in higher compensation expenses to us, which could cause our total employee compensation and benefits expense as a percentage of our total revenue to increase and adversely affect our profitability.

Employee misconduct, which is difficult to detect and deter, could harm us by impairing our ability to attract and retain clients and subject us to significant legal liability and reputational harm. Fraud and other deceptive practices or other misconduct of the companies that we manage could similarly subject us to liability and reputational damage and also harm our performance.

There have been a number of highly publicized cases involving fraud or other misconduct by employees in the financial services industry, and there is a risk that our employees could engage in misconduct that adversely affects our business. We are subject to a number of obligations and standards arising from our business and our authority over the assets we manage. The violation of any of these obligations or standards by any of our employees or advisors could adversely affect our clients and us. Our business often requires that we deal with confidential matters of great significance to companies in which we may invest or to the companies that we manage. If our employees improperly use or disclose confidential information, we could be subject to regulatory sanctions and suffer serious harm to our reputation, financial position and current and future business relationships. It is not always possible to deter employee misconduct, and the precautions we take to prevent this activity may not be effective in all cases. If our employees engage in misconduct, or if they are accused of misconduct, our business and our reputation could be adversely affected.

In recent years, the U.S. Department of Justice and the SEC have devoted greater resources to enforcement of the Foreign Corrupt Practices Act of 1977, or FCPA. In addition, the United Kingdom has significantly expanded the reach of its anti-bribery laws. While we have developed and implemented policies and procedures designed to ensure compliance by us and our personnel with the FCPA, such policies and procedures may not be effective in all instances to prevent violations. Any determination that we have violated the FCPA, UK anti-bribery laws or other applicable anti-corruption laws could subject us to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation and a general loss of investor confidence, any one of which could adversely affect our business, financial condition or results of operations.

In addition, we may also be adversely affected if there is misconduct by the personnel of the companies that we manage. For example, failures by personnel at the companies that we manage to comply with anti-bribery, trade sanctions or other legal and regulatory requirements could adversely affect our business and reputation. We may face increased risk of such misconduct to the extent our investment in non-U.S. markets, particularly emerging markets, increases. Such misconduct might undermine our due diligence efforts with respect to such companies and could negatively affect the valuation of our managed vehicles' investments.

We will be subject to business uncertainties following the Mergers and we could fail to achieve synergies anticipated in the Mergers, which could have a material adverse effect on our business, results of operations and financial condition.

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

Additionally, we could fail to achieve beneficial synergies expected from the Mergers, or it may take longer to achieve such synergies than anticipated. Such failure could have a material adverse effect on our business, results of operations and financial condition.

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 financial condition.

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

Investments in mortgage-related assets generally experience periods of illiquidity. The lack of liquidity may result from the absence of a willing buyer or an established market for these assets, as well as legal or contractual restrictions on resale or the unavailability of financing for these assets. In addition, certain of our target assets, such as mezzanine loans, junior participations and bridge and other loans, are also particularly illiquid investments due to their short life, their potential unsuitability for securitization and the greater difficulty of recovery in the event of a borrower's default. Further, we may face other restrictions on our ability to liquidate an investment in a business entity to the extent that we have or could be attributed with material, non-public information regarding such business entity. 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. Moreover, turbulent market conditions, such as those experienced recently, could significantly and negatively affect the liquidity of our assets. As a result, our ability to vary our portfolio in response to changes in economic and other conditions may be relatively limited, which may cause us to incur losses. 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 change relating to the terms of such debt financing with, for example, higher rates, higher equity 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.

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

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

- restrictions and problems relating to the repatriation of profits;
- difficulties and costs of staffing and managing international operations;
- the burden of complying with multiple and potentially conflicting laws;
- laws restricting foreign companies from conducting business;
- unexpected changes in regulatory requirements;
- the impact of different business cycles and economic instability;
- political instability and civil unrest;
- greater difficulty 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;
- potentially adverse tax consequences;
- share ownership restrictions on foreign operations;
- tariff regimes of the countries in which we do business; and
- geographic, time zone, language and cultural differences between personnel in different areas of the world.

Fluctuations in foreign currencies, exchange controls and other restrictions on the repatriation of funds, may significantly affect our operating performance, liquidity and the value of any cash held outside the United States in local currency. In addition, changes in policies or laws of U.S. or foreign governments resulting in, among other things, higher taxation, currency conversion limitations, restrictions on fund transfers, capital raising or the expropriation of private enterprises, could reduce the anticipated benefits of our international operations. Any actions by countries in which we conduct business to reverse policies that encourage investment could adversely affect our business. If we fail to realize the anticipated growth of our future international operations, our business and operating results could suffer.

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 declines and 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, market concerns about economic growth in the Eurozone relative to the United States and speculation surrounding the potential impact on the euro of the exit of a country from the Eurozone may continue to exert downward pressure on the rate of exchange between the U.S. dollar and the euro, which may adversely affect our results of operations.

In addition, increased uncertainty in the wake of the “Brexit” referendum in the United Kingdom in June 2016, in which the majority of voters voted in favor of an exit from the European Union, has resulted in an increase in volatility in the global financial markets. 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.

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.

Potential regulatory action poses a significant risk to our reputation and our business. 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. 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 the past several years, the financial services industry, and private equity in particular, has been the subject of heightened scrutiny by regulators around the globe. In particular, the SEC and its staff have focused more narrowly on issues relevant to alternative asset management firms, including by forming specialized units devoted to examining such firms and, in certain cases, bringing enforcement actions against the firms, their principals and employees. Notably, in the last few years, there were a number of enforcement actions within the industry, and the SEC may continue to pursue such enforcement actions in 2017. This increased enforcement activity may cause us to reevaluate certain practices and adjust our compliance control function as necessary and appropriate. We are involved in certain trading activities that implicate a broad number of U.S. securities law regimes, including laws governing trading on inside information, market manipulation and a broad number of technical trading requirements that implicate fundamental market regulation policies. Violation of these laws could result in severe restrictions on our activities and damage to our reputation.

We regularly rely on exemptions from various requirements of the Securities Act, the Exchange Act, the 1940 Act, the Commodity Exchange Act, and the U.S. Employee Retirement Income Security Act of 1974, as amended, or 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.

Furthermore, we may become subject to additional regulatory and compliance burdens as we expand our product offerings and investment platform, including raising additional funds.

In addition, as a result of the global financial crisis and highly-publicized financial scandals, investors have exhibited concerns over the integrity of the U.S. financial markets and the domestic regulatory environment in which we operate in the United States. We may be adversely affected as a result of new or revised legislation or regulations imposed by the SEC or other U.S. governmental regulatory authorities or self-regulatory organizations that supervise the financial markets. We also may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations. Regulatory focus on our industry has intensified in recent years and is expected to continue.

The Dodd-Frank Wall Street Reform and Consumer Protection Act, or Dodd-Frank of 2010 has changed and is expected to continue changing the regulatory environment for alternative investment funds, including funds that we manage and our future funds. Dodd-Frank expanded the registration requirements for investment advisers managing such funds, as well as subjecting large funds to supervisory oversight for purposes of assessing their potential to contribute to systemic risk. Title VII of Dodd-Frank provides for significantly increased regulation of and restrictions on derivatives markets and transactions that could affect our interest rate hedging or other risk management activities, including: (i) regulatory reporting for swaps; (ii) mandated clearing through central counterparties and execution through regulated exchanges or electronic facilities for certain swaps; and (iii) margin and collateral requirements. While the full impact of Dodd-Frank on our interest rate hedging activities cannot be assessed until implementing rules and regulations are adopted and market practice develops, the requirements of Title VII may affect our ability to enter into hedging or other risk management transactions, may increase our costs in entering into such transactions and may result in us entering into such transactions on less favorable terms than prior to effectiveness of Dodd-Frank and the rules promulgated thereunder. Although the SEC and other U.S. regulatory agencies have begun issuing rules and regulations to implement the requirements of Dodd-Frank, some provisions of Dodd-Frank still require the adoption of implementing regulations by the applicable agencies. Accordingly, it is not possible to assess Dodd-Frank's full impact on us, our funds or, in some cases, the instruments in which our funds may invest. As the regulatory environment evolves, compliance with any new laws or regulations could be difficult and may adversely affect the value of instruments held by our funds or the ability of our funds to pursue their investment strategies.

In addition, we may be impacted indirectly by guidance recently directed to regulated banking institutions with regard to leveraged lending practices. In March 2013, the U.S. federal banking agencies issued updated guidance on credit transactions characterized by a high degree of financial leverage. To the extent that such guidance limits the amount or increases the cost of financing we are able to obtain for our transactions, the returns on our investments may suffer.

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 described above, 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. Moreover, as calls for additional regulation have increased, there may be a related increase in regulatory investigations of the trading and other investment activities of alternative asset management funds, including our managed vehicles. 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.

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. In recent years, the volume of claims and the amount of potential damages claimed in such proceedings against the financial services industry have generally been increasing. The investment decisions we make may subject us to the risk of third-party litigation arising from investor dissatisfaction with our performance, alleged conflicts of interest, the activities of the companies that we manage and a variety of other litigation claims and regulatory inquiries and actions. From time to time we may be subject to regulatory actions and shareholder class action suits relating to transactions in which we have agreed to acquire public companies.

In addition, to the extent that our investors suffer losses resulting from fraud, gross negligence, willful misconduct or other similar misconduct, investors may have remedies against us, our managed vehicles, our principals or our affiliates. Heightened standards of care or additional fiduciary duties may apply in certain of our managed accounts or other advisory contracts. To the extent we enter into agreements with clients containing such terms or applicable law mandates a heightened standard of care or duties, we could, for example, be liable to certain clients for acts of simple negligence or breach of such duties, which might include the allocation of a client’s funds to our managed vehicles. 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 vehicles experience losses.

If any lawsuits were brought against us and resulted in a finding of substantial legal liability, the lawsuit could materially adversely affect our business, results of operations or financial condition or cause significant reputational harm to us, which could materially impact our business. 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 our managed vehicles. As a result, allegations of improper conduct by private litigants (including investors in or alongside our managed vehicles) 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.

In addition, with a workforce composed of many highly paid professionals, we face the risk of litigation relating to claims for compensation, which may, individually or in the aggregate, be significant in amount. The cost of settling any such claims could negatively impact our business, results of operations and financial condition.

Failure to comply with “pay to play” regulations implemented by the SEC and certain states, and changes to the “pay to play” regulatory regimes, could adversely affect our business.

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 state pension funds. The SEC has also initiated a similar investigation into contracts awarded by sovereign wealth funds. Rule 206(4)-5 under the Investment Advisers Act addresses “pay to play” practices by investment advisers involving campaign contributions and other payments to government officials able to exert influence on potential government entity clients. Among other restrictions, the rule prohibits investment advisers from providing advisory services for compensation to a government entity for two years, subject to very limited exceptions, after the investment adviser, its senior executives or its personnel involved in soliciting investments from government entities make contributions to certain candidates and officials in a position to influence the hiring of an investment adviser by such government entity. Advisers are required to implement compliance policies designed, among other matters, to track contributions by certain of the adviser’s employees and engagements of third parties that solicit government entities and to keep certain records in order to enable the SEC to determine compliance with the rule. Additionally, California law requires placement agents (including in certain cases employees of investment managers) who solicit funds from California state retirement systems, such as the California Public Employees’ Retirement System and the California State Teachers’ Retirement System, to register as lobbyists, thereby becoming subject to increased reporting requirements and prohibited from receiving contingent compensation for soliciting investments from California state retirement systems. New York has adopted similar rules. Such investigations may require the attention of senior management and may result in fines if any of our funds are deemed to have violated any regulations, thereby imposing additional expenses on us. Any failure on our part to comply with these rules could cause us to lose compensation for our advisory services or expose us to significant penalties and reputational damage.

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

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

The results of future periods are likely to be materially different as a result of:

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

Failure to implement effective information and cyber security policies, procedures and capabilities could disrupt our business and harm our results of operations.

We are dependent on the effectiveness of our information and cyber security policies, procedures and capabilities to protect our computer and telecommunications systems and the data that resides on or is transmitted through them. An externally caused information security incident, such as a hacker attack, virus or worm, or an internally caused issue, such as failure to control access to sensitive systems, could materially interrupt business operations or cause disclosure or modification of sensitive or confidential information and could result in material financial loss, loss of competitive position, regulatory actions, breach of contracts, reputational harm or legal liability. Furthermore, as an asset manager our business is highly dependent on information technology systems, including systems provided by third parties over which we have no control. Various measures have been implemented to manage our risks related to the information technology systems, but any failure or interruption of our systems could cause delays or other problems in our activities, which could have a material adverse effect on our financial performance. Potential sources for disruption, damage or failure of our information technology systems include, without limitation, computer viruses, security breaches, human error, cyber attacks, natural disasters and defects in design.

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

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

Risks Related to Ownership of Our Securities

The market price of our Class A common stock may 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 may be volatile especially as a result of the Mergers and 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.

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

- changes in stock market analyst recommendations or earnings estimates regarding our 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;
- strategic actions taken by our company or our competitors, such as the intended business separations, acquisitions or restructurings;
- failure of our company to achieve the perceived benefits of the transactions, including financial results and anticipated synergies, as rapidly as or to the extent anticipated by financial or industry analysts;
- adverse conditions in the financial market or general U.S. or international economic conditions, including those resulting from war, incidents of terrorism and responses to such events; and
- sales of common stock by our company, members of our management team or significant stockholders.

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

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

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

Our 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.

Our Class A common stock may be delisted, which could limit your ability to trade our Class A common stock and subject us to additional trading restrictions.

Our Class A common stock is listed on the NYSE, a national securities exchange. However, our Class A common stock may not continue to be listed on the NYSE in the future. If the NYSE delists our Class A common stock from trading on its exchange, we could face significant material adverse consequences, including:

- a limited availability of market quotations for our Class A common stock;
- a limited amount of news and analyst coverage for our company;
- a decreased ability for us to issue additional securities or obtain additional financing in the future; and
- limited liquidity for our stockholders due to thin trading.

Risks Related to Our Organizational Structure and Business Operations

The Colony NorthStar Merger

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

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

We may be unable to retain necessary NSAM, Colony and/or NRF personnel.

The success of the Mergers depends on our ability to retain the key employees previously employed by NSAM, Colony and/or NRF. It is possible that these employees may decide not to remain us. If key employees terminate their employment, or if an insufficient number of employees are retained to maintain effective operations, our business activities may be adversely affected and management's attention may be diverted from successfully integrating the companies to hiring suitable replacements, all of which may cause our business to suffer. In addition, we may not be able to locate suitable replacements for any key employees or to offer employment to potential replacements on reasonable terms. Further, it is expected that certain executive officers previously of NSAM and NRF will depart after providing transition services to us, which may cause our business to be adversely affected.

General market conditions and unpredictable factors could adversely affect market prices of our preferred stock following the exchange for Colony preferred stock and NRF preferred stock in connection with the Mergers.

There can be no assurance about the market prices of our preferred stock that was exchanged for Colony preferred stock and NRF preferred stock, as applicable, in connection with the Mergers. A number of factors, many of which are beyond our control, could influence the future market prices of our preferred stock, including:

- whether we declare or fail to declare dividends on our preferred stock from time to time;
- real or anticipated changes in the credit ratings assigned to our securities;
- our creditworthiness and credit profile;
- interest rates;
- developments in the securities, credit and housing markets, and developments with respect to financial institutions generally;
- the market for similar securities; and
- economic, corporate, securities market, geopolitical, regulatory or judicial events that affect us, the asset management or real estate industries or the financial markets generally.

Shares of our Class A common stock and preferred stock rank junior to all indebtedness of, and other non-equity claims on, our company with respect to assets available to satisfy such claims.

Thomas J. Barrack, Jr., our Executive Chairman, 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, or CCLLC, (the "Combination"), Mr. Barrack was issued Colony class B common stock which had additional voting rights. In the Mergers, 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 accordingly vote in ways that may not be consistent with the interests of those other stockholders.

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

If our tax indemnification obligations are triggered under these agreements, we will be required to pay damages for the resulting tax consequences to the protected members and the calculation of damages will not be based on the time value of money or the time remaining within the restricted period. Moreover, these obligations may restrict our ability to engage in a strategic transaction. In addition, these obligations may require us to maintain more or different indebtedness than we would otherwise require for our business. 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, 2016 and exchange values and including additional payments to compensate the protected members for additional tax liabilities resulting from the indemnification payments) would be approximately $410 million.

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

We have and may continue to enter into strategic partnerships and joint ventures to support the significant growth of 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. In addition, 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 because of our lack of full control. Furthermore, to the extent that our joint venture partner provides services to the companies we manage, certain conflicts of interest will exist. Any of the above might subject us to liabilities and thus reduce our returns on our investment with that joint venture partner. In addition, disagreements or disputes between us and our joint venture partner 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.

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 Articles of Amendment and Restatement, or the 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 key off of 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, or 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, Colony NorthStar, as sole managing member of the OP, has fiduciary duties to the OP and to its members under Delaware law in connection with the management of the OP. Our duties to the OP and its members, as the sole managing member may come into conflict with the duties of our directors and officers to our Company and our stockholders. These conflicts may be resolved in a manner that is not in the best interest of our stockholders.

Risks Related to Our Managed Vehicles

Changes in investor preferences or market conditions could limit our ability to raise capital or make new investments on behalf of the companies that we manage.

In order to raise capital on behalf of our managed vehicles, we have relied on (i) sales of the publicly-registered, non-traded securities issued by our Retail Companies sold to individual investors through participating selected dealers and (ii) private placements of limited partner or similar interests in our managed vehicles. With respect to our Retail Companies, we have partnerships with a diversified group of selected dealers raising capital for our managed companies, however certain of our managed companies have raised a material amount of funds from a concentrated number of selected dealers. If our traditional channels for raising non-traded securities were to become less available as a result of a changes in market receptivity to illiquid investments with similar fee or compensation structures, regulatory scrutiny, or other reasons, our ability to raise capital and make investments on behalf of our Retail Companies could be adversely affected.

Poor performance of our managed vehicles or our future managed vehicles could cause a decline in our revenue, income and cash flow and could adversely affect our ability to raise capital.

In the event that any of our managed vehicles or our future managed vehicles were to perform poorly, our revenue, income and cash flow could decline because the value of our assets under management would decrease, which, depending on the terms of the applicable vehicle, could result in a reduction in investment management and other fees, and our investment returns would decrease, resulting in a reduction in the carried interest and/or other incentive fees we earn. Moreover, we could experience losses on our investments of our own principal as a result of poor investment performance by our managed vehicles.

Investors in our future managed vehicles may negotiate to pay us lower investment management and other fees and the economic terms of our future managed vehicles may be less favorable to us than those of managed vehicles we currently manage, which could have a material adverse effect on our business, results of operations and financial condition.

In connection with raising new managed vehicles or securing additional investments in existing managed vehicles, we will negotiate terms for such managed vehicles and investments with investors. The outcome of such negotiations could result in our agreement to terms that are materially less favorable to us than the terms of the managed vehicles or managed vehicles advised by our competitors. For example such terms could restrict our ability to raise managed vehicles with investment objectives or strategies that compete with existing managed vehicles, reduce fee revenues we earn, reduce the percentage of profits on third-party capital in which we share, include a performance hurdle that requires us to generate a specified return on investment prior to our right to receive carried interest or add expenses and obligations for us in managing the vehicles or increase our potential liabilities. Furthermore, as institutional investors increasingly consolidate their relationships with investment firms and competition becomes more acute, we may receive more of these requests to modify the terms in our new managed vehicles. 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.

Because certain of the management agreements with the companies that we manage that raise capital through the retail market, or our Retail Companies, are subject to limitation or cancellation, 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 our Retail Companies are renewable upon mutual consent of the parties for an unlimited number of successive one-year periods. These agreements may generally be terminated by each Retail 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 Retail Companies will pursue a liquidity transaction in the future and, if successful, certain liquidity transactions could result in termination or expiration of these agreements. There can be no assurance that these agreements will not expire or be terminated. Any such termination or expiration could have a material adverse effect on our business, results of operations, financial condition and prospects.

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

We sponsor, manage and serve as general partner and/or manager of new managed vehicles. Investment in these managed vehicles may involve risks not otherwise present with a direct investment in such managed vehicle's target investments, including, for example:

- the possibility that investors might become bankrupt or otherwise be unable to meet their capital contribution obligations;
- that operating and/ or management agreements of a managed vehicle 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, and in such event, we may not continue to manage or invest in the applicable managed vehicle underlying such relationships;
- 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 managed vehicle to additional risk; and
- that we may incur liability for obligations of a managed vehicle by reason of being its general partner or manager.

Valuation methodologies for certain assets in our managed vehicles 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 a managed vehicle.

There are often no readily ascertainable market prices for a substantial majority of illiquid investments of our managed vehicles. We determine the fair value of the investments of each of our managed vehicles at least quarterly based on the fair value guidelines set forth by generally accepted accounting principles in the United States, or U.S. 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 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 a managed vehicle's net asset value do not necessarily reflect the prices that would be obtained by us on behalf of the managed vehicle when such investments are realized. Realizations at values significantly lower than the values at which investments have been reflected in prior managed vehicle net asset values would result in reduced earnings or losses for the applicable managed vehicle, 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 managed vehicle net asset values could cause investors to lose confidence in us, which could in turn result in difficulty in raising additional managed vehicles.

SEC rules barring so-called "bad actors" from relying on Rule 506 of Regulation D in private placements could materially adversely affect our business, financial condition and results of operations.

Rules 501 and 506 of Regulation D under the Securities Act bar issuers where the issuer is or the offering would involve a "bad actor" from relying on Rule 506 of Regulation D, or Rule 506 in connection with private placements (the "disqualification rule"). Specifically, an issuer will be precluded from conducting offerings that rely on the exemption from registration under the Securities Act provided by Rule 506, or Rule 506 offerings if a "covered person" of the issuer has been the subject of a "disqualifying event" (each as defined below). "Covered persons" include, among others, the issuer, affiliated issuers, any investment manager or solicitor of the issuer, any director, executive officer or other officer participating in the offering of the issuer, any general partner or managing member of the foregoing entities, any promoter of the issuer and any beneficial owner of 20% or more of the issuer's outstanding voting equity securities, calculated on the basis of voting power. A "disqualifying event" includes, among other things, certain (i) criminal convictions and court injunctions and restraining orders issued in connection with the purchase or sale of a security or false filings with the SEC; (ii) final orders from the Commodity Futures Trading Commission, or CFTC, federal banking agencies and certain other regulators that bar a person from associating with a regulated entity or engaging in the business of securities, insurance or banking or that are based on certain fraudulent conduct; (iii) SEC disciplinary orders relating to investment advisers, brokers, dealers and their associated persons; (iv) SEC cease-and-desist orders relating to violations of certain anti- fraud provisions and registration requirements of the federal securities laws; (v) suspensions or expulsions from membership in a self-regulatory organization, or SRO or from association with an SRO member; and (vi) U.S. Postal Service false representation orders.

If any covered person is subject to a disqualifying event, one or more of our private funds could lose the ability to raise capital in a Rule 506 offering for a significant period of time. Certain of our private funds rely on Rule 506 to raise capital from investors during their fundraising periods. If one or more of our private funds were to lose the ability to rely on the Rule 506 exemption because a covered person has been the subject of a disqualifying event, our business, financial condition and results of operations could be materially and adversely affected.

Misconduct by third-party selling broker-dealers or our broker-dealer sales force could have a material adverse effect on our business.

We rely on selling broker-dealers and our broker-dealer sales force to properly offer equity in our current and future Retail Companies to investors in compliance with our selling agreements and with applicable regulatory requirements. While these persons are responsible for their activities as registered broker-dealers, their actions may nonetheless result in complaints or legal or regulatory action against us. These actions could also directly or indirectly harm the industry generally or our reputation specifically, which could have a material adverse effect on our business. While we may have indemnification obligations under certain selling agreements and dealer agreements for misconduct by such broker-dealers, such indemnification may not fully cover our losses and any such shortfall or delay in receiving any indemnification proceeds could have a material adverse effect on our business.

The organization and management of our Retail Companies and any future Retail Companies we may manage may create conflicts of interest.

We currently manage, and may in the future manage, REITs and other entities that have investment and/or rate of return objectives similar to our own. Those entities may be in competition with us with respect to properties, 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 the Retail Companies, including the following:

- allocating funds 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 transactions where we co-invest with a Retail Company are subject to the approval of the independent directors of the applicable Retail Company;
- investment allocations are reviewed as part of the annual advisory contract renewal process of each Retail Company; and
- quarterly review of all of the investment activities of the Retail Company by the independent directors of the Retail Company.

In addition, subject to compliance with Investment Advisers Act rules, we may allow our managed vehicle to enter into principal transactions with us or cross-transactions with other managed vehicles or strategic vehicles. For certain cross-transactions, we may receive a fee from the managed company and conflicts may exist. If our interests and those of the 84% interest in Townsend Holdings, LLC that NSAM acquired on January 29, 2016, or Townsend, or our managed vehicles are not aligned, we may face conflicts of interests that result in action or inaction that is detrimental to us, our managed vehicles, our strategic partnerships or our joint ventures.

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

Conflicts of interest may also arise in the allocation of fees and costs among our managed vehicles 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 vehicles, we are reimbursed by our Retail Companies for costs and expenses we incur on their behalf, including indirect personnel and employment costs that we allocate to our Retail 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 vehicles and we are also reimbursed by our Retail Companies for costs and expenses we incur and pay on their behalf. Our Retail 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 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, 2016, we allocated $2.2 million and $32.6 million in costs to NRF and NorthStar Europe and our Retail Companies, respectively. Our Retail 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 our Retail Companies could seek to terminate their relationship with us.

The adoption by the U.S. Department of Labor, or DOL, of certain amendments to the definition of "fiduciary" under the Employment Retirement Income Security Act, or ERISA, could adversely affect our ability to raise capital through public offerings of our Retail Companies.

In 2016, the U.S. Department of Labor, or DOL, adopted certain amendments to the definition of "fiduciary" under ERISA and the Internal Revenue Code. The proposed amendments have broadened the definition of "fiduciary" and made a number of changes to the prohibited transaction exemptions relating to investments by employee benefit plans subject to Title I of ERISA or retirement plans or accounts subject to Section 4975 of the Code (including individual retirement accounts, or IRAs). The amendments became effective in 2016, with implementation commencing in April 2017 and continuing through January 2018. On February 3, 2017, a Presidential Memorandum was issued directing the Department of Labor to, among other things, examine the fiduciary duty rule to determine whether it may adversely affect the ability of Americans to gain access to market information and financial advice. The outcome of this review by the DOL and ultimate impact of the amendments are not yet known, but if the amendments are implemented, they, could negatively impact our ability to raise funds through public offerings of our Retail Companies and our operations, which could adversely affect our financial condition and results of operations.

Non-traded companies have been the subject of increased scrutiny by regulators and media outlets resulting from inquires and investigations initiated by FINRA and the SEC and could also become the subject of scrutiny and face difficulties in raising capital should negative perceptions develop regarding non-traded REITs. As a result, our non-traded Sponsored Companies may be unable to raise substantial funds which will limit the number and type of investments they may make and their ability to diversify their assets.

In February 2014, Apple REIT Six, Inc., Apple REIT Seven, Inc., Apple REIT Eight, Inc. and Apple REIT Nine, Inc., each of their external advisors and the chief executive officer and the chief financial officer of each of the REITs entered into a cease and desist order with the SEC and agreed to pay approximately $1.5 million in civil fines in the aggregate. Although the respondents did not admit or deny any wrongdoing, the cease and desist order stated that the REITs made material misrepresentations regarding the valuation of the securities sold through their dividend reinvestment plans, had failed to maintain sufficient disclosure controls and procedures to meaningfully evaluate whether the value of the securities had changed, failed to disclose numerous related party transactions and failed to disclose significant compensation paid by the advisors to the REITs and by the founder to the executive officers of the REITs. The above-referenced proceedings and related matters have resulted in increased regulatory scrutiny from the SEC, FINRA and state regulators regarding non-traded companies. In addition, certain non-traded REIT sponsors have recently been the subject of Federal investigations, as widely reported in the press. The increased media attention and negative publicity surrounding these matters may adversely impact capital raising in the non-traded REIT industry. Furthermore, amendments to FINRA rules regarding customer account statements were approved by the SEC and became effective on April 11, 2016. These amendments have significantly affected the manner in which non-traded companies raise capital and may have contributed to a significant reduction in capital raised by non-traded companies. In addition, recent amendments adopted by the DOL to fiduciary and other standards on sales practices of broker-dealers and the impact of such rules, if implemented, could adversely affect the ability of our Sponsored Companies to raise additional capital.

As a result of this increased scrutiny and accompanying negative publicity and coverage by media outlets, FINRA may impose additional restrictions on sales practices in the independent broker-dealer channel for non-traded companies, and accordingly the non-traded companies we manage may face increased difficulties in raising capital in their offerings. Should these companies be unable to raise substantial funds in their offerings, the number and type of investments they may make will be curtailed, all of which could materially adversely affect the fee income generated from our broker-dealer that acts as the dealer manager of these offerings as well as the asset management and other fees we earn and the nature of the transactions undertaken by the non-traded companies we manage which would adversely affect our ability to grow our business. If we or the non-traded companies we manage become the subject of scrutiny, even if we have complied with all applicable laws and regulations, responding to such scrutiny could be expensive, harmful to our reputation and distracting to our management.

The implementation of changes to investor account statements for the Managed Programs described in Financial Industry Regulatory Authority, or FINRA, Regulatory Notice 15-02 may impact our ability to raise funds on behalf of the Managed Programs.

As described in FINRA Regulatory Notice 15-02, amendments to FINRA Rule 2310 and National Association of Securities Dealers Rule 2340 enacted in April 2016 have, among other things, required investor account statements for unlisted REITs, including the Retail Companies, to reflect an estimated value per share (as determined based on either the net investment method or appraised value method). The rule changes also required that account statements include additional disclosure regarding the sources of distributions to shareholders of unlisted entities. The implementation of these rules could continue to adversely affect market demand for shares of unlisted REITs and unlisted Business Development Company, or BDCs, and non-traded closed end funds, and impact our ability to raise funds on behalf of the Retail Companies through their public offerings, which could in turn affect their operations and the fees we earn by serving as their advisor, impacting our financial condition and results of operations.

Risks Related to Our Industrial Business

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

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

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

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

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

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

Risks Related to Our Healthcare Business

Approximately 45.8% 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 45.8% 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 do not control the operations of our healthcare properties and are dependent on the tenants/operators/managers of our healthcare properties.

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 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.

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

Upon completion of the Mergers, we operated 112 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, the availability and increases in cost of general and professional liability insurance coverage, and the availability and increases in the cost of labor (as a result of unionization or otherwise). Any one or a combination of these factors may adversely affect our revenue and operations and our ability to make distributions to stockholders. Refer to "Regulation - Healthcare Regulation" included in Item 1 of this Annual Report on Form 10-K for further discussion.

Decreases in our tenants' and operators' revenues or increases in our tenants and operators' expenses could affect our tenants' and operators' ability to make payments to us.

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 and state budget shortfalls. Operating 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 enough cash to make payments to us, the credit of our tenants or operator and the value of other collateral would have to be relied upon. To the extent the value of such property is reduced, we may need to record an impairment for such asset. 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.

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

The tenants and operators of our properties compete on a local and regional basis with operators of properties and other healthcare providers that provide comparable services. We cannot be certain that the tenants and operators of all of our facilities will be able to achieve and maintain occupancy and rate levels that will enable them to meet all of their obligations to us. Our tenants and operators are expected to encounter increased competition in the future that could limit their ability to attract residents or expand their businesses.

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' or operators' ability to make lease payments to us and, therefore, adversely impact us. Refer to "Regulation - Healthcare Regulation" included in Item 1 of this Annual Report on Form 10-K 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 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 some states have declined to expand Medicaid participation under the ACA and have considered Medicaid rate freezes or cuts. See "Regulation-Healthcare Regulation" included in Item 1 of this Annual Report on Form 10-K. 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.

Current efforts by Congress and the new 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 scrutiny, including current efforts by Congress and the new presidential administration to repeal and replace the ACA in total or in part. If the ACA is repealed or substantially modified, or if implementation of certain aspects of the ACA are suspended, such action could negatively impact the operations and financial condition of our tenants and operators, which in turn may adversely impact us. Additionally, Congress is contemplating substantial reforms to the Medicare and Medicaid programs. Refer to “Regulation - Healthcare Regulation” included in Item 1 of this Annual Report on Form 10-K for further discussion. 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.

Events that adversely affect the ability of seniors and their families to afford resident fees at our seniors housing facilities could cause our occupancy rates, resident fee revenues and results of operations to decline.

Costs to seniors associated with independent and assisted living services are generally not reimbursable under government reimbursement programs such as Medicare and Medicaid. Only seniors with income or assets meeting or exceeding the comparable median in the regions where our facilities are located typically will be able to afford to pay the entrance fees and monthly resident fees, and a weak economy, depressed housing market or changes in demographics could adversely affect their continued ability to do so. If our tenants and operators are unable to retain and attract seniors with sufficient income, assets or other resources required to pay the fees associated with independent and assisted living services and other services provided by our tenants and operators at our healthcare facilities, our occupancy rates and resident fee revenues could decline, which could, in turn, materially adversely affect our business, results of operations and financial condition and our ability to make distributions to stockholders.

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

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

Risks Related to Our Hospitality Business

Approximately 32.2% of our real estate investments are concentrated in hotels, which increases our exposure to risks affecting the hospitality industry.

Hotels represent approximately 32.2% of our real estate portfolio. The hospitality industry is subject to changes in the travel patterns of business and leisure travelers, both of which are affected by the strength of the economy, as well as other factors. The performance of the hospitality industry has traditionally been closely linked with the performance of the general economy and, specifically, growth in gross domestic product. Changes in travel patterns of both business and leisure travelers, particularly during periods of economic contraction or low levels of economic growth, may create difficulties for the industry over the long-term and adversely affect our results. The majority of our hotels are classified as upscale extended stay and upscale select service that generally target business travelers. In periods of economic difficulties, business and leisure travelers may seek to reduce travel costs by limiting travel or seeking to reduce costs on their trips. Our results of operations and any forecast we make may be affected by, and can change based on, a variety of circumstances that affect the hospitality industry, including:

- changes in the international, national, regional and local economic climate;
- changes in business and leisure travel patterns;

- increases in energy prices or airline fares or terrorist incidents, which impact the propensity of people to travel and revenues from our hospitality facilities because operating costs cannot be adjusted as quickly;

- supply growth in markets where we own hotels, which may adversely affect demand at our properties;

- the attractiveness of our hotels to consumers relative to competing hotels;

- the performance of the managers of our hotels;

- outbreaks of disease and the impact on travel of natural disasters and weather;

- physical damage to our hotels as a result of earthquakes, hurricanes or other natural disasters or the income lost as a result of the damage;

- changes in room rates and increases in operating costs due to inflation, labor costs and other factors; and

- unionization of the labor force at our hotels.

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

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

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

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

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

Island Hospitality Group, Inc., or Island manages hotels pursuant to management agreements. Although we have various rights as the property owner under our management agreements, we rely on Island's 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 business and affairs or financial condition could impair its 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. As we are not the employer nor bound by any collective bargaining agreement, we do not negotiate with any labor organization, and it is the responsibility of each property's manager to enter into such labor contracts. Our ability, if any, to have any material impact on the outcome of these negotiations is restricted by and dependent on the individual management agreement covering a specific property and we may have little ability to control the outcome of these negotiations.

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

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

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

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

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

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

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

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

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 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;
- changes in interest rates and in the availability, cost and terms of mortgage financing;
- unknown liens being placed on the properties;
- bad acts of third parties;
- the ability to refinance mortgage notes payable related to the real estate on favorable terms, if at all;
- changes in governmental rules, regulations and fiscal policies;
- tax implications;
- changes in laws, including laws that increase operating expenses or limit rents that may be charged;
- the impact of present or future environmental legislation and compliance with environmental laws, including costs of remediation and liabilities associated with environmental conditions affecting properties;
- cost of compliance with the Americans with Disabilities Act of 1990;
- adverse changes in governmental rules and fiscal policies;
- social unrest and civil disturbances;
- acts of nature, including earthquakes, hurricanes and other natural disasters;
- terrorism;
- the potential for uninsured or underinsured property losses;
- adverse changes in state and local laws, including zoning laws; and
- other factors which are beyond our control.

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

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

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

Regulatory Risks

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

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

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

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

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

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

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

Risks Related to Taxation

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

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. Our qualification as a REIT will depend on our satisfaction of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis. Furthermore, 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. Each Subsidiary REIT also is subject to the various REIT qualification requirements and other limitations described herein 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 asset tests applicable to REITs, and (iii) it is possible that we would fail certain of the asset tests applicable to REITs, in which event we also would fail to qualify as a REIT unless we could avail ourselves of certain relief provisions. 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. Certain rules applicable to REITs are particularly difficult to interpret or to apply in the case of REITs investing 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. In addition, 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 an equity interest in an entity that is classified as a partnership for U.S. federal income tax purposes.

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, each of Colony and NRF received an opinion of counsel 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, or 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 funds from operations, or 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 5 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 stock.

In addition, even if they qualify 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. That deficiency dividend procedure could require us to make significant distributions to our stockholders and to pay significant interest to the IRS.

If the Operating Partnership is treated as a corporation for U.S. federal income tax purposes, we will cease to qualify as a REIT.

We believe that the Operating Partnership qualifies as a partnership for U.S. federal income tax purposes. As such, it is not subject to U.S. federal income tax on its income. Instead, its partners, including us, generally are required to pay tax on their respective allocable share of the Operating Partnership's income. No assurance can be provided, however, that the IRS will not challenge the Operating Partnership's status as a partnership for U.S. federal income tax purposes, or that a court would not sustain such a challenge. If the IRS were successful in treating the Operating Partnership as a corporation for U.S. federal income tax purposes, we would fail to meet the gross income and asset tests applicable to REITs and, therefore, cease to qualify as a REIT, and the Operating Partnership would become subject to U.S. federal, state and local income tax. The payment by the Operating Partnership of income tax would reduce significantly the amount of cash available to the Operating Partnership to satisfy obligations to make principal and interest payments on its debt and to make distribution to its partners, including us. In addition, any change in the status of the Operating Partnership for tax purposes might be treated as a taxable event, in which case we might incur a tax liability without any related cash distributions.

If we do not qualify as a REIT or fail to remain qualified as a REIT, we will be subject to U.S. federal income tax and potentially to additional state and local taxes which would reduce the amount of cash available for distribution to our stockholders.

We have been organized and we intend to operate in a manner that will enable us to qualify as a REIT for U.S. federal income tax purposes commencing with our taxable year ending December 31, 2017. We, however, will not request a ruling from the IRS as to our REIT qualification. Our qualification as a REIT will depend on our satisfaction of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis.

To qualify as a REIT, we are required to satisfy certain gross income and asset tests. Our ability to satisfy the gross income and asset tests depends upon our analysis of the characterization and fair market values of our assets, some of which are not susceptible to a precise determination, and for which we will not obtain independent appraisals. Our compliance with the REIT income and quarterly asset requirements also depends upon our ability to successfully manage the composition of our income and assets on an ongoing basis (which, based on the types of assets we own, can fluctuate rapidly, significantly and unpredictably). Moreover, 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 REIT qualification requirements as described below. In addition, we will be required to make estimates of or otherwise determine the value of real property that is collateral for our mortgage loan assets. In some cases, the real property will be under construction or the subject of significant improvements, making such collateral even more difficult to value. There can be no assurance that the IRS would not challenge our valuations or valuation estimates of this collateral. Accordingly, there can be no assurance that the IRS will not contend that our interests in subsidiaries or in securities of other issuers will not cause a violation of the REIT requirements.

If we were to fail to qualify as a REIT in any taxable year, we would be subject to U.S. federal income tax, including any applicable alternative minimum 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.

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

Dividends payable by REITs generally are not eligible for the preferential tax rates on qualified dividend income. Although this does not adversely affect the taxation of REITs or dividends payable by REITs, to the extent that the preferential rates continue to apply to regular corporate qualified dividends, investors who are individuals, trusts and estates may perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the stock of REITs, including our Class A 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. In addition, to the extent that we satisfy this distribution requirement, but distribute less than 100% of our taxable income (including any net capital gain), we will be subject to U.S. federal corporate income tax on our undistributed taxable income. Moreover, we will be subject to a 4% nondeductible excise tax if the actual amount that we pay out to our stockholders in a calendar year is less than a minimum amount specified under U.S. federal tax laws. We intend to make distributions to our stockholders to comply with the REIT requirements of the Code and to avoid being taxed on our undistributed taxable income.

From time to time, we may generate taxable income greater than our income for financial reporting purposes prepared in accordance with U. S. 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 also acquire distressed debt investments that are subsequently modified by agreement with the borrower. If the amendments to the outstanding debt are “significant modifications” under the applicable U.S. Treasury regulations, the modified debt may be considered to have been reissued to us at a gain in a debt-for-debt exchange with the borrower, with gain recognized by us to the extent that the principal amount of the modified debt exceeds our cost of purchasing it prior to modification.

As a result, we may find it difficult or impossible to meet distribution requirements in certain circumstances. 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 Class A common stock as part of a distribution in which stockholders may elect to receive shares of Class A 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 requirements may hinder our ability to grow, which could adversely affect the value of our Class A common stock.

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

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. Moreover, if we have net income from “prohibited transactions,” that income will be subject to a 100% tax. In addition, 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. We are subject to U.S. federal and state income tax (and any applicable non-U.S. taxes) on the net income earned by our taxable REIT Subsidiaries, or 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. Our TRS may have tax liability with respect to “phantom income” if it is treated as a “dealer” for U.S. federal income tax purposes which would require the TRS to mark to market its assets at the end of each taxable year. Finally, we have substantial operations and assets outside the U.S. that are subject to tax in those countries. Any of these taxes would decrease cash available for distribution to our stockholders.

We may recognize substantial amounts of REIT taxable income, which we would be required to distribute to stockholders, in a year in which we are not profitable under U.S. GAAP or other economic measures.

We may recognize substantial amounts of REIT taxable income in years in which we are not profitable under U.S. GAAP or other economic measures as a result of the differences between U.S. GAAP and tax accounting methods. For example, we may recognize substantial amounts of COD income for U.S. federal income tax purposes (but not for U.S. GAAP purposes) due to discount repurchases of our liabilities, which could cause our REIT taxable income to exceed our U.S. GAAP income. Additionally, 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. Finally, certain of our assets and liabilities are marked-to-market for U.S. GAAP purposes but not for tax purposes, which could result in losses for U.S. GAAP purposes that are not recognized in computing our REIT taxable income. Consequently, we could recognize substantial amounts of REIT taxable income and would be required to distribute such income to stockholders in a year in which we are not profitable under U.S. GAAP or other economic measures.

We may distribute our common stock in a taxable distribution, 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 shareholders, we may make taxable distributions that are payable in partly in cash and partly in common stock. The IRS has issued private letter rulings to other REITs treating certain distributions that are paid partly in cash and partly in stock as taxable distributions that would satisfy the REIT annual distribution requirement and qualify for the dividends paid deduction for U.S. federal income tax purposes. If we made a taxable dividend payable in cash and common stock, taxable stockholders receiving such distributions will be required to include the full amount of the dividend, which is treated as ordinary income to the extent of our current and accumulated earnings and profits, as determined for U.S. federal income tax purposes. As a result, stockholders may be required to pay income tax with respect to such distributions in excess of the actual cash distributions received. If a U.S. stockholder sells the common stock that it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount recorded in earnings with respect to the dividend, depending on the market price of our common stock at the time of the sale. Furthermore, with respect to certain non-U.S. stockholders, we may be required to withhold U.S. federal income tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in common 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.

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 25% (20% for tax years beginning after December 31, 2017) 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 are treated has having acquired substantial amounts of goodwill that may not qualify for the 75% asset test assets and thus will restrict our ability to make other investments that might not qualify for the 75% asset test assets without jeopardizing our ability to satisfy the 75% asset test in the future. If we fail to comply with these 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. Thus, compliance with the REIT requirements may hinder our ability to make, and, in certain cases, maintain ownership of certain attractive investments.

The failure of assets subject to repurchase agreements to qualify as real estate assets could adversely affect our ability to qualify as a REIT.

We are party to certain financing arrangements, and may in the future enter into additional financing arrangements, that are structured as sale and repurchase agreements pursuant to which we would nominally sell certain of our assets to a counterparty and simultaneously enter into an agreement to repurchase these assets at a later date in exchange for a purchase price. Economically, these agreements are financings which are secured by the assets sold pursuant thereto. We believe that we would be treated for REIT asset and income test purposes as the owner of the assets that are the subject of any such sale and repurchase agreement notwithstanding that such agreements may transfer record ownership of the assets to the counterparty during the term of the agreement. It is possible, however, that the IRS could assert that we did not own the assets during the term of the sale and repurchase agreement, in which case we could fail to qualify as a REIT.

We may be required to report taxable income for certain investments in excess of the economic income we ultimately realize from them.

We own certain debt instruments that were acquired in the secondary market for less than their face amount and may in the future acquire additional debt instruments in the secondary market for less than their face amount. The amount of such discount will generally be treated as "market discount" for U.S. federal income tax purposes. Accrued market discount is reported as income when, and to the extent that, any payment of principal of the debt instrument is made, unless we elect to include accrued market discount in income as it accrues. 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 we collect less on the debt instrument than our purchase price plus the market discount we had previously reported as income, we may not be able to benefit from any offsetting loss deductions.

Similarly, some of the MBS that we acquire may have been issued with original issue discount. We will be required to report such original issue discount based on a constant yield method and will be taxed based on the assumption that all future projected payments due on such MBS will be made. If such MBS turns out not to be fully collectible, an offsetting loss deduction will become available only in the later year that uncollectability is provable.

In the event that any debt instruments or MBS acquired by us 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, we may nonetheless be required to continue to recognize the unpaid interest as taxable income as it accrues, despite doubt as to its ultimate collectability. Similarly, we may be required to accrue interest income with respect to subordinate MBS at its stated rate regardless of whether corresponding cash payments are received or are ultimately collectable. In each case, while we would in general ultimately have an offsetting loss deduction available to us when such interest was determined to be uncollectible, the utility of that deduction could depend on our having taxable income in that later year or thereafter.

Finally, 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.

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 we realize excess inclusion income and allocate it to stockholders, however, 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 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 liabilities with two or more maturities and the terms of the payments of these liabilities 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, foreign 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.

The tax on prohibited transactions will limit our ability to engage in transactions, including certain methods of securitizing mortgage loans, which would be treated as sales for U.S. federal income tax purposes.

A REIT's net income from prohibited transactions is 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. Therefore, 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 the sales or structures might otherwise be beneficial to us. We sell loans or other assets from time to time and those sales could be treated as prohibited transactions. We cannot make any assurance that we will not be subject to the prohibited transactions tax on some income we earn.

The failure of a mezzanine loan to qualify as a real estate asset could adversely affect our ability to qualify as a REIT.

We own certain mezzanine loans and in the future may acquire additional mezzanine loans for which the IRS has provided a safe harbor but not rules of substantive law. In Revenue Procedure 2003-65, the IRS provided a safe harbor pursuant to which a mezzanine loan, if it meets certain requirements, will be treated by the IRS as a real estate asset for purposes of the REIT asset tests, and interest derived from the mezzanine loan will be treated as qualifying mortgage interest for purposes of the REIT 75% gross income test. We own certain mezzanine loans and in the future may acquire mezzanine loans that do not meet all of the requirements of this safe harbor. The IRS could challenge such loan's treatment as a real estate asset for purposes of the REIT asset and gross income tests and, if such a challenge were sustained, we could fail to qualify as a REIT.

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 substantially limit our ability to hedge our liabilities. Under these provisions, any income from a hedging transaction 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 each such hedge a Borrowings Hedge, or manages the risk of certain currency fluctuations (each such hedge a Currency Hedge, and such instrument is properly identified under applicable Treasury Regulations, does not constitute "gross income" for purposes of the 75% or 95% gross income tests. This exclusion from the 95% and 75% gross income tests also applies if we previously entered into a Borrowings Hedge or a Currency Hedge, a portion of the hedged indebtedness or property is disposed of, and in connection with such extinguishment or disposition we enter into a new "clearly identified" hedging transaction to offset the prior hedging position. 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 both of the gross income tests. As a result of these rules, we intend to limit our use of advantageous hedging techniques 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 taxation of us and/or our investors.

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 TRS structure increases our overall tax liability.

We own interests in multiple portfolios of hotel and healthcare properties. Some of these properties are leased to our TRSs, which, in turn, engage “eligible independent contractors” to operate such properties. Such an arrangement is referred to as a “RIDEA structure.” We refer to the TRS lessees in our RIDEA structures as our “TRS Lessees.” Our TRS Lessees are subject to U.S. federal, state and local income tax on their taxable income, which consists of the revenues from the hotel and healthcare properties leased by our TRS Lessees, net of the operating expenses for such properties and rent payments to us. Accordingly, although our ownership of our TRS Lessees allows us to participate in the operating income from our hotel and healthcare properties in addition to receiving rent, that operating income is fully subject to income tax. The after-tax net income of our TRS Lessees is available for distribution to us. Additionally, our entire investment management business is held through our TRSs, and therefore any income from investment advice or management is fully subject to income tax.

Our ownership of TRSs is limited and our transactions with our TRSs may cause us to be subject to a 100% penalty tax on certain income or deductions if those transactions are not conducted on arm’s-length terms.

A REIT may own up to 100% of the stock of one or more TRSs. A TRS may hold assets and earn income that would not be qualifying assets or income if held or earned directly by a REIT, including gross operating income from hotels and healthcare properties that are operated by eligible independent contractors pursuant to management agreements. Both the subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. A 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. Overall, no more than 25% (20% for taxable years beginning after December 31, 2017) of the value of a REIT’s gross assets may consist of stock or securities of one or more TRSs. In addition, 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 TRSs are subject to U.S. federal, foreign, state and local income tax on their taxable income and their after-tax net income is available for distribution to us but is not required to be distributed to us. We believe that the aggregate value of the stock and securities of our TRSs is and will continue to be less than 25% (20% for taxable years beginning after December 31, 2017) of the value of our total gross assets (including our TRS stock and securities). Furthermore, we will monitor the value of our respective investments in our TRSs for the purpose of ensuring compliance with TRS ownership limitations. In addition, we will scrutinize all of our transactions with our TRSs to ensure that they are entered into on arm’s-length terms to avoid incurring the 100% excise tax described above. There can be no assurance, however, that we will be able to comply with the 25% or 20% limitations discussed above or to avoid application of the 100% excise tax discussed above.

If our leases with our TRS Lessees are not respected as true leases for U.S. federal income tax purposes, we could fail to qualify as a REIT.

To qualify as a REIT, we are required to satisfy two gross income tests, pursuant to which specified percentages of our gross income must be passive income, such as rent. For the rent paid pursuant to the hotel and healthcare property leases with our TRS Lessees to qualify for purposes of the gross income tests, the leases 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. We have structured our leases, and intend to structure any future leases, so that the leases will be respected as true leases for U.S. federal income tax purposes, but there can be no assurance that the IRS will agree with this characterization, not challenge this treatment or that a court would not sustain such a challenge. If the leases were not respected as true leases for U.S. federal income tax purposes, we could fail to satisfy either of the two gross income tests applicable to REITs and could fail to qualify for REIT status.

If our hotel and healthcare property managers do not qualify as "eligible independent contractors," we could fail to qualify as a REIT.

Rent paid by a lessee that is a "related party tenant" of ours will not be qualifying income for purposes of the two gross income tests applicable to REITs. We lease all of our hotels and a substantial portion of our healthcare properties to our TRS Lessees. A TRS Lessee will not be treated as a "related party tenant" and will not be treated as directly operating a hospitality facility to the extent the TRS Lessee leases properties from us that are managed by an "eligible independent contractor." In addition, our TRS Lessees will fail to qualify as TRSs if they lease or own a hospitality or healthcare facility that is not managed by an "eligible independent contractor."

If our hotel and healthcare property managers do not qualify as "eligible independent contractors," we could fail to qualify as a REIT. Each of the hotel and healthcare management companies that enters into a management contract with our TRS Lessees must qualify as an "eligible independent contractor" under the REIT rules in order for the rent paid to us by our TRS Lessees to be qualifying income for our REIT income test requirements and for our TRS Lessees to qualify as TRSs. Among other requirements, in order to qualify as an eligible independent contractor a manager must not own more than 35% of our outstanding shares (by value) and no person or group of persons can own more than 35% of our outstanding shares and the ownership interests of the manager, taking into account only owners of more than 5% of our shares and, with respect to ownership interests in such managers that are publicly traded, only holders of more than 5% of such ownership interests. Complex ownership attribution rules apply for purposes of these 35% thresholds. Although we intend to monitor ownership of our shares by our property managers and their owners, there can be no assurance that these ownership levels will not be exceeded.

We may lose our REIT status if the IRS successfully challenges our characterization of our income from our foreign TRSs.

We have elected to treat several non-U.S. companies, including issuers in CDO transactions, as TRSs. We will likely be required to include in our income, even without the receipt of actual distributions, earnings from our investment in the foreign TRSs. Income inclusions from equity investments in foreign corporations are technically neither actual dividends nor any of the other enumerated categories of qualifying income for the 95% gross income test. However, the IRS has issued private letter rulings to other REITs holding that income inclusions from equity investments in foreign corporations would be treated as qualifying income for purposes of the 95% gross income test. Private letter rulings may be relied upon only by the taxpayers to whom they are issued and the IRS may revoke a private letter ruling. Based on those private letter rulings, we intend to treat such income inclusions as qualifying income for purposes of the 95% gross income test. Nevertheless, no assurance can be provided that the IRS would not successfully challenge our treatment of such income as qualifying income. In the event that such income was determined not to qualify for the 95% gross income test, we could be subject to a penalty tax with respect to such income to the extent it exceeds 5% of our gross income or we could fail to continue to qualify as a REIT.

If our foreign TRSs are subject to U.S. federal income tax at the entity level, it would greatly reduce the amounts those entities would have available to distribute to us and that they would have available to pay their creditors.

There is a specific exemption from U.S. federal income tax for non-U.S. corporations that restrict their activities in the United States to trading stock and securities (or any 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. We intend that our foreign TRSs will rely on that exemption or otherwise operate in a manner so that they will not be subject to U.S. federal income tax on their net income at the entity level. If the IRS succeeded in challenging that tax treatment, it would greatly reduce the amount that those foreign TRSs would have available to pay to their creditors and to distribute to us.

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, and intend to continue 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 asset and gross income tests applicable to REITs. 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.

Our qualification as a REIT could be jeopardized as a result of our interest in joint ventures or funds.

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

Major changes in the U.S. income tax laws applicable to corporations generally could adversely affect the market for our common stock.

The current Congress and the Trump Administration are considering major changes to the U.S. laws governing the taxation of corporations generally. It is not possible to predict whether any such changes will be enacted, what form any such changes might take, or whether the changes would extend to the rule governing the current taxation of REITs. If the changes were to apply to REITs, there could be no assurance that they might not adversely impact our current methods for conducting business, or our ability to continue to qualify as a REIT. Even if the changes do not apply directly to REITs, they could have the effect of reducing the taxes of corporations generally, which in turn could have the effect of making the stock of those corporations more valuable relative to the value to stocks of REITs.

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

If REIT previously was a C corporation, or it acquires any asset from a 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 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 5-year period after it becomes a REIT or it acquires the asset. Because NSAM previously was a 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 5-year period following such effective date or it may apply if we were to engage in an merger transaction with another 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).

We are restricted in our ability to transfer cash from the Operating Partnership to the Company within two years following the Mergers without incurring adverse tax consequences.

Under the "disguised sale" rules that apply when a partner transfers property to a partnership and the partnership transfers cash to the partner within two years of that transfer, we are restricted in our ability to transfer cash from the Operating Partnership to the Company within two years following the Mergers, unless that transfer can qualify to an exception provided for the applicable regulations or was not contemplated at the time of the Mergers, without incurring adverse tax consequences. We do not anticipate that these rules will limit our ability to pay regular dividends from the operating cash flow of the Operating Partnership, but they could restrict our ability make repurchases of our Class A common stock and/or our preferred stock pursuant to our previously announced stock repurchase program. We believe that we will have the capacity to make substantial repurchases, but we may not have the flexibility to repurchase as much stock as we would otherwise elect, depending upon future market conditions.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of December 31, 2016, NSAM leased offices domestically in locations including New York, Denver, Bethesda and Dallas and internationally including London, Bermuda and Luxembourg and through NSAM's interest in Townsend, it has locations in Cleveland, San Francisco, London and Hong Kong. NSAM did not own any real property.

Colony NorthStar maintains its principal office in Los Angeles and has offices located across 17 cities in ten countries and considers its leased office spaces to be suitable and adequate for the management and operations of its business.

Item 3. Legal Proceedings

We are involved in various litigation matters arising in the ordinary course of our business. Although we are unable to predict with certainty the eventual outcome of any litigation, in the opinion of management, the legal proceedings are not expected to have a material adverse effect on our financial position or results of operations.

Item 4. Mine Safety Disclosures

None.

PART II

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

Market Information

Colony NorthStar's Class A common stock is listed on the NYSE under the symbol "CLNS." Prior to the Mergers, NSAM's common stock was listed on the NYSE under the symbol "NSAM." The following table presents the high, low and last sales prices for NSAM's common stock, as reported on the NYSE. The stock prices and dividends per share may not represent what Colony NorthStar's stock price or dividends will be in the future:

Period	High	Low	Close	Dividends
2016				
Fourth Quarter[(1)]	$ 15.12	$ 12.73	$ 14.92	NA
Third Quarter	$ 13.11	$ 9.91	$ 12.93	$ 0.10
Second Quarter	$ 12.92	$ 10.04	$ 10.21	$ 0.10
First Quarter	$ 12.08	$ 9.31	$ 11.35	$ 0.10
2015				
Fourth Quarter	$ 15.35	$ 10.61	$ 12.14	$ 0.10
Third Quarter	$ 19.37	$ 13.60	$ 14.36	$ 0.10
Second Quarter	$ 24.00	$ 18.49	$ 18.49	$ 0.10
First Quarter	$ 24.75	$ 20.56	$ 23.34	$ 0.10

(1) On December 22, 2016, NSAM declared a special dividend for its common stockholders of $228 million or approximately $1.16 per share contingent upon consummation of the Mergers. The special dividend was paid on January 27, 2017 to common stockholders of record of NSAM as of the close of business on January 3, 2017.

The following table presents NSAM's dividends declared on its common stock, on a per share basis, for the years ended 2016 and 2015:

Declaration Date	Dividend
2016	
December 22	$ 1.16 [(1)]
November 1	$ 0.10
August 2	$ 0.10
May 4	$ 0.10
February 25	$ 0.10
2015	
November 3	$ 0.10
August 4	$ 0.10
May 5	$ 0.10
February 25	$ 0.10

(1) On December 22, 2016, NSAM declared a special dividend for its common stockholders of $228 million or approximately $1.16 per share contingent upon consummation of the Mergers. The special dividend was paid on January 27, 2017 to common stockholders of record of NSAM as of the close of business on January 3, 2017.

Refer to Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" for a discussion of Colony NorthStar's dividend policy. On February 27, 2017, the closing sales price for Colony NorthStar's common stock, as reported on the NYSE, was $14.44. As of February 27, 2017, there were 3,561 record holders of Colony NorthStar's Class A common stock and 562,718,967 shares outstanding. This figure does not reflect the beneficial ownership of shares held in nominee name.

Securities Authorized for Issuance Under Equity Compensation Plans

Refer to Part III, Item 15. "Exhibits and Financial Statement Schedules" for information regarding securities authorized for issuance under equity compensation plans.

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

In connection with the formation of Colony NorthStar as a subsidiary of NSAM in May 2016, NSAM caused Colony NorthStar to issue 100 shares of common stock and 100 shares of performance common stock to NSAM for an aggregate purchase price of

$200. The issuance of such shares was effected in reliance upon an exemption from registration provided by Section 4(a)(2) under the Securities Act.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

Item 6. Selected Financial Data

The historical consolidated financial data included herein represents NSAM's prior to the Mergers. As such, the consolidated financial data included does not reflect the Colony NorthStar consolidated balance sheet and operating and cash flows data in the future or what Colony NorthStar's consolidated balance sheet operating and cash flows data would have been had NSAM been merged with Colony and NorthStar Realty during the historical periods presented. The information below should be read in conjunction with Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the NSAM consolidated financial statements and the related notes thereto included in Part II, Item 8. "Financial Statements and Supplementary Data," included in this Annual Report on Form 10-K.

The selected historical consolidated information presented for the five years ended December 31, 2016 relates to NSAM operations and has been derived from its audited combined consolidated statements of operations included in this Annual Report on Form 10-K or NSAM's Registration Statement on Form 10, as amended. The consolidated financial statements for the year ended December 31, 2014 includes: (i) NSAM's results of operations for the six months ended December 31, 2014 which represents its activity following NSAM's spin-off from NorthStar Realty on July 1, 2014, or the NSAM Spin-off; and (ii) results of operations for the six months ended June 30, 2014, which represents a carve-out of its historical financial information including revenues and expenses attributable to NSAM related to NorthStar Realty's historical asset management business. NSAM's historical financial information for the two years ended December 31, 2013 were prepared on the same basis as the six months ended June 30, 2014. As a result, the two years ended December 31, 2016 may not be comparable to the prior periods presented.

	Years Ended December 31,				
	2016	2015	2014	2013	2012
Operating Data:	(Dollar in thousands, except per share data)				
Asset management and other fees, related parties	$ 366,615	$ 307,988	$ 147,738	$ 26,633	$ 8,112
Selling commission and dealer manager fees, related parties	22,803	126,907	110,563	62,572	42,385
Commission expense	21,654	117,390	104,428	57,325	38,506
Interest expense	25,914	778	—	—	—
Total general and administrative expenses	201,224	159,203	106,572	32,873	29,287
Income (loss) before equity in earnings (losses) of unconsolidated ventures and income tax benefit (expense)	63,798	140,991	21,761	(1,995)	(17,322)
Equity in earnings (losses) of unconsolidated ventures	(5,782)	1,625	(1,039)	—	—
Income (loss) before income taxes benefit (expense)	58,016	142,616	20,722	(1,995)	(17,322)
Income tax benefit (expense)	(11,022)	(21,869)	(1,622)	—	—
Net income (loss)	46,994	120,747	19,100	(1,995)	(17,322)
Net income (loss) attributable to NorthStar Asset Management Group Inc. common stockholders	42,281	119,794	19,100	(1,995)	(17,322)
Earnings (loss) per share:					
Basic	$ 0.21	$ 0.61	$ 0.10	$ (0.01)	$ (0.09)
Diluted	$ 0.21	$ 0.61	$ 0.10	$ (0.01)	$ (0.09)
Dividends per share of common stock	$ 0.30 (1)	$ 0.40	$ 0.20 (2)	N/A	N/A

(1) On December 22, 2016, NSAM declared a special dividend for its common stockholders of $228 million or approximately $1.16 per share contingent upon consummation of the Mergers. The special dividend was paid on January 27, 2017 to common stockholders of record as of the close of business on January 3, 2017.
(2) On October 30, 2014, NSAM declared its first dividend of $0.10 on common stock, on a per share basis, for the three months ended September 30, 2014.

	As of December 31,				
	2016	2015	2014	2013	2012
Balance Sheet Data:	(Dollars in thousands)				
Cash	$ 131,666	$ 84,707	$ 109,199	$ 7,537	$ 6,643
Investments in unconsolidated ventures	55,836	88,069	54,480	—	—
Intangible assets	201,631	—	—	—	—
Goodwill	243,328	—	—	—	—
Total assets	850,627	374,821	263,869	31,709	20,257
Total borrowings	468,425	100,000	—	—	—
Total liabilities	590,437	198,078	62,121	3,341	2,382
Total equity	185,665	176,743	201,748	28,368	17,875

	Years Ended December 31,				
	2016	2015	2014	2013	2012
Other Data:	(Dollars in thousands)				
Cash flows provided by (used in):					
Operating activities	$ 168,749	$ 169,412	$ 46,721	$ (6,363)	$ (19,563)
Investing activities	(383,193)	(72,639)	(43,582)	—	—
Financing activities	261,940	(120,736)	98,933	7,257	24,159
Effect of foreign exchange rate changes on cash	(537)	(529)	(410)	—	—

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

The historical consolidated financial statements included herein represent the consolidated financial position, results of operations, other comprehensive income and cash flows of NSAM prior to the Mergers. As such, the consolidated financial statements included herein do not reflect the Colony NorthStar consolidated financial condition and results of operations in the future or what Colony NorthStar's financial condition and results of operations would have been had NSAM been merged with Colony and NorthStar Realty during the historical periods presented. The consolidated financial statements included herein should be read and considered with the Colony and NorthStar Realty consolidated financial statements and notes thereto that are included as exhibits to this Form 10-K and pro forma financial statements and notes thereto that are filed with the SEC.

NSAM commenced operations on July 1, 2014 upon the spin-off by NorthStar Realty of its asset management business into a separate publicly-traded company. Prior to the Mergers, NSAM was a global asset management firm focused on strategically managing real estate and other investment platforms in the United States and internationally including a substantial business raising and managing capital in the retail marketplace accessing a variety of pools of capital through various vehicles that include REITs and closed-end funds. Such Retail Companies raise capital through the retail market through NorthStar Securities, a captive broker-dealer platform registered with the SEC. In addition, NSAM managed NorthStar Realty and NorthStar Europe.

NSAM's primary business objective was to provide asset management and other services by managing the NorthStar Listed Companies and Retail Companies, both in the United States and internationally. In addition, NSAM entered into strategic partnerships and joint ventures with third parties with expertise in commercial real estate or other sectors and markets to benefit from fee streams generated by such strategic partnerships and joint ventures. NSAM earned asset management and other fees pursuant to management and other contracts and through its direct and indirect investments in strategic partnerships and joint ventures. The NorthStar Listed Companies and the Retail Companies have historically invested in the CRE industry.

NSAM's historical business lines were as follows:

- *NorthStar Listed Companies* - Provided asset management and other services on a fee basis by managing the day-to-day activities of the NorthStar Listed Companies. NSAM began earning fees from NorthStar Realty on July 1, 2014 and NorthStar Europe on November 1, 2015.
- *Retail Companies* - Provided asset management and other services on a fee basis by managing the day-to-day activities of the Retail Companies.
- *Broker-dealer* - Raised capital in the retail market through NorthStar Securities and earned dealer manager fees for selling equity in the Retail Companies.
- *Direct Investments* - Invested in strategic partnerships and joint ventures with third-parties, either consolidated or unconsolidated, with expertise in commercial real estate or other sectors and markets, where NSAM benefited from the fee stream and potential incentive fee.
- *Corporate/Other* - Included corporate level general and administrative expenses, as well as special servicing on a fee basis in connection with certain securitization transactions. In addition, such segment included opportunistic investments, such as the purchase of the NorthStar Listed Companies common stock.

The segments of NSAM's historical business described above do not represent segments of Colony NorthStar subsequent to the Mergers.

NorthStar Listed Companies

As an asset manager, NSAM was responsible for the NorthStar Listed Companies' day-to-day activities, subject to supervision and management by each of the NorthStar Listed Companies' board of directors, as applicable. The management agreements with the NorthStar Listed Companies provided for a base management fee and incentive fee. The NorthStar Listed Companies are each responsible for all of their direct costs and expenses and reimburse NSAM for costs and expenses incurred by NSAM on their behalf. In addition, NSAM may allocate indirect costs to the NorthStar Listed Companies related to employees, occupancy and other general and administrative costs and expenses in accordance with the terms of, and subject to the limitations contained in, the applicable NorthStar Listed Company's management agreement. For the year ended December 31, 2016, NSAM allocated $2 million of costs to the NorthStar Listed Companies. Such amounts are recorded net in general and administrative expenses in the consolidated statements of operations.

Upon completion of the Mergers, the management agreement with NorthStar Realty ceased to exist.

Retail Companies

The following table presents a summary of the Retail Companies, including capital raise activity and investments as of or through February 23, 2017:

Retail Company	Primary Strategy	Offering Amount (in millions)[1]	Offering Period	Capital Raised (in millions)[1]	Total Investments (in millions)
Effective					
NorthStar Income	CRE Debt	$ 1,200.0	Completed July 2013	$ 1,293.4	$ 1,599.9
NorthStar Healthcare	Healthcare Equity and Debt	2,100.0	Completed January 2016[2]	1,880.8	3,413.7
NorthStar Income II	CRE Debt	1,650.0	Completed November 2016[2]	1,145.5	1,739.8
NorthStar/RXR New York Metro[3]	New York Metro Area CRE Equity and Debt	2,000.0	Ends February 2018[4][5]	12.8 [9]	11.0
NorthStar Capital Fund	CRE Debt and Equity	3,200.0 [6]	Ends July 2019[5][7]	2.2 [9]	0.1
Not Yet Effective					
NorthStar/Townsend Investment	CRE Debt and Equity	$ 1,000.0	N/A[8]	N/A	N/A

(1) Represents amount of shares registered and raised to offer pursuant to each Retail Company's public offering, distribution reinvestment plan and follow-on public offering.
(2) NorthStar Healthcare successfully completed its initial public offering on February 2, 2015 by raising $1.1 billion in capital and its follow-on public offering on January 19, 2016 by raising $0.7 billion in capital. NorthStar Income II closed its initial public offering on November 9, 2016 and raised $1.1 billion in capital.
(3) Any asset management and other fees incurred by NorthStar/RXR New York Metro will be shared equally between NSAM and RXR Realty, as co-sponsors.
(4) NorthStar/RXR New York Metro's registration statement became effective in 2015 and began raising capital in 2016. Colony NorthStar expects the capital raise to accelerate in 2017.
(5) Offering period subject to extension as determined by the board of directors or trustees of each Retail Company.
(6) Offering is for two feeder funds in a master feeder structure.
(7) NorthStar Capital Fund's registration statement was declared effective by the SEC in May 2016. Colony NorthStar expects NorthStar Capital Fund to begin raising capital from third parties in the first half 2017.
(8) NorthStar/Townsend Investment submitted a registration statement on Form N-2 to the SEC in October 2016. Colony NorthStar expects NorthStar/Townsend Investment to begin raising capital in the first half 2017.
(9) In connection with the distribution support agreement with each Retail Company, an affiliate of Colony NorthStar purchased shares of common stock in NorthStar/RXR New York Metro and NorthStar Capital Fund for $1.5 million and $2.0 million, respectively, since inception through December 31, 2016.

In addition, NSAM is entitled to certain expense allocations for costs paid on behalf of the Retail Companies which include: (i) reimbursement for organization and offering costs such as professional fees and other costs associated with the formation and offering of the Retail Company not to exceed 1.0% to 1.5% of the proceeds expected to be raised from the offering and excluding shares being offered pursuant to distribution reinvestment plans; and (ii) reimbursement for direct and indirect operating costs such as certain salaries, bonus, equity-based compensation and professional and other costs such as rental and occupancy, technology, office supplies, travel and entertainment and other general and administrative costs and expenses associated with managing the operations of the Retail Company. The operating cost reimbursement is calculated based on the four preceding fiscal quarters not to exceed the greater of: (i) 2.0% of each Retail Company's average invested assets; or (ii) 25.0% of each Retail Company's net income determined without reduction for any additions to reserves for depreciation, loan losses or other similar non-cash reserves and excluding any gain from the sale of assets for that period. NSAM facilitates the payments of organization, offering and direct operating cost amounts, which are recorded in receivables on NSAM's consolidated balance sheets until repaid. The reimbursement of indirect operating cost amounts are recorded net in general and administrative expenses in the consolidated statements of operations.

For the year ended December 31, 2016, NSAM allocated $33 million of expense related to the Retail Companies.

An affiliate of Colony NorthStar is committed to invest up to $10 million in each of the Retail Companies during the respective two-year period following commencement of the offering. In addition, an affiliate of Colony NorthStar will commit up to $10 million for distribution support in the event that the Retail Companies' distributions to stockholders exceed certain measures of operating performance, in any Retail Company that Colony NorthStar may sponsor, up to a total of five new companies per year. The distribution support agreement related to NorthStar/RXR New York Metro is an obligation of both an affiliate of Colony NorthStar and RXR Realty, where each agreed to purchase 75% and 25% of any shares purchased, respectively. The distribution support agreement related to NorthStar Capital Fund is an obligation of an affiliate of Colony NorthStar.

Direct Investments

NSAM entered into strategic partnerships and joint ventures with third parties with expertise in commercial real estate or other sectors and markets to augment NSAM's business operations, while at the same time benefiting from fee streams generated by such strategic partnerships and joint ventures. Such investments have included the acquisition of an 84% interest in Townsend, a 43% interest in American Healthcare Investors LLC, or AHI or AHI Interest, and a 45% interest in Island Hospitality Management Inc., or Island or Island Interest. In December 2016, in connection with the Mergers, NSAM sold the Island Interest for a note receivable of $29 million that matures in December 2026 at 8% and cash of $3 million.

Critical Accounting Policies

The Critical Accounting Policies presented represent those of NSAM's historical business and do not represent all of the Critical Accounting Policies of Colony NorthStar subsequent to the Mergers. We continue to evaluate the impact of Critical Accounting Policies for Colony NorthStar.

Principles of Consolidation

NSAM's consolidated financial statements include the accounts of NSAM, its operating partnership or NSAM OP and their consolidated subsidiaries. NSAM consolidates variable interest entities, or VIEs, where it is the primary beneficiary and voting interest entities which are generally majority owned or otherwise controlled by NSAM. All significant intercompany balances are eliminated in consolidation.

Variable Interest Entities

A VIE is an entity that lacks one or more of the characteristics of a voting interest entity. A VIE is defined as an entity in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The determination of whether an entity is a VIE includes both a qualitative and quantitative analysis. NSAM bases the qualitative analysis on its review of the design of the entity, its organizational structure including decision-making ability and relevant financial agreements and the quantitative analysis on the forecasted cash flow of the entity.

NSAM reassesses the initial evaluation of an entity as a VIE upon the occurrence of certain reconsideration events.

A VIE must be consolidated only by its primary beneficiary, which is defined as the party who, along with its affiliates and agents has both the: (i) power to direct the activities that most significantly impact the VIE's economic performance; and (ii) obligation to absorb the losses of the VIE or the right to receive the benefits from the VIE, which could be significant to the VIE. NSAM determines whether it is the primary beneficiary of a VIE by considering qualitative and quantitative factors, including, but not limited to: which activities most significantly impact the VIE's economic performance and which party controls such activities; the amount and characteristics of its investment; the obligation or likelihood for NSAM or other interests to provide financial support; consideration of the VIE's purpose and design, including the risks the VIE was designed to create and pass through to its variable interest holders and the similarity with and significance to NSAM's business activities and the other interests. NSAM reassesses the determination of whether it is the primary beneficiary of a VIE each reporting period. Significant judgments related to these determinations include estimates about the current and future fair value and performance of investments held by these VIEs and general market conditions.

NSAM evaluates the NorthStar Listed Companies and the Retail Companies, investments in unconsolidated ventures and securitization financing transactions to which NSAM is the special servicer to determine whether they are a VIE. NSAM analyzes new investments and financings, as well as reconsideration events for existing investments and financings, which vary depending on type of investment or financing.

Voting Interest Entities

A voting interest entity is an entity in which the total equity investment at risk is sufficient to enable it to finance its activities independently and the equity holders have the power to direct the activities of the entity that most significantly impact its economic performance, the obligation to absorb the losses of the entity and the right to receive the residual returns of the entity. The usual condition for a controlling financial interest in a voting interest entity is ownership of a majority voting interest. If NSAM has a majority voting interest in a voting interest entity, the entity will generally be consolidated. NSAM does not consolidate a voting interest entity if there are substantive participating rights by other parties and/or kick-out rights by a single party or through a simple majority vote.

NSAM performs on-going reassessments of whether entities previously evaluated under the voting interest framework have become VIEs, based on certain events, and therefore subject to the VIE consolidation framework.

Investments in Unconsolidated Ventures

A non-controlling, unconsolidated ownership interest in an entity may be accounted for using the equity method, at fair value or the cost method.

Under the equity method, the investment is adjusted each period for capital contributions and distributions and its share of the entity's net income (loss). Capital contributions, distributions and net income (loss) of such entities are recorded in accordance with the terms of the governing documents. An allocation of net income (loss) may differ from the stated ownership percentage interest in such entity as a result of a preferred return and allocation formula, if any, as described in such governing documents.

NSAM may account for an investment in an unconsolidated entity at fair value by electing the fair value option. NSAM may record the change in fair value for its share of the projected future cash flow or may follow the practical expedient of the net asset value of the underlying fund investment based on the most recent available information, which is generally on a one quarter lag. NSAM will record the change from one period to another in equity in earnings (losses) from unconsolidated ventures in the consolidated statements of operations. Any change in fair value attributed to market related assumptions is considered unrealized gain (loss).

NSAM may account for an investment in an unconsolidated entity that does not qualify for equity method accounting or for which the fair value option was not elected using the cost method if it determines that it does not have significant influence. Under the cost method, equity in earnings is recorded as dividends are received to the extent they are not considered a return of capital, which is recorded as a reduction of cost of the investment.

NSAM reviews its investments in unconsolidated ventures for which it did not elect the fair value option on a quarterly basis, or more frequently as necessary, to assess whether there are any indicators that the value may be impaired or that its carrying value may not be recoverable. An investment is considered impaired if the projected net recoverable amount over the expected holding period is less than the carrying value. In conducting this review, NSAM considers U.S. and global macroeconomic factors, including real estate sector conditions, together with investment specific and other factors. To the extent an impairment has occurred and is considered to be other than temporary, the loss is measured as the excess of the carrying value of the investment over the estimated fair value and recorded in equity in earnings (losses) of unconsolidated ventures in the consolidated statements of operations.

Estimates

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

Business Combinations

NSAM accounts for purchases of assets that qualify as business combinations using the acquisition method where the purchase price is allocated to tangible and intangible assets acquired based on estimated fair value. The excess of the fair value of purchase consideration over the fair value of these identifiable assets is recorded as goodwill. Such valuation requires management to make significant estimates and assumptions, especially with respect to intangible assets including, but not limited to, customer relationships, acquired technology and trade names. Management's estimate of fair value is based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ materially from estimates. During the measurement period, which is up to one year from the acquisition date, NSAM may record adjustments to the assets acquired, with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded in earnings. Transaction costs related to acquisition of a business are expensed as incurred and excluded from the fair value of consideration transferred.

Intangible Assets

NSAM records acquired identified intangibles, which includes intangible assets (such as goodwill and other intangibles), based on estimated fair value. Other intangible assets are amortized into depreciation and amortization expense on a straight-line basis over the estimated useful life, reflecting the manner in which the related benefit is expected to be realized.

Goodwill represents the excess of the purchase price over the fair value of net tangible and intangible assets acquired in a business combination and is not amortized. NSAM performs an annual impairment test for goodwill and evaluates the recoverability whenever events or changes in circumstances indicate that the carrying value of goodwill may not be fully recoverable. NSAM first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit, related to such goodwill, is less than the carrying amount as a basis to determine whether the two-step impairment test is necessary. The first step in the impairment test compares the fair value of the reporting unit with its carrying amount. If the carrying amount exceeds fair value, the second step is required to determine the amount of the impairment loss, if any, by comparing the implied fair value of the reporting unit goodwill with the carrying amount of such goodwill. The implied fair value of goodwill is derived by performing a hypothetical purchase price allocation for the reporting unit as of the measurement date, allocating the reporting unit's estimated fair value to its net assets and identifiable intangible assets. The residual amount represents the implied fair value of goodwill. To the extent this amount is below the carrying value of goodwill, an impairment loss is recorded in the consolidated statements of operations.

Events or circumstances which could indicate a potential impairment include (but are not limited to) issues with non-compliance with regulatory requirements; on-going or projected negative operating income or cash flow; a significant change in client mix; and/or a significant change in forecasts and assets under management.

A discounted cash flow model is performed based on management's forecast of operating performance for each reporting unit to assess fair value. In addition, NSAM looks at comparable companies and representative transactions to validate management's expectations, where possible. The inputs used in the annual test is updated for current market conditions and forecasts. The two main assumptions used in measuring goodwill impairment, include the cash flow from operations from our reporting unit and the weighted average cost of capital. The starting point for the reporting unit's cash flow from operations is the detailed annual plan. The detailed planning process takes into consideration many factors including EBITDA, EBITDA margins, revenue growth rate and capital spending requirements, among other items which impact the reporting unit projections. Cash flow beyond the specific operating plans are estimated using a terminal value calculation, which incorporate historical and forecasted financial cyclical trends for each reporting unit and considered long-term earnings growth rates. The financial and credit market volatility directly impacts our fair value measurement through our weighted average cost of capital that we use to determine the discount rate. During times of volatility, significant judgment must be applied to determine whether credit changes are a short-term or long term trend. Fair value of the reporting unit is using significant unobservable inputs or Level 3 in the fair value hierarchy. These inputs are based on internal management estimates, forecasts and judgments.

The annual impairment test for the reporting unit acquired in January 2016 was conducted as of December 31, 2016. Management used an independent third-party valuation party specialist to assist. NSAM's reporting unit calculated fair value was 7% in excess of its carrying value. Colony NorthStar continues to monitor the cash flow for this reporting unit.

Revenue Recognition

Asset Management and Other Fees

Asset management and other fees include base and incentive fees earned from the NorthStar Listed Companies, acquisition, disposition and other fees earned from the Retail Companies and fees earned from clients and limited partners of Townsend. Asset management and other fees are recognized based on contractual terms specified in the underlying governing documents in the periods during which the related services are performed and the amounts have been contractually earned. Incentive fees and payments are recognized subject to the achievement of return hurdles in accordance with the respective terms set forth in the governing documents. Incentive fees that are subject to contingent repayment are not recognized as revenue until all related contingencies have been resolved.

Selling Commission and Dealer Manager Fees and Commission Expense

Selling commission and dealer manager fees represent income earned by NSAM for selling equity in the Retail Companies through NorthStar Securities. Selling commission, dealer manager fees and commission expense are accrued on a trade date basis.

The present value of the expected future distribution fees earned from certain Retail Companies and incurred to participating broker-dealers is recorded gross on the consolidated balance sheets and in the consolidated statements of operations.

Fair Value Measurement

NSAM follows fair value guidance in accordance with U.S. GAAP to account for its financial instruments. NSAM categorizes its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

Financial assets and liabilities are recorded at fair value on NSAM's consolidated balance sheets and are categorized based on the inputs to the valuation techniques as follows:

Level 1. Quoted prices for identical assets or liabilities in an active market.

Level 2. Financial assets and liabilities whose values are based on the following:

(a) Quoted prices for similar assets or liabilities in active markets.

(b) Quoted prices for identical or similar assets or liabilities in non-active markets.

(c) Pricing models whose inputs are observable for substantially the full term of the asset or liability.

(d) Pricing models whose inputs are derived principally from or corroborated by observable market data for substantially the full term of the asset or liability.

Level 3. Prices or valuation techniques based on inputs that are both unobservable and significant to the overall fair value measurement.

Financial assets and liabilities recorded at fair value on a recurring basis are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Management determines the prices are representative of fair value through a review of available data, including observable inputs, recent transactions as well as NSAM's knowledge and experience of the market.

Securities

The fair value option provides an election that allows a company to irrevocably elect fair value for certain financial assets and liabilities on an instrument-by-instrument basis at initial recognition. NSAM elected to apply the fair value option for its securities investments. Any unrealized gain (loss) from the change in fair value is recorded in unrealized gains (losses) on investments and other in the consolidated statements of operations. Dividend income is recorded in other income in the consolidated statements of operations.

Equity-Based Compensation

NSAM accounts for equity-based compensation awards, including awards granted to co-employees, using the fair value method, which requires an estimate of the fair value of the award. Awards may be based on a variety of measures such as time, performance, market or a combination thereof. For time-based awards, fair value is determined based on the stock price on the grant date. NSAM recognizes compensation expense over the vesting period on a straight-line basis. For performance-based awards, fair value is determined based on the stock price at the date of grant and an estimate of the probable achievement of such measure. NSAM recognizes compensation expense over the requisite service period, net of estimated forfeitures, using the accelerated attribution expense method. For market-based measures, fair value is determined using a Monte Carlo analysis under a risk-neutral premise using a risk-free interest rate. NSAM recognizes compensation expense over the requisite service period, net of estimated forfeitures, on a straight-line basis.

For awards with a combination of performance or market measures, NSAM estimates the fair value as if it were two separate awards. First, NSAM estimates the probability of achieving the performance measure. If it is not probable the performance condition will be met, NSAM recognizes the compensation expense based on the fair value of the market measure, as described above. This expense is recorded even if the market-based measure is never met. If the performance-based measure is subsequently estimated to be achieved, NSAM records compensation expense based on the performance-based measure. NSAM would then record a cumulative catch-up adjustment for any additional compensation expense.

Equity-based compensation issued to non-employees is accounted for using the fair value of the award at the earlier of the performance commitment date or performance completion date. The awards are remeasured every quarter based on the stock price as of the end of the reporting period until such awards vest, if any.

In connection with the Mergers, substantially all outstanding time-based equity awards issued to executives and non-executive employees vested in accordance with their terms. In addition, all or a portion of the outstanding NSAM performance-based awards issued to executives and non-executives vested in accordance with their terms, subject to forfeiture and reduction. As such, substantially all remaining unrecognized compensation cost was recognized immediately.

Foreign Currency

Assets and liabilities denominated in a foreign currency for which the functional currency is a foreign currency are translated using the currency exchange rate in effect at the end of the period presented and the results of operations for such entities are translated into U.S. dollars using the average currency exchange rate in effect during the period. The resulting foreign currency translation adjustment is recorded as a component of accumulated OCI in the consolidated statements of equity.

Assets and liabilities denominated in a foreign currency for which the functional currency is the U.S. dollar are remeasured using the currency exchange rate in effect at the end of the period presented and the results of operations for such entities are remeasured into U.S. dollars using the spot currency exchange rate at the time of the transaction. The resulting foreign currency remeasurement adjustment is recorded in unrealized gain (loss) on foreign currency in the consolidated statements of operations.

Comprehensive Income (Loss)

NSAM reported consolidated comprehensive income (loss) in a separate statement following the consolidated statements of operations. Comprehensive income (loss) is defined as a change in equity resulting from net income (loss) and OCI. The component of OCI includes an adjustment for foreign currency translation.

Income Taxes

Certain of NSAM’s subsidiaries are subject to taxation by federal, state, local and foreign authorities for the periods presented. On March 13, 2015, NSAM restructured by forming the NSAM OP, under Delaware law, by converting an existing limited liability company disregarded as separate from NSAM for federal income tax purposes to a Delaware limited partnership and admitting as limited partners LTIP Unit holders. The NSAM OP is taxed as a partnership for federal income tax purposes and consequently, its items of income gain, loss, deduction and credit are passed through to, and included in, the taxable income of each of its partners including NSAM. For the period prior to March 13, 2015, NSAM and its U.S. subsidiaries filed consolidated federal income tax returns. Income taxes are accounted for by the asset/liability approach in accordance with U.S. GAAP. Deferred taxes, if any, represent the expected future tax consequences when the reported amounts of assets and liabilities are recovered or paid. Such amounts arise from differences between the financial reporting and tax bases of assets and liabilities and are adjusted for changes in tax laws and tax rates in the period which such changes are enacted. A provision for income tax represents the total of income taxes paid or payable for the current period, plus the change in deferred tax assets and liabilities.

Recent Accounting Pronouncements

The below represent the evaluation by Colony NorthStar of the impact of recent accounting pronouncements on its consolidated financial position, results of operations and financial statement disclosures subsequent to the Mergers as it relates to NSAM’s historical business.

In May 2014, the Financial Accounting Standards Board, or FASB, issued an accounting update requiring a company to recognize as revenue the amount of consideration it expects to be entitled to in connection with the transfer of promised goods or services to customers. The accounting standard update will replace most of the existing revenue recognition guidance currently promulgated by U.S. GAAP. Key provisions include, but are not limited to, determining which goods or services are capable of being distinct in a contract to be accounted for separately as a performance obligation and recognizing variable consideration only to extent that it is probable a significant revenue reversal would not occur. The new revenue standard may be applied retrospectively to each prior period presented (full retrospective) or retrospectively to contracts not completed as of date of initial application with the cumulative effect recognized in retained earnings (modified retrospective). In July 2015, the FASB decided to delay the effective date of the new revenue standard by one year. The FASB has subsequently issued several amendments to the standard, including clarifying the guidance on assessing principal versus agent based on the notion of control, which affects recognition of revenue on a gross or net basis. These amendments have the same effective date and transition requirements as the new standard. Colony NorthStar plans to adopt the standard on its required effective date of January 1, 2018 using the modified retrospective approach. While Colony NorthStar continues to assess all potential impacts of the standard on its consolidated financial statements and related disclosures, as applicable, subsequent to the Mergers, it currently believes that NSAM’s historical management fees and selling commission and dealer manager fees will not be materially affected and continue to monitor accounting updates as it relates to NSAM’s historical performance fees which will be subject to the revenue recognition provisions for variable consideration.

In February 2015, the FASB issued updated guidance that changes the rules regarding consolidation. The pronouncement eliminates specialized guidance for limited partnerships and similar legal entities and removes the indefinite deferral for certain investment funds. The new guidance is effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. NSAM adopted this guidance in the first quarter 2016 and determined the NSAM OP is considered a VIE. NSAM is the primary beneficiary of the VIE, the VIE’s assets can be used for purposes other than the settlement of the VIE’s obligations and NSAM’s partnership interest is considered a majority voting interest. As such, this standard did not have a material impact on NSAM’s historical consolidated financial position or results of operations.

In May 2015, the FASB issued updated guidance that removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The new guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015 and should be applied retrospectively to all periods presented. In the first quarter 2016, NSAM adopted this guidance and, as a result, the fair value of its interest in real estate private equity funds sponsored by Townsend of $21.0 million is not included in Level 3 within the fair value hierarchy as of December 31, 2016. NSAM did not have any investments measured using net asset value as of December 31, 2015.

In January 2016, the FASB issued an accounting update that addressed certain aspects of accounting and disclosure requirements of financial instruments, including the requirement that equity investments with readily determinable fair value be measured at fair value with changes in fair value recognized in results of operations. The new guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. NSAM does not have any equity investments with readily determinable fair value recorded as available-for-sale. Colony NorthStar does not believe that this guidance will have a material impact on its consolidated financial statements and related disclosures, as applicable, subsequent to the Mergers as it relates to NSAM's historical business.

In February 2016, the FASB issued an accounting update that sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The update requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase of the leased asset by the lessee. This classification will determine whether the lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The update is expected to result in the recognition of a right-to-use asset and related liability to account for NSAM's future obligations under its lease arrangements for which it is the lessee. As of December 31, 2016, the remaining contractual payments under lease agreements are discussed in Note 8. Additionally, the new update will require that lessees capitalize, as initial direct costs, only those costs that are incurred due to the execution of a lease. Under this guidance, allocated payroll costs and other costs that are incurred regardless of whether the lease is obtained will no longer be capitalized as initial direct costs and instead will be expensed as incurred. The new guidance is to be applied using a modified retrospective approach at the beginning of the earliest comparative period in the financial statements and is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Colony NorthStar continues to assess the potential effect that the adoption of the updated guidance will have on its consolidated financial statements and related disclosures, as applicable, subsequent to the Mergers as it relates to NSAM's historical business.

In March 2016, the FASB issued guidance which eliminates the requirement for an investor to retroactively apply the equity method when its increase in ownership interest (or degree of influence) in an investee triggers equity method accounting. The update requires that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investment become qualified for equity method accounting. The update should be applied prospectively upon their effective date to increases in the level of ownership interests or degree of influence that results in the adoption of the equity method. The guidance is effective for fiscal years beginning after December 15, 2016 and interim periods within those fiscal years. Colony NorthStar will adopt the new guidance prospectively on January 1, 2017 and does not expect the adoption of this standard to have a material impact on its consolidated financial statements and related disclosures, as applicable, subsequent to the Mergers as it relates to NSAM's historical business.

In March 2016, the FASB issued guidance which amends several aspects of the accounting for equity-based payment transactions, including the income tax consequences, increasing the fair value of shares applied for income tax withholding without triggering liability accounting, allowing forfeitures related to service condition to be recognized upon occurrence, classification of awards as either equity or liabilities and classification on the statements of cash flows. The guidance is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2016. Colony NorthStar will adopt the new guidance prospectively on January 1, 2017 and does not expect the adoption of this standard to have a material impact on its consolidated financial statements and related disclosures, as applicable, subsequent to the Mergers as it relates to NSAM's historical business.

In June 2016, the FASB issued guidance that changes the impairment model for most financial instruments by requiring companies to recognize an allowance for expected losses, rather than incurred losses as required currently by the other-than-temporary impairment model. The guidance will apply to most financial assets measured at amortized cost and certain other instruments, including trade and other receivables, loans, held-to-maturity debt securities, net investments in leases and off-balance-sheet credit exposures (e.g., loan commitments). The new guidance is effective for reporting periods beginning after December 15, 2019 and will be applied as a cumulative adjustment to retained earnings as of the effective date. Colony NorthStar is currently assessing the potential effect the adoption of this guidance will have on its consolidated financial statements and related disclosures, as applicable, subsequent to the Mergers as it relates to NSAM's historical business.

In August 2016, the FASB issued guidance that makes eight targeted changes to how cash receipts and cash payments are presented and classified in the statement of cash flows which includes clarifying how the predominance principle should be applied when cash receipts and cash payments have aspects of more than one class of cash flows, as well as requiring an accounting policy election for classification of distributions received from equity method investees using either the cumulative earnings or nature of distributions approach. The guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The new guidance requires adoption on a retrospective basis unless it is impracticable to apply, in which case the company would be required to apply the amendments prospectively as of the earliest date practicable. Colony NorthStar does not believe that this guidance will have a material impact on its consolidated financial statements and related disclosures, as applicable, subsequent to the Mergers as it relates to NSAM's historical business.

In November 2016, the FASB issued guidance which requires entities to show the changes in the total of cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. Entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. The guidance is effective for reporting periods beginning after December 15, 2017 and will be applied retrospectively to all periods presented. Colony NorthStar does not believe that this guidance will have a material impact on its consolidated financial statements and related disclosures, as applicable, subsequent to the Mergers as it relates to NSAM's historical business.

In January 2017, the FASB issued guidance to clarify the definition of a business under ASC 805. This new standard clarifies the definition of a business and provides a screen to determine when an integrated set of assets and activities is not a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. The guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. The amendments in this update will be applied on a prospective basis. Colony NorthStar does not believe that this guidance will have a material impact on its consolidated financial statements and related disclosures, as applicable, subsequent to the Mergers as it relates to NSAM's historical business.

In January 2017, the FASB issued guidance which removes Step 2 from the goodwill impairment test. The guidance is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Colony NorthStar anticipates early adoption of this guidance for the annual goodwill impairment test in 2017 for its consolidated financial statements and related disclosures, as applicable, subsequent to the Mergers as it relates to NSAM's historical business.

Results of Operations

Comparison of the Year Ended December 31, 2016 to December 31, 2015 (dollars in thousands):

The following table represents NSAM's results of operations for the years ended December 31, 2016 and 2015 (dollars in thousands):

	Years Ended December 31,		Increase (Decrease)	
	2016	2015	Amount	%
Revenues				
Asset management and other fees	$ 366,615	$ 307,988	$ 58,627	19.0 %
Selling commission and dealer manager fees	22,803	126,907	(104,104)	(82.0)%
Other income	9,124	926	8,198	885.3 %
Total revenues	398,542	435,821	(37,279)	(8.6)%
Expenses				
Commission expense	21,654	117,390	(95,736)	(81.6)%
Interest expense	25,914	778	25,136	3,230.8 %
Transaction costs	47,440	9,665	37,775	390.8 %
Other expenses	7,774	1,640	6,134	374.0 %
General and administrative expenses				
Compensation expense	159,820	125,817	34,003	27.0 %
Other general and administrative expenses	41,404	33,386	8,018	24.0 %
Total general and administrative expenses	201,224	159,203	42,021	26.4 %
Depreciation and amortization	10,020	1,880	8,140	433.0 %
Total expenses	314,026	290,556	23,470	8.1 %
Unrealized gain (loss) on investments and other	(4,492)	(4,274)	(218)	(5.1)%
Realized gain (loss) on investments and other	(16,226)	—	(16,226)	(100.0)%
Income (loss) before equity in earnings (losses) of unconsolidated ventures and income tax benefit (expense)	63,798	140,991	(77,193)	(54.8)%
Equity in earnings (losses) of unconsolidated ventures	(5,782)	1,625	(7,407)	(455.8)%
Income (loss) before income tax benefit (expense)	58,016	142,616	(84,600)	(59.3)%
Income tax benefit (expense)	(11,022)	(21,869)	10,847	49.6 %
Net income (loss)	$ 46,994	$ 120,747	(73,753)	(61.1)%

Asset Management and Other Fees

The following table presents asset management and other fees earned from the NorthStar Listed Companies, the Retail Companies and Townsend (dollars in thousands):

	Years Ended December 31, 2016	2015	Increase (Decrease)
NorthStar Listed Companies:			
Base fee	$ 200,833	$ 192,305	$ 8,528
Incentive fee	—	8,744	(8,744)
Subtotal NorthStar Listed Companies	200,833	201,049	(216)
Retail Companies:			
Asset management fees	72,235	54,280	17,955 (1)
Acquisition fees	19,656	48,702	(29,046) (2)
Disposition fees	7,703	3,957	3,746 (3)
Subtotal Retail Companies	99,594	106,939	(7,345)
Institutional Capital - Townsend:			
Management fees	54,797	—	54,797 (4)
Incentive fees	11,391	—	11,391 (4)
Subtotal Institutional Capital - Townsend	66,188	—	66,188
Total	$ 366,615	$ 307,988	$ 58,627

(1) The increase was driven by the growth in assets of the Retail Companies. The average invested assets of the Retail Companies for the years ended December 31, 2016 and 2015 is $6.8 billion and $5.8 billion, respectively.
(2) The decrease was due to less investment activity of the Retail Companies for the year ended 2016 as compared to 2015, with aggregate investment acquisitions of $1.8 billion in 2016 as compared to $2.8 billion in 2015.
(3) The increase was due to more repayment or disposition activity of the Retail Companies for the year ended 2016 as compared to 2015, with aggregate investment repayments or dispositions of $801.4 million in 2016 as compared to $280.6 million in 2015.
(4) NSAM began earning fees on January 29, 2016, or the Townsend Acquisition Date.

Selling Commission and Dealer Manager Fees

Selling commission and dealer manager fees represent fees earned for selling equity in the Retail Companies through NorthStar Securities. The Retail Companies offer various share class structures which have a range of selling commissions and dealer manager fees:

- Class A shares: selling commissions of up to 7% of gross offering proceeds raised and dealer manager fee of up to 3% of gross offering proceeds raised.
- Class T shares: selling commissions of up to 2% of gross offering proceeds raised and dealer manager fee of up to 2.75% of gross offering proceeds raised.
- Class D shares: no selling commissions and dealer manager fees of up to 2% of gross offering proceeds raised.
- Class I Shares: no selling commissions or dealer manager fees.

All or a portion of the dealer manager fees may be reallowed to participating broker-dealers and paid to certain employees of NorthStar Securities.

Certain of the Retail Companies' share classes, and currently the T share class, may include a trail commission commonly described as a distribution fee that are paid over time, of up to 1% per annum, to NorthStar Securities of which all or a portion may be reallowed to participating broker-dealers. NSAM recorded the present value of the expected future distribution fees receivable/income from certain Retail Companies and corresponding payable/expense to participating broker-dealers each of $5.1 million as of December 31, 2016.

Colony NorthStar continues to observe the market and may modify existing share classes or introduce a new share class to the Retail Companies in the future.

Selling commission and dealer manager fees decreased for the year ended December 31, 2016 as compared to the same period in 2015 mostly due to: (i) lower capital raising activity as NorthStar Healthcare completed its follow-on offering in January 2016 and NorthStar Income II completed its offering in November 2016; and (ii) raising capital from the sale of Class T shares which has lower selling commissions and dealer manager fees than Class A shares.

The following table presents equity raised by the Retail Companies for the periods presented (dollars in thousands):

	Years Ended December 31,[1]		
	2016	2015	
NorthStar Income	$ 43,546	$ 43,783	
NorthStar Healthcare	68,587	824,265	[2]
NorthStar Income II	278,214	553,300	[3]
NorthStar/RXR New York Metro	8,510	2,000	[4]
NorthStar Capital Fund	2,200	—	[5]
Total	$ 401,057	$ 1,423,348	

(1) Includes capital raised through distribution reinvestment plans of $100.0 million and $109.0 million for the years ended December 31, 2016 and 2015, respectively, for which NorthStar Securities did not earn selling commission or dealer manager fees.
(2) NorthStar Healthcare successfully completed its follow-on public offering on January 19, 2016. Equity raised for the year ended 2016 primarily represents proceeds from NorthStar Healthcare's distribution reinvestment plan for which NorthStar Securities did not earn commission income.
(3) For the year ended December 31, 2016, NSAM raised gross offering proceeds of $133.6 million from the sale of Class A shares, $144.6 million from the sale of Class T shares and $32.1 million from shares issued as part of distribution reinvestment plans. For the year ended December 31, 2015, NSAM raised gross offering proceeds of $536.1 million from the sale of Class A shares and $19.2 million from shares issued as part of distribution reinvestment plans. NorthStar Income II closed its initial public offering on November 9, 2016 and raised $1.1 billion in capital.
(4) NorthStar/RXR New York Metro's registration statement became effective in 2015 and began raising capital in 2016. Colony NorthStar expects the capital raise to accelerate in 2017.
(5) NorthStar Capital Fund's registration statement was declared effective by the SEC in May 2016. Colony NorthStar expects NorthStar Capital Fund to begin raising capital from third parties in the first half 2017.

Other Income

Other income in 2016 primarily includes $4.4 million of dividend income earned from common stock owned in the NorthStar Listed Companies, $3.5 million of gross management and other fees that NSAM was entitled to from January 14, 2016 to the Townsend Acquisition Date, which is recorded net of operating expenses of $1.8 million and $2.1 million of reimbursable expenses related to Townsend. Other income in 2015 primarily represents special servicing fees related to certain securitization transactions at the corporate level. NSAM was a rated special servicer by Standard & Poor's and Fitch Ratings and NSAM received special servicing fees for services related to certain securitization transactions.

Expenses

Commission Expense

Commission expense represents fees to participating broker-dealers with whom NorthStar Securities has selling agreements to raise capital for the Retail Companies and commissions to employees of NorthStar Securities. For the years ended December 31, 2016 and 2015, NSAM paid $2.7 million and $14.0 million, respectively, to NorthStar Securities employees. Selling commission, dealer manager fees and commission expense decreased for the year ended December 31, 2016 as compared to the same period in 2015 mostly due to: (i) lower capital raising activity as NorthStar Healthcare completed its follow-on offering in January 2016 and NorthStar Income II completed its offering in November 2016; and (ii) raising capital from the sale of Class T shares which has lower selling commissions and dealer manager fee than Class A shares.

Interest Expense

Interest expense relates to a $500.0 million term loan, or Term Loan, that NSAM entered into in January 2016 in NSAM's corporate segment.

Transaction Costs

Transaction costs represent costs such as professional fees associated with new investments, merger related costs, dead deal costs and restructuring costs which are related to specific transactions. For the year ended December 31, 2016, transaction costs of $47.4 million primarily related to the Mergers of $37.7 million in NSAM's corporate segment and $7.2 million associated with the acquisition of NSAM's interest in Townsend in NSAM's direct investments segment. For the year ended December 31, 2015, transaction costs represent costs such as a one-time buyout in satisfaction of all participating interests related to NorthStar Income in NSAM's corporate segment and professional fees associated with the acquisition of NSAM's interest in Townsend in NSAM's direct investments segment.

Other Expenses

Other expenses increased primarily due to $2.1 million of reimbursable expenses and $1.0 million of commission expense related to Townsend in NSAM's direct investments segment and $2.5 million of incremental base management fees to AHI and $1.0 million impairment of a convertible debt investment in NSAM's corporate segment. Other expenses in 2015 primarily related to the base management fees NSAM incurred to AHI in NSAM's corporate segment.

General and Administrative Expenses

General and administrative expenses are principally incurred at the corporate level except as it relates to direct compensation expenses and other costs incurred at NorthStar Securities, which is part of NSAM's broker-dealer segment and Townsend, which is part of NSAM's direct investments segment. In addition, the amount of general and administrative expenses reflects an offset from an allocation of costs to the NorthStar Listed Companies and the Retail Companies of $34.8 million and $46.9 million for the years ended December 31, 2016 and 2015, respectively. General and administrative expenses increased $42.0 million primarily attributable to the following:

The following table presents compensation expense for the years ended December 31, 2016 and 2015 (dollars in thousands):

	Years Ended December 31,		Increase (Decrease)
	2016	2015	
Salaries and related expenses	$ 98,243	$ 68,349	$ 29,894
Equity-based compensation expense	61,577	57,468	4,109
Total	$ 159,820	$ 125,817	$ 34,003

Compensation expense increased $34.0 million primarily due to the acquisition of Townsend and a decrease in allocation of costs to the NorthStar Listed Companies and the Retail Companies.

Other general and administrative expenses increased $8.0 million primarily due to the acquisition of Townsend, increased professional fees and a decrease in allocation of costs to the NorthStar Listed Companies and the Retail Companies.

Unrealized Gain (Loss) on Investments and Other

Unrealized gain (loss) on investments and other is primarily related to the non-cash change in fair value for the investment in the NorthStar Listed Companies common stock.

Realized Gain (Loss) on Investments and Other

Realized gain (loss) on investments and other is primarily related to the loss on the sale of the Island Interest in connection with the Mergers.

Equity in earnings (losses) of unconsolidated ventures

The following table presents equity in earnings (losses) of unconsolidated ventures for the years ended December 31, 2016 and 2015 (dollars in thousands):

		Years Ended December 31,					
		2016			2015		
Investment	Acquisition Date	Operating Income (Loss)	Non-cash Income (Expense)	Equity in Earnings (Losses)	Operating Income (Loss)	Non-cash Income (Expense)	Equity in Earnings (Losses)
AHI Interest	Dec-14	$ 4,046	$ (12,313) (1)	$ (8,267)	$ 9,204	$ (11,056) (1)	$ (1,852)
Island Interest	Jan-15	6,286	(1,799) (2)	4,487	6,200	(1,757) (2)	4,443
Distributed Finance	Jun-14	(252)	(2,426) (3)	(2,678)	(966)	—	(966)
Total		$ 10,080	$ (16,538)	$ (6,458) (4)	$ 14,438	$ (12,813)	$ 1,625

(1) Includes equity-based compensation expense and depreciation and amortization.
(2) Represents depreciation and amortization.
(3) Represents an impairment loss.
(4) Excludes NSAM's portion of equity in earnings (losses) from the Townsend Funds of $0.7 million.

Income Tax Benefit (Expense)

The change for the year ended December 31, 2016 as compared to the same period in 2015 is primarily due to the distribution of earnings between tax jurisdictions, interest expense on the Term Loan, transaction costs, a valuation allowance related to the sale of the Island Interest, equity-based compensation and additional deductions related to the acquisition of Townsend.

Comparison of the Year Ended December 31, 2015 to December 31, 2014 (dollars in thousands):

The following table represents NSAM's results of operations for the years ended December 31, 2015 and 2014 (dollars in thousands):

	Years Ended December 31,		Increase (Decrease)	
	2015	2014	Amount	%
Revenues				
Asset management and other fees	$ 307,988	$ 147,738	$ 160,250	108.5 %
Selling commission and dealer manager fees	126,907	110,563	16,344	14.8 %
Other income	926	841	85	10.1 %
Total revenues	435,821	259,142	176,679	68.2 %
Expenses				
Commission expense	117,390	104,428	12,962	12.4 %
Interest expense	778	—	778	100.0 %
Transaction costs	9,665	24,476	(14,811)	(60.5)%
Other expenses	1,640	601	1,039	172.9 %
General and administrative expenses				
Compensation expense	125,817	88,855	36,962	41.6 %
Other general and administrative expenses	33,386	17,717	15,669	88.4 %
Total general and administrative expenses	159,203	106,572	52,631	49.4 %
Depreciation and amortization	1,880	894	986	110.3 %
Total expenses	290,556	236,971	53,585	22.6 %
Unrealized gain (loss) on investments and other	(4,274)	(410)	(3,864)	(942.4)%
Income (loss) before equity in earnings (losses) of unconsolidated ventures and income tax benefit (expense)	140,991	21,761	119,230	547.9 %
Equity in earnings (losses) of unconsolidated ventures	1,625	(1,039)	2,664	256.4 %
Income (loss) before income tax benefit (expense)	142,616	20,722	121,894	588.2 %
Income tax benefit (expense)	(21,869)	(1,622)	(20,247)	(1,248.3)%
Net income (loss)	$ 120,747	$ 19,100	$ 101,647	532.2 %

Asset Management and Other Fees

The following table presents asset management and other fees earned from the NorthStar Listed Companies, the Retail Companies and Townsend (dollars in thousands):

	Years Ended December 31,		Increase (Decrease)
	2015	2014	
NorthStar Listed Companies:			
Base fee	$ 192,305	$ 79,443	$ 112,862
Incentive fee	8,744	3,316	5,428
Subtotal NorthStar Listed Companies	201,049	82,759	118,290
Retail Companies:			
Asset management fees	54,280	27,975	26,305 (1)
Acquisition fees	48,702	34,548	14,154 (2)
Disposition fees	3,957	2,456	1,501 (3)
Subtotal Retail Companies	106,939	64,979	41,960
Total	$ 307,988	$ 147,738	$ 160,250

(1) The increase was driven by the growth in assets of the Retail Companies. The average invested assets of the Retail Companies for the years ended December 31, 2015 and 2014 is $5.8 billion and $2.3 billion, respectively.
(2) The increase was due to more investment activity of the Retail Companies for the year ended 2015 as compared to 2014, with aggregate investment acquisitions of $2.8 billion in 2015 as compared to $2.4 billion in 2014.
(3) The increase was due to more repayment or disposition activity of the Retail Companies for the year ended 2015 as compared to 2014, with aggregate investment repayments or dispositions of $280.6 million in 2015 as compared to $259.2 million in 2014.

Selling Commission and Dealer Manager Fees

Selling commission and dealer manager fees represent fees earned for selling equity in the Retail Companies through NorthStar Securities. The Retail Companies offer various share class structures which have a range of selling commissions and dealer manager fees:

- Class A shares: selling commissions of up to 7% of gross offering proceeds raised and dealer manager fee of up to 3% of gross offering proceeds raised.

- Class T shares: selling commissions of up to 2% of gross offering proceeds raised and dealer manager fee of up to 2.75% of gross offering proceeds raised.

All or a portion of the dealer manager fees may be reallowed to participating broker-dealers and paid to certain employees of NorthStar Securities.

The T share class includes a trail commission commonly described as a distribution fee that are paid over time, of up to 1% per annum, to NorthStar Securities of which all or a portion may be reallowed to participating broker-dealers.

Colony NorthStar continues to observe the market and may modify existing share classes or introduce a new share class to the Retail Companies in the future.

Selling commission and dealer manager fees increased for the year ended December 31, 2015 as compared to the same period in 2014 mostly due to the acceleration of the capital raising pace at NorthStar Income II.

The following table presents equity raised by the Retail Companies for the periods presented (dollars in thousands):

	Years Ended December 31,[(1)]	
	2015	2014
NorthStar Income	$ 43,783	$ 42,661
NorthStar Healthcare	824,265	867,245
NorthStar Income II	553,300	280,296 [(2)]
NorthStar/RXR New York Metro	2,000	— [(3)]
Total	$ 1,423,348	$ 1,190,202

(1) Includes capital raised through distribution reinvestment plans of $109.0 million and $59.0 million for the years ended December 31, 2015 and 2014, respectively, for which NorthStar Securities did not earn selling commission or dealer manager fees.
(2) Capital raising pace at NorthStar Income II accelerated in 2015 compared to 2014.
(3) NorthStar/RXR New York Metro's registration statement became effective in 2015 and began raising capital in 2016.

Other Income

Other income primarily represents special servicing fees related to certain securitization transactions at the corporate level. NSAM was a rated special servicer by Standard & Poor's and Fitch Ratings and NSAM received special servicing fees for services related to certain securitization transactions.

Expenses

Commission Expense

Commission expense represents fees to participating broker-dealers with whom NorthStar Securities has selling agreements to raise capital for the Retail Companies and commissions to employees of NorthStar Securities. For the years ended December 31, 2015 and 2014, NSAM paid $14.0 million and $13.8 million, respectively, to NorthStar Securities employees. Selling commission, dealer manager fees and commission expense increased due to higher capital raising activity for the year ended December 31, 2015 as compared to the same period in 2014.

Interest Expense

Interest expense relates to the revolving credit agreement that NSAM entered into in November 2015, in NSAM's corporate segment.

Transaction Costs

For the year ended December 31, 2015, transaction costs represent a one-time buyout in satisfaction of all participating interests related to NorthStar Income in NSAM's corporate segment and professional fees associated with the acquisition of NSAM's interest in Townsend in NSAM's direct investments segment. For the year ended December 31, 2014, transaction costs represents costs such as professional fees associated with the NSAM Spin-off in NSAM's corporate segment.

Other Expenses

Other expenses increased primarily due to the base management fees NSAM incurred to AHI for the year ended December 31, 2015 in NSAM's corporate segment. Such fees began in December 2014.

General and Administrative Expenses

General and administrative expenses are principally incurred at the corporate level except as it relates to direct compensation expenses and other costs incurred at NorthStar Securities, which is part of NSAM's broker-dealer segment. In addition, the amount of general and administrative expenses reflects an offset from an allocation of costs to the NorthStar Listed Companies and the Retail Companies of $46.9 million and $37.0 million for the years ended December 31, 2015 and 2014, respectively. General and administrative expenses increased $52.6 million primarily attributable to the following:

The following table presents compensation expense for the years ended December 31, 2015 and 2014 (dollars in thousands):

	Years Ended December 31,		Increase (Decrease)
	2015	2014	
Salaries and related expenses	$ 68,349	$ 37,205	$ 31,144
Equity-based compensation expense	57,468	51,650	5,818
Total	$ 125,817	$ 88,855	$ 36,962

Compensation expense increased $37.0 million primarily due to most employees of NorthStar Realty becoming NSAM's employees upon the NSAM Spin-off as well as hiring additional employees for increased activity at the NorthStar Listed Companies and the Retail Companies.

Other general and administrative expenses increased $15.7 million primarily due to the NSAM Spin-off as the 2014 amount represented an allocation of other general and administrative expense related to NorthStar Realty's historical asset management business for the six months ended June 30, 2014 and increased costs related to occupancy and professional fees.

Unrealized Gain (Loss) on Investments and Other

Unrealized gain (loss) on investments and other is primarily related to the non-cash change in fair value for the investment in NorthStar Realty's common stock.

Equity in earnings (losses) of unconsolidated ventures

The following table presents equity in earnings (losses) of unconsolidated ventures for the year ended or for the period from the respective acquisition date through December 31, 2015 and for the period from the respective acquisition date through December 31, 2014 (dollars in thousands):

		Years Ended December 31,					
		2015			2014		
Investment	Acquisition Date	Operating Income (Loss)	Non-cash Income (Expense)	Equity in Earnings (Losses)	Operating Income (Loss)	Non-cash Income (Expense)	Equity in Earnings (Losses)
AHI Interest	Dec-14	$ 9,204	$ (11,056) (1)	$ (1,852)	$ 331	$ (1,015) (1)	$ (684)
Island Interest	Jan-15	6,200	(1,757) (2)	4,443	—	—	—
Distributed Finance	Jun-14	(966)	—	(966)	(355)	—	(355)
Total		$ 14,438	$ (12,813)	$ 1,625	$ (24)	$ (1,015)	$ (1,039)

(1) Includes equity-based compensation expense and depreciation and amortization.
(2) Represents depreciation and amortization.

Income Tax Benefit (Expense)

Subsequent to the NSAM Spin-off, NSAM became subject to both domestic and international income tax, as such, there was no income tax benefit (expense) for the six months ended June 30, 2014. The increase is primarily due to a one-time valuation allowance in 2014 and the distribution of earnings between tax jurisdictions in 2015 compared to 2014.

Liquidity and Capital Resources

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

- acquisitions of our target assets and related ongoing commitments;
- our general partner commitments to our future funds and co-investment commitments to other investment vehicles;
- our operations, including compensation, administrative and overhead costs;

- distributions to our stockholders;
- principal and interest payments on our borrowings; and
- income tax liabilities of taxable REIT subsidiaries and of the Company subject to limitations as a REIT.

Our current primary sources of liquidity are:

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

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 will require that we distribute to our stockholders 90% of our taxable income, which may constrain our ability to accumulate operating cash flow. In connection with the Mergers, the Operating Partnership entered into a revolving credit facility with an aggregate principal amount of up to $1 billion with JP Morgan Chase as lender and administrative agent and several lenders.

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. The board of directors will determine an appropriate common stock dividend based upon numerous factors, including cash available for distribution, availability of existing cash balances, general economic conditions and economic conditions that more specifically impacted our business or prospects. 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 could 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.

Sources of Operating Revenues and Cash Flow

Colony NorthStar will primarily generate revenue from net operating income comprised of property related revenues less property operating expenses. In addition, we will generate interest income from commercial real estate related loans and securities and will generate equity in earnings from investments in unconsolidated joint ventures. Our income from such segments will be partially offset by interest expense associated with borrowings against our investments. Finally, we expect to generate fee revenue from our investment management segment through the management of various types of investment products, including both institutional and retail capital. Our overall operating income generated from our investment portfolio and investment management segment will be partially offset by interest expense associated with corporate level borrowing and cash general and administrative and other expenses.

Cash Flows

The following presents a summary of NSAM's consolidated statements of cash flows for the years ended December 31, 2016, 2015 and 2014. NSAM historically generated revenue from asset management and other fee income pursuant to contractual arrangements with the NorthStar Listed Companies, the Retail Companies and through its interest in Townsend. NSAM also generated revenue from commission income from selling equity in the Retail Companies and recorded equity in earnings (losses) and received distributions from investments in unconsolidated ventures. The cash flow information presented and discussed does not represent what Colony NorthStar's cash flows from operations, investing, financing and effects of foreign currency will be subsequent to the Mergers (dollars in thousands):

	Years Ended December 31,		
Cash flows provided by (used in):	**2016**	**2015**	**2014[(1)]**
Operating activities	$ 168,749	$ 169,412	$ 46,721
Investing activities	(383,193)	(72,639)	(43,582)
Financing activities	261,940	(120,736)	98,933
Effect of foreign exchange rate changes on cash	(537)	(529)	(410)
Net increase (decrease) in cash	$ 46,959	$ (24,492)	$ 101,662

(1) The consolidated statement of cash flows for the year ended December 31, 2014 includes: (i) NSAM's cash flows for the six months ended December 31, 2014, which represents NSAM's cash flows following the NSAM Spin-off; and (ii) NSAM's cash flows for the six months ended June 30, 2014, which represents a carve-out of NSAM's historical financial information including revenues and expenses attributable to NSAM related to NorthStar Realty's historical asset management business. As a result, the years ended December 31, 2016 and 2015 may not be comparable to 2014.

Year Ended December 31, 2016 Compared to December 31, 2015

Net cash provided by operating activities was $169 million for the year ended December 31, 2016 and 2015. The activity in 2016 as compared to 2015 primarily related to the timing of receipt of the NorthStar Realty management fee, more asset management fees from the Retail Companies and operating income from the acquisition of Townsend partially offset by the payment of transaction costs related to the Mergers and acquisition of Townsend and less acquisition fees from the Retail Companies.

Net cash used in investing activities was $383 million for the year ended December 31, 2016 compared to $73 million for the year ended December 31, 2015. The increase was primarily due to the acquisition of Townsend in January 2016.

Net cash provided by financing activities was $262 million for the year ended December 31, 2016 compared to $121 million used in financing activities for the year ended December 31, 2015. Cash flows provided from financing activities for the year ended December 31, 2016 was due to entering into the Term Loan, partially offset by the repayment of the credit facility of $100 million, $76 million for the payment of dividends, $18 million net cash payment on repurchase of shares related to equity-based awards and tax withholding and $5 million for the distributions to redeemable non-controlling interests. Cash flows used for financing activities for the year ended December 31, 2015 was primarily due to $105 million for the retirement of NSAM's shares, $78 million for the payment of dividends, $17 million for the call spread premium and $19 million for withholding tax related to vesting and net settlement of restricted stock units, or RSUs, partially offset by $100 million borrowed under the credit facility.

Year Ended December 31, 2015 Compared to December 31, 2014

Net cash provided by operating activities was $169 million for the year ended December 31, 2015 compared to $47 million provided by operating activities for the year ended December 31, 2014. The increase was primarily due to fees beginning to be earned on July 1, 2014 from NorthStar Realty and an increase in asset management and other fees from the Retail Companies primarily due to more investment activity. Year ended December 31, 2015 excludes $54 million of fees received subsequent to December 31, 2015.

Net cash used in investing activities was $73 million for the year ended December 31, 2015 compared to $44 million used in investment activities for the year ended December 31, 2014. The increase was due to the acquisition of the Island Interest and the purchase of shares of NorthStar Realty in 2015, compared to the acquisition of the AHI Interest and interest in Distributed Finance Corporation, or Distributed Finance, in 2014.

Net cash used in financing activities was $121 million for the year ended December 31, 2015 compared to $99 million provided by financing activities for the year ended December 31, 2014. Cash flows used in financing activities for the year ended December 31, 2015 was primarily due to $105 million for the retirement of NSAM's shares, $78 million for the payment of dividends, $17 million for the call spread premium and $19 million for withholding tax related to vesting and net settlement of restricted stock units, or RSUs, partially offset by $100 million borrowed under the credit facility. Cash flows provided by financing activities for the year ended December 31, 2014 was primarily due to NSAM's initial capitalization from NorthStar Realty, partially offset by the payment of dividends.

Contractual Obligations and Commitments

The following table presents NSAM's contractual obligations and commitments as of December 31, 2016. The contractual obligations and commitments presented and discussed do not represent what Colony NorthStar's contractual obligations and commitments will be subsequent to the Mergers (dollars in thousands):

		2017	2018-2019	2020-2021	Thereafter
	Total	Less than 1 year	1 – 3 years	3 – 5 years	More than 5 years
Operating leases[1]	$ 8,779	$ 4,956	$ 3,455	$ 368	$ —
Term Loan[2]	496,250	496,250	—	—	—
Unfunded Commitments[3]	9,633	9,633	—	—	—
Total	$ 514,662	$ 510,839	$ 3,455	$ 368	$ —

(1)As of December 31, 2016, NSAM had contractual commitments under operating leases for NSAM's offices (refer to Commitments and Contingencies in Part II, Item 8. "Financial Statements and Supplementary Data" for further discussion).
(2)The Term Loan was repaid in January 2017 in connection with the Mergers.
(3)Represents commitments to co-invest approximately 1% of the total unfunded commitments in the Townsend Funds. Such amounts are due on demand and therefore presented as obligations due in less than one year.

NSAM entered into fee arrangements with service providers and advisors pursuant to which certain fees incurred by NSAM in connection with the Mergers became payable upon consummation of the Mergers. NSAM incurred other fees and costs related to the Mergers, including compensation expenses to executives and employees related to severance, retention and related costs. In January 2017 in connection with the Mergers, NSAM incurred approximately $32 million of costs to third parties, excluding compensation costs.

On December 22, 2016, NSAM declared a special dividend for its common stockholders of $228 million or approximately $1.16 per share contingent upon consummation of the Mergers. The special dividend was paid on January 27, 2017 to common stockholders of record as of the close of business on January 3, 2017.

Off-Balance Sheet Arrangements

As of December 31, 2016, NSAM had certain arrangements which do not meet the definition of off-balance sheet arrangements, but do have some of the characteristics of off-balance sheet arrangements such as certain of NSAM's investments in asset management businesses. Refer to Note 4. "Investments in Unconsolidated Ventures" in Item 8. "Financial Statements and Supplementary Data" for a discussion of such unconsolidated ventures in NSAM's consolidated financial statements. NSAM's exposure to loss is limited to the carrying value of its investment.

Related Party Arrangements

The following disclosures of related party arrangements are that of NSAM prior to the Mergers:

NorthStar Realty

Investment Opportunities

Under the management agreement with NorthStar Realty prior to the Mergers, NorthStar Realty agreed to make available to NSAM for the benefit of the NorthStar Listed Companies and the Retail Companies, including NorthStar Realty, all investment opportunities sourced by NorthStar Realty. NSAM agreed to fairly allocate such opportunities among the NorthStar Listed Companies and the Retail Companies, including NorthStar Realty, in accordance with NSAM's investment allocation policy. Pursuant to the management agreement, NorthStar Realty is entitled to fair and reasonable compensation for its services in connection with any loan origination opportunities sourced by it, which may include first mortgage loans, subordinate mortgage interests, mezzanine loans and preferred equity interests, in each case relating to commercial real estate. For the year ended December 31, 2016, NSAM incurred $1 million to NorthStar Realty for services in connection with loan origination opportunities.

NSAM provided services with regard to such areas as payroll, human resources and employee benefits, financial systems management, treasury and cash management, accounts payable services, telecommunications services, information technology services, property management services, legal and accounting services and various other corporate services to NorthStar Realty as it related to its loan origination business for CRE debt.

Credit Agreement

In connection with the NSAM Spin-off, NSAM entered into a revolving credit agreement with NorthStar Realty pursuant to which NorthStar Realty makes available to NSAM, on an "as available basis," up to $250 million of financing with a maturity of June 30, 2019 at LIBOR plus 3.50%. The revolving credit facility was unsecured. The terms of the revolving credit facility contained various representations, warranties, covenants and conditions, including the condition that NorthStar Realty's obligation to advance proceeds to NSAM is dependent upon NorthStar Realty and its affiliates having at least $100 million of either unrestricted cash and cash equivalents or amounts available under committed lines of credit, after taking into account the amount NSAM seeks to draw under the facility. As of December 31, 2016, NSAM had no borrowings outstanding under the credit agreement. In January 2017, NSAM borrowed $40 million under the credit agreement, which was eliminated in connection with the Mergers.

Loan Agreements

Separately, in January 2017 and prior to the Mergers, affiliates of NSAM entered into loan agreements with affiliates of NorthStar Realty in the aggregate amount of $500.9 million with a maturity of January 10, 2027 at 8.0%. Such intercompany loans remain outstanding between subsidiaries of Colony NorthStar subsequent to the Mergers.

NorthStar Listed Companies Shares

NSAM purchased 2.7 million and 0.2 million shares of NorthStar Realty and NorthStar Europe, respectively, in the open market for $52 million in the aggregate. For the year ended December 31, 2016, NSAM recorded an unrealized loss of $4 million and recorded $4 million of related dividend income.

Recent Sales or Commitments to Sell to the Retail Companies

During 2016, NorthStar Realty entered into agreements to sell certain assets to the Retail Companies. The board of directors of each Retail Company, including all of the independent directors, approved of the respective transactions after considering, among other matters, third party pricing support.

Healthcare Strategic Joint Venture

In January 2014, NSAM entered into a long-term strategic partnership with James F. Flaherty III, former Chief Executive Officer of HCP, Inc., focused on expanding its healthcare business into a preeminent healthcare platform, or the Healthcare Strategic Partnership. In connection with the partnership, Mr. Flaherty oversees both NorthStar Realty's healthcare real estate portfolio and the portfolio of NorthStar Healthcare. In connection with entering into the partnership, NorthStar Realty granted Mr. Flaherty certain RSUs, half of which became RSUs of NSAM as a result of the NSAM Spin-off. The Healthcare Strategic Partnership is entitled to incentive fees ranging from 20% to 25% above certain hurdles for new and existing healthcare real estate investments held by NorthStar Realty and NorthStar Healthcare. The Healthcare Strategic Partnership is also entitled to any incentive fees earned from NorthStar Healthcare or any future healthcare retail vehicles sponsored by NSAM, NorthStar Realty or any affiliates, as well as future healthcare retail vehicles sponsored by AHI Ventures. For the year ended December 31, 2016, NSAM did not earn incentive fees related to the Healthcare Strategic Partnership.

On February 2, 2015, in connection with the completion of NorthStar Healthcare's initial primary offering, NSAM issued 20,305 RSUs to Mr. Flaherty. On December 17, 2015, in connection with the completion of NorthStar Healthcare's follow-on public offering, NSAM issued 139,473 RSUs to Mr. Flaherty. On January 19, 2016, NSAM issued an additional 527 RSUs to Mr. Flaherty.

AHI Venture

In connection with NSAM's 43% interest in AHI, or AHI Interest, AHI Newco, LLC, or AHI Ventures, a direct wholly-owned subsidiary of AHI, provides certain asset management, property management and other services to affiliates of NSAM assisting in managing the current and future healthcare assets (excluding any joint venture assets) of NorthStar Realty and other Retail Companies, including the assets formerly owned by Griffin-American, and its former operating partnership, Griffin-American Healthcare REIT II Holdings, LP, or Griffin-America OP portfolio, and third party assets, representing $8 billion, of which $5 billion is owned by NorthStar Realty and NorthStar Healthcare. AHI Ventures receives a base management fee of $2 million per year plus an additional 0.50% on certain additional equity invested by NorthStar Realty or NorthStar Healthcare in future healthcare assets (excluding assets in the Griffin-American OP portfolio and other joint ventures) that AHI Ventures may manage. AHI Ventures may also participate in the incentive fees earned by NSAM and its affiliates with respect to new and existing healthcare real estate investments held by NorthStar Realty and NorthStar Healthcare, including the Griffin-American OP portfolio, any future healthcare retail vehicles sponsored by NSAM, NorthStar Realty or any affiliates, as well as any future healthcare retail vehicles sponsored by AHI Ventures. AHI Ventures would also be entitled to additional base management fees should it manage assets on behalf of any other NorthStar Listed Companies and the Retail Companies. AHI Ventures also intends to directly or indirectly sponsor, co-sponsor, form, register, market, advise, manage and/or operate investment vehicles that are intended to invest primarily in healthcare real estate assets. In addition, Mr. Flaherty acquired a 12% interest, as adjusted, in AHI Ventures. For the year ended December 31, 2016, NSAM incurred $3 million of base management fees to AHI. Also, AHI provides certain asset management, property management and other services to NorthStar Realty to assist in managing its properties. For the year ended December 31, 2016, NorthStar Realty incurred $2 million of property management fees to AHI.

In April 2015, Griffin-American Healthcare REIT III, Inc., a vehicle managed by an affiliate of AHI, distributed shares of its common stock to the members of AHI Ventures, of which NSAM received 0.2 million shares in connection with the distribution.

Island Venture

Island provides certain asset management, property management and other services to NorthStar Realty to assist in managing its hotel properties. Island receives a base management fee of 2.5% to 3.0% of the current monthly revenue of the NorthStar Realty hotel properties it manages for NorthStar Realty. For the year ended December 31, 2016, NorthStar Realty incurred $18 million of base property management and other fees to Island. In December 2016, in connection with the Mergers, NSAM sold the Island Interest for a note receivable of $29 million that matures in January 2027 at 8% and cash of $3 million.

Recent Developments

Colony NorthStar

On January 10, 2017, NSAM completed the tri-party merger with Colony and NorthStar Realty under which the companies combined in an all-stock merger of equals transaction to create an internally-managed, diversified real estate and investment management company. The Mergers create a global equity REIT with an embedded investment management platform with increase scale and capabilities with approximately $56 billion of assets under management.

Under the terms of the merger agreement, NSAM redomesticated to Maryland and elected to be treated as a REIT beginning in 2017 and Colony and NorthStar Realty, through a series of transactions, merged with and into the redomesticated NSAM, which was renamed Colony NorthStar, Inc. NSAM's common stockholders received one share of Colony NorthStar's common stock for each share of NSAM common stock they owned. NSAM's stockholders received approximately 32.85%, Colony stockholders received approximately 33.25% and NorthStar Realty stockholders received approximately 33.90% of the combined company on a fully diluted basis, excluding the effect of certain equity-based awards issued in 2017 in connection with the Mergers.

Healthcare Joint Venture

In January 2017, Colony NorthStar completed the sale of an 18.7% interest in its healthcare real estate portfolio for net proceeds of approximately $340 million. The healthcare real estate portfolio is currently comprised of the Company's ownership interest, excluding existing minority interest holders, in 191 senior housing properties, 114 medical office properties, 14 hospitals and 107 skilled nursing facilities (such properties collectively referred to as the "Healthcare Properties"). The transaction represents an implied valuation for the Healthcare Properties of approximately $5 billion.

Dividends

On December 22, 2016, NSAM declared a special dividend for its common stockholders of $228 million or approximately $1.16 per share contingent upon consummation of the Mergers. The common stock dividend was paid on January 27, 2017 to stockholders of record as of the close of business on January 3, 2017.

Credit Facility

In connection with the Mergers, the Operating Partnership entered into a revolving credit facility with an aggregate principal amount of up to $1 billion with JP Morgan Chase Bank, N.A. as administrative agent and the several lenders that are parties thereto. This facility matures in January 2021 and includes two six-month extension options.

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

Credit Risk

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

In addition, our investments in unconsolidated joint ventures and loans receivable are 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 by the joint ventures, as well as external factors that may affect their value.

For more information, refer to Part I. Item 1. “Business—Risk Management.”

Interest Rate and Credit Curve Spread Risk

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

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

Foreign Currency Exchange Rate Risk

We have foreign currency rate exposures related to our foreign currency-denominated investments. Changes in foreign currency rates can adversely affect the fair values and earnings of our non-U.S. holdings. We mitigate this risk by utilizing currency instruments to hedge the capital portion of our foreign currency risk. The types of hedging instruments that we may employ on our foreign currency denominated investments are forwards and costless collars (buying a protective put while writing an out-of-the-money covered call with a strike price at which the premium received is equal to the premium of the protective put purchased) which involved no initial capital outlay.

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 U.S. 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 and Supplementary Data

The historical consolidated financial statements and the notes thereto, together with the independent registered public accounting firm's reports thereon, included herein. represent NorthStar Asset Management Group Inc.'s, or NSAM, prior to the Mergers, as defined in Note 1, consolidated balance sheets, statements of operations, other comprehensive income and cash flows. As such, the consolidated financial statements included herein do not reflect the Colony NorthStar, Inc.'s, or Colony NorthStar, consolidated balance sheets, statements of operations, other comprehensive income and cash flows in the future or what Colony NorthStar's consolidated balance sheets, statements of operations, other comprehensive income and cash flows would have been had NSAM been merged with Colony Capital, Inc., or Colony, and NorthStar Realty Finance Corp., or NorthStar Realty, during the historical periods presented.

Index to Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders of Colony NorthStar, Inc.

We have audited the accompanying consolidated balance sheets of NorthStar Asset Management Group Inc. (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of operations, equity, and cash flows for each of the three years in the period ended December 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NorthStar Asset Management Group Inc. and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016 in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2016, based on criteria established in the 2013 Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 28, 2017 expressed an unqualified opinion.

/s/ GRANT THORNTON LLP

New York, New York
February 28, 2017

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders of Colony NorthStar, Inc.

We have audited the internal control over financial reporting of NorthStar Asset Management Group Inc. (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2016, based on criteria established in the 2013 Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). 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 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 conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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.

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.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in the 2013 Internal Control—Integrated Framework issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended December 31, 2016, and our report dated February 28, 2017 expressed an unqualified opinion on those financial statements.

/s/ GRANT THORNTON LLP

New York, New York
February 28, 2017

NORTHSTAR ASSET MANAGEMENT GROUP INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in Thousands, Except Per Share Data)

	December 31,	
	2016	2015
Assets		
Cash	$ 131,666	$ 84,707
Restricted cash	22,477	36,780
Receivables, net (refer to Note 3)	71,423	93,809
Investments in unconsolidated ventures (refer to Note 4)	55,836	88,069
Securities, at fair value (refer to Note 6)	44,210	46,215
Intangible assets, net	201,631	—
Goodwill	243,328	—
Other assets	80,056	25,241
Total assets	$ 850,627	$ 374,821
Liabilities		
Term loan, net	$ 468,425	$ —
Credit facility	—	100,000
Accounts payable and accrued expenses	85,503	90,160
Commission payable	5,662	6,988
Other liabilities	30,847	930
Total liabilities	590,437	198,078
Commitments and contingencies		
Redeemable non-controlling interests	74,525	—
Equity		
NorthStar Asset Management Group Inc. Stockholders' Equity		
Performance common stock, $0.01 par value, 500,000,000 shares authorized, 5,210,113 and 4,213,156 shares issued and outstanding as of December 31, 2016 and 2015, respectively	52	42
Preferred stock, $0.01 par value, 100,000,000 shares authorized, no shares issued and outstanding as of December 31, 2016 and 2015	—	—
Common stock, $0.01 par value, 1,000,000,000 shares authorized, 188,429,725 and 185,685,124 shares issued and outstanding as of December 31, 2016 and 2015, respectively	1,884	1,857
Additional paid-in capital	250,997	208,318
Accumulated other comprehensive income (loss)	(280)	—
Retained earnings (accumulated deficit)	(68,541)	(35,152)
Total NorthStar Asset Management Group Inc. stockholders' equity	184,112	175,065
Non-controlling interests	1,553	1,678
Total equity	185,665	176,743
Total liabilities and equity	$ 850,627	$ 374,821

Refer to accompanying notes to consolidated financial statements.

NORTHSTAR ASSET MANAGEMENT GROUP INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in Thousands, Except Per Share Data)

	Years Ended December 31,		
	2016	2015	2014[(1)]
Revenues			
Asset management and other fees (refer to Note 3) [(2)]	$ 366,615	$ 307,988	$ 147,738
Selling commission and dealer manager fees (refer to Note 3)	22,803	126,907	110,563
Other income	9,124	926	841
Total revenues	398,542	435,821	259,142
Expenses			
Commission expense (refer to Note 3)	21,654	117,390	104,428
Interest expense	25,914	778	—
Transaction costs	47,440	9,665	24,476
Other expenses	7,774	1,640	601
General and administrative expenses			
Compensation expense[(3)]	159,820	125,817	88,855
Other general and administrative expenses	41,404	33,386	17,717
Total general and administrative expenses	201,224	159,203	106,572
Depreciation and amortization	10,020	1,880	894
Total expenses	314,026	290,556	236,971
Unrealized gain (loss) on investments and other	(4,492)	(4,274)	(410)
Realized gain (loss) on investments and other	(16,226)	—	—
Income (loss) before equity in earnings (losses) of unconsolidated ventures and income tax benefit (expense)	63,798	140,991	21,761
Equity in earnings (losses) of unconsolidated ventures (refer to Note 4)	(5,782)	1,625	(1,039)
Income (loss) before income tax benefit (expense)	58,016	142,616	20,722
Income tax benefit (expense)	(11,022)	(21,869)	(1,622)
Net income (loss)	46,994	120,747	19,100
Net (income) loss attributable to non-controlling interests	(442)	(953)	—
Net (income) loss attributable to redeemable non-controlling interests	(4,271)	—	—
Net income (loss) attributable to NorthStar Asset Management Group Inc. common stockholders	$ 42,281	$ 119,794	$ 19,100
Earnings (loss) per share:			
Basic	$ 0.21	$ 0.61	$ 0.10
Diluted	$ 0.21	$ 0.61	$ 0.10
Weighted average number of shares:			
Basic	183,327,035	188,705,876	187,852,524
Diluted	185,111,530	191,014,044	190,441,189

(1) The consolidated financial statements for the year ended December 31, 2014 represent NSAM's results of operations following the NSAM Spin-off on June 30, 2014. The year ended December 31, 2014 includes: (i) NSAM's results of operations for the six months ended December 31, 2014, which represents the activity following the NSAM Spin-off; and (ii) NSAM's results of operations for the six months ended June 30, 2014, which represents a carve-out of its historical financial information including revenues and expenses attributable to NSAM, related to NorthStar Realty's historical asset management business. As a result, the two years ended December 31, 2016 may not be comparable to the prior period presented.

(2) NSAM began earning fees on July 1, 2014, in connection with the management agreement with NorthStar Realty and began earnings fees on November 1, 2015, in connection with the management agreement with NorthStar Europe (refer to Note 3).

(3) The years ended December 31, 2016, 2015 and 2014 include $61.6 million, $57.5 million and $51.7 million, respectively, of equity-based compensation expense. Refer to Note 9 for further disclosure.

Refer to accompanying notes to consolidated financial statements.

NORTHSTAR ASSET MANAGEMENT GROUP INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Dollars in Thousands)

	Years Ended December 31,		
	2016	**2015**	**2014**
Net income (loss)	$ 46,994	$ 120,747	$ 19,100
Other comprehensive income (loss):			
Foreign currency translation adjustment, net	(335)	—	—
Total other comprehensive income (loss)	(335)	—	—
Comprehensive income (loss)	46,659	120,747	19,100
Comprehensive (income) loss attributable to non-controlling interests	(442)	(953)	—
Comprehensive (income) loss attributable to redeemable non-controlling interests	(4,216)	—	—
Comprehensive income (loss) attributable to NorthStar Asset Management Group Inc. common stockholders	$ 42,001	$ 119,794	$ 19,100

Refer to accompanying notes to consolidated financial statements.

NORTHSTAR ASSET MANAGEMENT GROUP INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY

(Dollars and Shares in Thousands)

	Performance Common Stock		Common Stock							
	Shares	**Amount**	**Shares**	**Amount**	**Additional Paid-in Capital**	**Accumulated Other Comprehensive Income (Loss)**	**Retained Earnings (Accumulated Deficit)**	**Total NorthStar Stockholders' Equity**	**Non-controlling Interests**	**Total Equity**
Balance as of December 31, 2013	—	$ —	—	$ —	$ 105,498	$ —	$ (77,130)	$ 28,368	$ —	$ 28,368
Capital contribution of NorthStar Realty	—	—	188,597	1,886	119,323	—	—	121,209	—	121,209
Amortization of equity-based compensation	—	—	—	—	51,519	—	—	51,519	—	51,519
Issuance of common stock to directors	—	—	38	—	—	—	—	—	—	—
Issuance of common stock related to transactions (refer to Note 4)	—	—	956	10	10,300	—	—	10,310	—	10,310
Issuance of common stock relating to equity-based compensation, net of forfeitures	—	—	827	8	(8)	—	—	—	—	—
Settlement of restricted stock and RSUs to common stock, net (refer to Note 9)	—	—	3,030	31	(31)	—	—	—	—	—
Settlement of RSUs to performance common stock (refer to Note 9)	3,738	37	—	—	(37)	—	—	—	—	—
Dividends on common stock and equity-based awards (refer to Note 9)	—	—	—	—	—	—	(19,063)	(19,063)	—	(19,063)
Tax withholding related to vesting of restricted stock	—	—	(500)	(5)	(11,289)	—	—	(11,294)	—	(11,294)
Excess tax benefit from equity-based compensation	—	—	—	—	1,599	—	—	1,599	—	1,599
Net income (loss)	—	—	—	—	—	—	19,100	19,100	—	19,100
Balance as of December 31, 2014	3,738	$ 37	192,948	$ 1,930	$ 276,874	$ —	$ (77,093)	$ 201,748	$ —	$ 201,748
Amortization of equity-based compensation	—	—	—	—	53,416	—	—	53,416	4,950	58,366
Issuance of common stock related to transactions (refer to Note 4)	—	—	208	2	4,505	—	—	4,507	—	4,507
Issuance of common stock relating to equity-based compensation, net of forfeitures	—	—	275	3	(3)	—	—	—	—	—
Conversion of Deferred LTIP Units to LTIP Units and common stock, net	—	—	4	—	(4,400)	—	—	(4,400)	4,400	—
Retirement of shares of common stock	—	—	(7,799)	(78)	(105,078)	—	—	(105,156)	—	(105,156)
Issuance of performance common stock (refer to Note 9)	475	5	—	—	(5)	—	—	—	—	—
Settlement of restricted stock and RSUs to common stock, net (refer to Note 9)	—	—	49	—	(7,227)	—	—	(7,227)	—	(7,227)
Dividends on common stock and equity-based awards (refer to Note 9)	—	—	—	—	—	—	(77,853)	(77,853)	(538)	(78,391)
Excess tax benefit from equity-based compensation	—	—	—	—	(1,068)	—	—	(1,068)	—	(1,068)
Call Spread premium, net	—	—	—	—	(16,783)	—	—	(16,783)	—	(16,783)
Reallocation of non-controlling interests in the NSAM OP (refer to Note 11)	—	—	—	—	8,087	—	—	8,087	(8,087)	—
Net income (loss)	—	—	—	—	—	—	119,794	119,794	953	120,747
Balance as of December 31, 2015	4,213	$ 42	185,685	$ 1,857	$ 208,318	$ —	$ (35,152)	$ 175,065	$ 1,678	$ 176,743
Amortization of equity-based compensation	—	—	—	—	59,411	—	—	59,411	3,806	63,217
Issuance of common stock relating to equity-based compensation, net	—	—	1,430	14	(17,082)	—	—	(17,068)	—	(17,068)
Issuance of common stock related to settlement of award (refer to Note 9)	—	—	94	1	1,009	—	—	1,010	—	1,010
Issuance of restricted stock related to Townsend (refer to Note 9)	—	—	658	6	(6)	—	—	—	—	—
Issuance of performance common stock (refer to Note 9)	997	10	—	—	(10)	—	—	—	—	—
Settlement of RSUs to common stock, net (refer to Note 9)	—	—	362	4	(3,156)	—	—	(3,152)	—	(3,152)
Conversion of LTIP units to common stock (refer to Note 9)	—	—	201	2	273	—	—	275	(275)	—
Dividends on common stock and equity-based awards (refer to Note 9)	—	—	—	—	—	—	(75,670)	(75,670)	(717)	(76,387)
Reallocation of non-controlling interests in the NSAM OP (refer to Note 11)	—	—	—	—	3,381	—	—	3,381	(3,381)	—
Allocation of redeemable non-controlling interests (refer to Note 11)	—	—	—	—	(661)	—	—	(661)	—	(661)
Excess tax benefit from equity-based compensation	—	—	—	—	(480)	—	—	(480)	—	(480)
Other comprehensive income (loss)	—	—	—	—	—	(280)	—	(280)	—	(280)
Net income (loss)	—	—	—	—	—	—	42,281	42,281	442	42,723
Balance as of December 31, 2016	5,210	$ 52	188,430	$ 1,884	$ 250,997	$ (280)	$ (68,541)	$ 184,112	$ 1,553	$ 185,665

Refer to accompanying notes to consolidated financial statements.

NORTHSTAR ASSET MANAGEMENT GROUP INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)

	Years Ended December 31,		
	2016	**2015**	**2014**
Cash flows from operating activities:			
Net income (loss)	$ 46,994	$ 120,747	$ 19,100
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Equity in (earnings) losses of unconsolidated ventures	5,782	(1,625)	1,039
Impairment on convertible debt	1,000	—	—
Allowance for uncollectible accounts	167	—	—
Depreciation and amortization	10,020	1,880	894
Amortization of deferred financing costs	3,956	337	—
Amortization of equity-based compensation	61,145	57,036	51,519
Unrealized (gain) loss on investments and other	4,492	4,274	410
Realized (gain) loss on investments and other	16,226	—	—
Deferred income tax, net	(5,794)	7,785	3,095
Other income	(1,838)	—	—
Distribution from unconsolidated ventures	2,001	4,444	—
Straight line rental expense	(541)	123	153
Change in assets and liabilities:			
Restricted cash	16,733	(33,590)	(3,190)
Receivables, net	43,618	(16,183)	(54,439)
Other assets	(255)	(16,662)	(17,602)
Other liabilities	2,587	(34)	—
Accounts payable and accrued expenses	(36,453)	44,433	35,546
Commission payable	(1,091)	(3,553)	10,196
Net cash provided by (used in) operating activities	168,749	169,412	46,721
Cash flows from investing activities:			
Acquisition of Townsend, net (refer to Note 1)	(377,355)	—	—
Investment in convertible debt	(1,092)	—	—
Investments in unconsolidated ventures	(6,115)	(35,631)	(43,582)
Distribution from unconsolidated ventures	15,021	6,349	—
Settlement of acquisition of securities (Refer to Note 6)	(7,612)	(43,357)	—
Payment related to the sale of the Island Interest	(6,040)	—	—
Net cash provided by (used in) investing activities	(383,193)	(72,639)	(43,582)
Cash flows from financing activities:			
Contribution from NorthStar Realty	—	—	116,397
Borrowings from credit facility	—	100,000	—
Borrowings from term loan	500,000	—	—
Repayment of term loan	(3,750)	—	—
Repayment of credit facility	(100,000)	—	—
Payment of financing costs	(34,821)	(1,240)	—
Call Spread Premium, net	—	(16,783)	—
Repurchase of shares related to equity-based awards and tax withholding	(18,099)	(18,521)	—
Excess tax benefit from equity-based compensation	(480)	(1,068)	1,599
Dividends	(75,939)	(77,968)	(19,063)
Contributions from redeemable non-controlling interests	500	—	—
Distributions to redeemable non-controlling interests	(5,471)	—	—
Retirement of shares of common stock	—	(105,156)	—
Net cash provided by (used in) financing activities	261,940	(120,736)	98,933
Effect of foreign exchange rate changes on cash	(537)	(529)	(410)
Net increase (decrease) in cash	46,959	(24,492)	101,662
Cash - beginning of period	84,707	109,199	7,537
Cash - end of period	$ 131,666	$ 84,707	$ 109,199

	Years Ended December 31,		
	2016	2015	2014
Supplemental disclosure of non-cash investing and financing activities:			
Contributions from redeemable non-controlling interests	$ 74,759	$ —	$ —
Note receivable from third party related to the sale of the Island Interest	28,485		
Assumption of deferred tax liability	5,928	—	—
Reclassification related to measurement adjustments/other	2,850	—	—
Reallocation of non-controlling interests in the NSAM OP	3,381	8,087	—
Tax effect related to the vesting of equity-based awards	2,310	—	11,294
Issuance of common stock related to settlement of award (refer to Note 9)	1,010	—	—
Allocation of redeemable non-controlling interests in Townsend	661	—	—
Dividend payable related to RSUs	450	423	—
Conversion of LTIP Units to common stock	275	—	—
Issuance of common stock related to transactions (refer to Note 4)	—	4,507	10,310
Conversion of Deferred LTIP Units to LTIP Units	—	4,400	—
Deemed capital contribution from NorthStar Realty	—	—	4,811
Accrued transaction costs relating to investments in unconsolidated ventures	—	—	1,538
Distribution from unconsolidated ventures	—	231	—
Equity incentive plan	—	—	88
Supplemental disclosures of cash flow information:			
Payment of interest expense	$ 18,039	$ 346	$ —
Payment of income tax	22,292	25,568	6,700

Refer to accompanying notes to consolidated financial statements.

1. Business and Organization

NSAM Historical Business

NorthStar Asset Management Group Inc. ("NSAM"), commenced operations on July 1, 2014 upon the spin-off by NorthStar Realty Finance Corp. ("NorthStar Realty"), of its asset management business into a separate publicly-traded company, or the NSAM Spin-off. Prior to the Mergers, as defined below, NSAM was a global asset management firm focused on strategically managing real estate and other investment platforms in the United States and internationally including a substantial business raising and managing capital in the retail marketplace accessing a variety of pools of capital through various vehicles that include real estate investment trusts ("REITs") and closed-end funds, which is referred to as the Retail Companies. Such Retail Companies raise capital through the retail market through NorthStar Securities, LLC ("NorthStar Securities"), a captive broker-dealer platform registered with the United States Securities and Exchange Commission ("SEC"). In addition, NSAM managed NorthStar Realty and NorthStar Realty Europe Corp. ("NorthStar Europe"), two publicly listed REITs, referred to as the NorthStar Listed Companies, and together with the Retail Companies are referred to as the Managed Companies.

In addition, NSAM entered into strategic partnerships and joint ventures with third parties with expertise in commercial real estate or other sectors and markets to augment NSAM's business operations, while at the same time benefiting from fee streams generated by such strategic partnerships and joint ventures. Such investments have included the acquisition of an 84% interest in Townsend, a 43% interest in American Healthcare Investors LLC ("AHI" or "AHI Interest") and a 45% interest in Island Hospitality Management Inc. ("Island" or "Island Interest").

Mergers of NorthStar Asset Management Group Inc. with Colony Capital, Inc. and NorthStar Realty Finance Corp.

On January 10, 2017, NSAM completed the tri-party merger with Colony Capital, Inc. ("Colony") and NorthStar Realty under which the companies combined in an all-stock merger of equals transaction to create an internally-managed, diversified real estate and investment management company (referred to as the "Mergers"). The Mergers create a leading global equity REIT with an embedded investment management platform with increased scale and capabilities.

Under the terms of the merger agreement, NSAM redomesticated to Maryland and elected to be treated as a REIT beginning in 2017 and Colony and NorthStar Realty, through a series of transactions, merged with and into the redomesticated NSAM, which was renamed Colony NorthStar, Inc. ("Colony NorthStar"). NSAM's common stockholders received one share of Colony NorthStar's common stock for each share of NSAM common stock they owned. NSAM's stockholders received approximately 32.85%, Colony stockholders received approximately 33.25% and NorthStar Realty stockholders received approximately 33.90% of the combined company on a fully diluted basis, excluding the effect of certain equity-based awards issued in 2017 in connection with the Mergers. Prior to the closing of the Mergers, NSAM's board of directors declared a special cash dividend in the amount of $228 million to NSAM's common stockholders.

NSAM, Colony and NorthStar Realty each have significant pre-combination activities and the Mergers will be accounted for as a business combination by the combined company in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 805, *Business Combinations*. Although NSAM is the legal acquirer in the Mergers, Colony has been designated as the accounting acquirer, resulting in a reverse acquisition of NSAM for accounting purposes.

The historical consolidated financial statements included herein represent NSAM's consolidated financial position, results of operations, other comprehensive income and cash flows prior to the Mergers. As such, the consolidated financial statements included herein do not reflect Colony NorthStar's financial position, results of operations, other comprehensive income and cash flows in the future or what Colony NorthStar's financial position, results of operations, other comprehensive income and cash flows would have been had NSAM been merged with Colony and NorthStar Realty during the historical periods presented.

References to "Colony NorthStar" refer to Colony subsequent to the Mergers unless the context specifically requires otherwise. References to "NSAM" refer to the historical business of NSAM prior to the Mergers unless the context specifically requires otherwise.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying consolidated financial statements and related notes of NSAM are presented on a carve-out basis for the periods prior to June 30, 2014 and have been prepared from the historical consolidated balance sheets, statements of operations and cash flows attributed to the historical asset management business of NorthStar Realty and in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”).

The consolidated financial statements for the years ended December 31, 2016 and 2015 represent NSAM’s results of operations following the NSAM Spin-off. In connection with the NSAM Spin-off, most of NorthStar Realty’s employees at the time of the NSAM Spin-off became employees of NSAM except for executive officers, employees engaged in NorthStar Realty’s loan origination business at the time of the NSAM Spin-off and certain other employees that became co-employees of both NSAM and NorthStar Realty. Therefore, subsequent to June 30, 2014, NSAM generally incurred substantially all employee-related cash costs.

Periods prior to June 30, 2014 present a carve-out of NorthStar Realty’s historical financial information, including revenues and expenses attributable to NSAM, related to NorthStar Realty’s historical asset management business. Expenses also included an allocation of indirect expenses from NorthStar Realty, including salaries, equity-based compensation and other general and administrative expenses (primarily occupancy and other cost) based on an estimate had NorthStar Realty’s historical asset management business been run as an independent entity. This allocation method was principally based on relative headcount and management’s knowledge of NorthStar Realty’s operations. Additionally, periods prior to June 30, 2014 did not reflect the management agreement NSAM entered into with NorthStar Realty effective July 1, 2014.

Principles of Consolidation

NSAM’s consolidated financial statements include the accounts of NSAM, its operating partnership (“NSAM OP”) and their consolidated subsidiaries. NSAM consolidates variable interest entities (“VIE”) where it is the primary beneficiary and voting interest entities which are generally majority owned or otherwise controlled by NSAM. All significant intercompany balances are eliminated in consolidation.

Variable Interest Entities

A VIE is an entity that lacks one or more of the characteristics of a voting interest entity. A VIE is defined as an entity in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The determination of whether an entity is a VIE includes both a qualitative and quantitative analysis. NSAM bases the qualitative analysis on its review of the design of the entity, its organizational structure including decision-making ability and relevant financial agreements and the quantitative analysis on the forecasted cash flow of the entity.

NSAM reassesses the initial evaluation of an entity as a VIE upon the occurrence of certain reconsideration events.

A VIE must be consolidated only by its primary beneficiary, which is defined as the party who, along with its affiliates and agents has both the: (i) power to direct the activities that most significantly impact the VIE’s economic performance; and (ii) obligation to absorb the losses of the VIE or the right to receive the benefits from the VIE, which could be significant to the VIE. NSAM determines whether it is the primary beneficiary of a VIE by considering qualitative and quantitative factors, including, but not limited to: which activities most significantly impact the VIE’s economic performance and which party controls such activities; the amount and characteristics of its investment; the obligation or likelihood for NSAM or other interests to provide financial support; consideration of the VIE’s purpose and design, including the risks the VIE was designed to create and pass through to its variable interest holders and the similarity with and significance to NSAM’s business activities and the other interests. NSAM reassesses the determination of whether it is the primary beneficiary of a VIE each reporting period. Significant judgments related to these determinations include estimates about the current and future fair value and performance of investments held by these VIEs and general market conditions.

NSAM evaluates the Managed Companies, investments in unconsolidated ventures and securitization financing transactions to which NSAM is the special servicer to determine whether they are a VIE. NSAM analyzes new investments and financings, as well as reconsideration events for existing investments and financings, which vary depending on type of investment or financing.

Voting Interest Entities

A voting interest entity is an entity in which the total equity investment at risk is sufficient to enable it to finance its activities independently and the equity holders have the power to direct the activities of the entity that most significantly impact its economic performance, the obligation to absorb the losses of the entity and the right to receive the residual returns of the entity. The usual condition for a controlling financial interest in a voting interest entity is ownership of a majority voting interest. If NSAM has a majority voting interest in a voting interest entity, the entity will generally be consolidated. NSAM does not consolidate a voting interest entity if there are substantive participating rights by other parties and/or kick-out rights by a single party or through a simple majority vote.

NSAM performs on-going reassessments of whether entities previously evaluated under the voting interest framework have become VIEs, based on certain events, and therefore subject to the VIE consolidation framework.

Investments in Unconsolidated Ventures

A non-controlling, unconsolidated ownership interest in an entity may be accounted for using the equity method, at fair value or the cost method.

Under the equity method, the investment is adjusted each period for capital contributions and distributions and its share of the entity's net income (loss). Capital contributions, distributions and net income (loss) of such entities are recorded in accordance with the terms of the governing documents. An allocation of net income (loss) may differ from the stated ownership percentage interest in such entity as a result of a preferred return and allocation formula, if any, as described in such governing documents.

NSAM may account for an investment in an unconsolidated entity at fair value by electing the fair value option. NSAM may record the change in fair value for its share of the projected future cash flow or may follow the practical expedient of the net asset value of the underlying fund investment based on the most recent available information, which is generally on a one quarter lag. NSAM will record the change from one period to another in equity in earnings (losses) from unconsolidated ventures in the consolidated statements of operations. Any change in fair value attributed to market related assumptions is considered unrealized gain (loss).

NSAM may account for an investment in an unconsolidated entity that does not qualify for equity method accounting or for which the fair value option was not elected using the cost method if it determines that it does not have significant influence. Under the cost method, equity in earnings is recorded as dividends are received to the extent they are not considered a return of capital, which is recorded as a reduction of cost of the investment.

NSAM reviews its investments in unconsolidated ventures for which it did not elect the fair value option on a quarterly basis, or more frequently as necessary, to assess whether there are any indicators that the value may be impaired or that its carrying value may not be recoverable. An investment is considered impaired if the projected net recoverable amount over the expected holding period is less than the carrying value. In conducting this review, NSAM considers U.S. and global macroeconomic factors, including real estate sector conditions, together with investment specific and other factors. To the extent an impairment has occurred and is considered to be other than temporary, the loss is measured as the excess of the carrying value of the investment over the estimated fair value and recorded in equity in earnings (losses) of unconsolidated ventures in the consolidated statements of operations.

Non-controlling Interests

A non-controlling interest in a consolidated subsidiary is defined as the portion of the equity (net assets) in a subsidiary not attributable, directly or indirectly, to NSAM. A non-controlling interest is required to be presented as a separate component of equity on the consolidated balance sheets and presented separately as net income (loss) and other comprehensive income (loss) ("OCI") attributable to non-controlling interests. An allocation to a non-controlling interest may differ from the stated ownership percentage interest in such entity as a result of a preferred return and allocation formula, if any, as described in such governing documents.

Redeemable Non-controlling Interests

A redeemable non-controlling interest is the non-controlling interest in a subsidiary in which the holders have the ability to require NSAM to repurchase interests in the subsidiary. These interests are presented as redeemable non-controlling interests, outside of permanent equity on the consolidated balance sheets and presented separately as net income (loss) and other comprehensive income (loss) attributable to redeemable non-controlling interests. NSAM records the redeemable non-controlling interest at its redemption value and adjusts the carrying amount of such interest to the redemption value at the end of each reporting period, but such amount will not be less than the initial carrying amount. An allocation to a redeemable non-controlling interest may differ from the stated ownership percentage interest in such entity as a result of a preferred return and allocation formula, if any, as described in such governing documents.

Estimates

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

Reclassifications

Certain prior period amounts have been reclassified in the consolidated financial statements to conform to current period presentation.

Cash

NSAM considers all highly-liquid investments with an original maturity date of three months or less and deposits held with third parties that are readily convertible to cash to be cash equivalents. Cash, including amounts restricted at certain banks and financial institutions and amounts held outside of the United States, may at times exceed insurable amounts. NSAM mitigates credit risk by placing cash with major financial institutions. To date, NSAM has not experienced any losses on cash.

Restricted Cash

Restricted cash primarily represents cash held by NSAM's foreign subsidiaries due to certain regulatory capital requirements.

Business Combinations

NSAM accounts for purchases of assets that qualify as business combinations using the acquisition method where the purchase price is allocated to tangible and intangible assets acquired based on estimated fair value. The excess of the fair value of purchase consideration over the fair value of these identifiable assets is recorded as goodwill. Such valuation requires management to make significant estimates and assumptions, especially with respect to intangible assets including, but not limited to, customer relationships, acquired technology and trade names. Management's estimate of fair value is based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ materially from estimates. During the measurement period, which is up to one year from the acquisition date, NSAM may record adjustments to the assets acquired, with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded in earnings. Transaction costs related to acquisition of a business are expensed as incurred and excluded from the fair value of consideration transferred.

On January 29, 2016, NSAM acquired an approximate 84% interest in Townsend for $383.0 million, net of post closing adjustments. The following table presents the final allocation of the purchase price of the assets acquired and the liabilities assumed upon the closing of Townsend (dollars in thousands):

Assets:		
Cash	$	14,318
Investments in unconsolidated ventures[(1)]		17,738
Intangible assets		209,320
Goodwill[(2)(3)]		243,328
Other assets acquired		42,547
Total assets	$	527,251
Liabilities:		
Accounts payable and accrued expenses	$	34,312
Other liabilities acquired		26,476
Total liabilities		60,788
Redeemable non-controlling interests		75,320
Total equity[(4)]		391,143
Total liabilities and equity	$	527,251

(1) Represents Townsend's interest in real estate private equity funds sponsored by Townsend ("Townsend Funds") (refer to Note 4).
(2) Colony NorthStar expects $166.5 million of goodwill to be deductible for tax purposes.
(3) Goodwill includes $5.5 million related to a share deal acquisition of the seller's corporate entity. The deferred tax liability and corresponding goodwill are recorded at acquisition based on differences between book and tax basis.
(4) Represents NSAM's investment in Townsend prior to a post closing adjustment of $7.6 million relating to a distribution of excess cash to NSAM.

From the Townsend Acquisition Date through December 31, 2016, NSAM recorded revenue of $66.2 million and net income of $24.4 million.

The following table presents unaudited consolidated pro forma results of operations based on NSAM's historical financial statements and adjusted for the acquisition of Townsend and related borrowing as if it occurred on January 1, 2015. The unaudited pro forma amounts were prepared for comparative purposes only and are not indicative of what actual consolidated results of operations of NSAM would have been, nor are they indicative of the consolidated results of operations in the future (dollars in thousands, except per share data):

	Years Ended December 31,	
	2016[(1)]	2015[(1)]
Pro forma total revenues	$ 402,422	$ 501,776
Pro forma net income (loss) attributable to common stockholders	$ 48,820	$ 115,621
Pro forma EPS - basic	$ 0.25	$ 0.59
Pro forma EPS - diluted	$ 0.25	$ 0.59

(1) Excludes non-recurring transaction costs and prior compensation arrangements of Townsend.

Intangible Assets

NSAM records acquired identified intangibles, which includes intangible assets (such as goodwill and other intangibles), based on estimated fair value. Other intangible assets are amortized into depreciation and amortization expense in the consolidated statements of operations on a straight-line basis over the estimated useful life, reflecting the manner in which the related benefit is expected to be realized.

Goodwill represents the excess of the purchase price over the fair value of net tangible and intangible assets acquired in a business combination and is not amortized. NSAM performs an annual impairment test for goodwill and evaluates the recoverability whenever events or changes in circumstances indicate that the carrying value of goodwill may not be fully recoverable. NSAM first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit, related to such goodwill, is less than the carrying amount as a basis to determine whether the two-step impairment test is necessary. The first step in the impairment test compares the fair value of the reporting unit with its carrying amount. If the carrying amount exceeds fair value, the second step is required to determine the amount of the impairment loss, if any, by comparing the implied fair value of the reporting unit goodwill with the carrying amount of such goodwill. The implied fair value of goodwill is derived by performing a hypothetical purchase price allocation for the reporting unit as of the measurement date, allocating the reporting unit's estimated fair value to its net assets and identifiable intangible assets. The residual amount represents the implied fair value of goodwill. To the extent this amount is below the carrying value of goodwill, an impairment loss is recorded in the consolidated statements of operations.

Estimates of fair value used in the evaluation of goodwill (if necessary based on our qualitative assessment), are based upon discounted future cash flow projections or other acceptable valuation techniques that are based, in turn, upon all available evidence including level three inputs, such as EBITDA, EBITDA margins, revenue growth rates and capital spending requirements, estimates of future cash flow, discount rates, general economic conditions and trends or other available market data. NSAM's ability to accurately predict future operating results and cash flow and to estimate and allocate fair value impacts the timing and recognition of impairment. While NSAM believes its assumptions are reasonable, changes in these assumptions may have a material impact on its financial results.

The following table presents identified intangibles as of December 31, 2016 (dollars in thousands):

	Gross Amount	Estimated Useful Life	Accumulated Amortization	Net Amount
Intangible assets:				
Customer relationships[1]	$ 185,580	20 to 30 years	$ (6,488)	$ 179,092
Performance fees[1]	5,710	2 to 11 years	(579)	5,131
Trade names	17,820	30 years	(545)	17,275
Proprietary technology	210	3 years	(77)	133
Subtotal intangible assets	209,320		(7,689)	201,631
Goodwill	243,328		—	243,328
Total	$ 452,648		$ (7,689)	$ 444,959

(1) Includes existing customers and expected retention of such customers.

The following table presents annual amortization of intangible assets (dollars in thousands):

Years Ending December 31:	
2017	$ 8,388
2018	8,256
2019	8,199
2020	8,199
2021	8,199
Thereafter	160,390
Total	$ 201,631

Other Assets and Liabilities and Accounts Payable and Accrued Expenses

The following tables present a summary of other assets, other liabilities and accounts payable and accrued expenses as of December 31, 2016 and 2015 (dollars in thousands):

	December 31,	
	2016	2015
Other assets:		
Note receivable[1]	$ 28,485	$ —
Deferred tax asset, net	19,543	10,880
Prepaid expenses	8,571	4,781
Prepaid income taxes	6,874	—
Due from related party[2]	5,106	—
Furniture, fixtures and equipment, net	4,065	4,333
Pending deal costs	3,945	625
Security deposits	2,587	2,380
Other	747	932
Due from participating broker-dealers	133	398
Deferred financing costs, net	—	912
Total	$ 80,056	$ 25,241

	December 31,	
	2016	2015
Other liabilities:		
Townsend Funds liability[3]	$ 16,516	$ —
Deferred tax liability, net[4]	9,442	—
Deposit payable	2,420	—
Deferred incentive fees[5]	1,913	—
Other	556	930
Total	$ 30,847	$ 930

(1) Represents a $28.5 million note receivable from a third party related to the sale of the Island Interest (refer to Note 4) in connection with the Mergers.
(2) NSAM recorded the present value of the expected future distribution fees as receivable/income from certain Retail Companies and corresponding payable/expense to participating broker-dealers each of $5.1 million as of December 31, 2016.
(3) Represents an obligation to the sellers who are entitled to approximately 84% of the value of the Townsend Funds at the Townsend Acquisition Date, along with any income related to capital contributed prior to acquisition. NSAM is obligated to fund contributions and is entitled to any income on such contributions subsequent to the Townsend Acquisition Date (refer to Note 4).
(4) Primarily represents deferred tax liability related to the Townsend acquisition related to a share deal acquisition of the seller's corporate entity. The deferred tax liability and corresponding goodwill are recorded at acquisition based on differences between the book and tax basis.
(5) Represents incentive fees received that are not yet earned related to the Townsend Funds (refer to below) and as a result, represents a contingent obligation.

	December 31, 2016	December 31, 2015
Accounts payable and accrued expenses:		
Accrued bonus and related taxes	$ 46,538	$ 63,935
Incentive fee compensation[1]	12,565	—
Accrued operating expenses	17,479	8,771
Accrued payroll	1,273	1,312
Accrued interest payable	3,916	92
Accrued tax withholding[2]	2,310	—
Dividends payable related to equity-based awards	526	574
Accrued equity-based compensation awards (refer to Note 9)	896	763
Accrued participating interest buyout[3]	—	8,110
Share purchase payable[4]	—	6,603
Total	$ 85,503	$ 90,160

(1) Approximately 50% of incentive fees received by the Townsend Funds are due to certain employees of Townsend. Payment is made to such employees when such incentive fee income is earned and approved by executive management of Townsend (refer to below). NSAM records the expense in compensation expense in the consolidated statements of operations when payment becomes probable and reasonably estimable but no later than the period in which the underlying income is recognized.
(2) Represents withholding tax related to vesting and net settlement of equity-based awards.
(3) Represented a one-time buyout in satisfaction of all participating interests related to non-executive incentive interests in the advisor to NSAM's first Retail Company (refer to Note 3).
(4) Related to the purchase of NorthStar Realty shares which were settled in January 2016 (refer to Note 6).

Securities

The fair value option provides an election that allows a company to irrevocably elect fair value for certain financial assets and liabilities on an instrument-by-instrument basis at initial recognition. NSAM elected to apply the fair value option for its securities investments because management believes it is a more useful presentation for such investments. Any unrealized gain (loss) from the change in fair value is recorded in unrealized gains (losses) on investments and other in the consolidated statements of operations. Dividend income is recorded in other income in the consolidated statements of operations.

Deferred Financing Costs

Deferred financing costs represent legal and other third-party costs associated with obtaining financing. Costs related to revolving credit facilities are recorded in other assets and are amortized to interest expense using the straight-line basis over the term of the facility. Costs related to other borrowings are recorded net against the carrying value of such borrowings and are amortized to interest expense using the effective interest method. Unamortized deferred financing costs are expensed when the associated facility is repaid before maturity. Costs incurred in seeking financing transactions, which do not close, if any, are expensed in the period in which it is determined that the financing will not occur.

Revenue Recognition

Asset Management and Other Fees

Asset management and other fees include base and incentive fees earned from the NorthStar Listed Companies, acquisition, disposition and other fees earned from the Retail Companies and fees earned from clients and limited partners of Townsend. Asset management and other fees are recognized based on contractual terms specified in the underlying governing documents in the periods during which the related services are performed and the amounts have been contractually earned. Incentive fees and payments are recognized subject to the achievement of return hurdles in accordance with the respective terms set forth in the governing documents. Incentive fees that are subject to contingent repayment are not recognized as revenue until all related contingencies have been resolved.

Selling Commission and Dealer Manager Fees and Commission Expense

Selling commission and dealer manager fees represent income earned by NSAM for selling equity in the Retail Companies through NorthStar Securities. Selling commission, dealer manager fees and commission expense are accrued on a trade date basis. As of December 31, 2016, commission payable of $5.7 million includes $0.1 million due to NorthStar Securities' employees.

The present value of the expected future distribution fees earned from certain Retail Companies and incurred to participating broker-dealers is recorded gross on the consolidated balance sheets and in the consolidated statements of operations.

Allowance for Doubtful Accounts

An allowance for a doubtful account is established when, in the opinion of NSAM, a full recovery of a receivable becomes doubtful. A receivable is written off when it is no longer collectible and/or legally discharged. As of December 31, 2016, there was $0.6 million of allowance for doubtful accounts.

Equity-Based Compensation

NSAM accounts for equity-based compensation awards, including awards granted to co-employees (refer to Note 9), using the fair value method, which requires an estimate of the fair value of the award. Awards may be based on a variety of measures such as time, performance, market or a combination thereof. For time-based awards, fair value is determined based on the stock price on the grant date. NSAM recognizes compensation expense over the vesting period on a straight-line basis. For performance-based awards, fair value is determined based on the stock price at the date of grant and an estimate of the probable achievement of such measure. NSAM recognizes compensation expense over the requisite service period, net of estimated forfeitures, using the accelerated attribution expense method. For market-based measures, fair value is determined using a Monte Carlo analysis under a risk-neutral premise using a risk-free interest rate. NSAM recognizes compensation expense over the requisite service period, net of estimated forfeitures, on a straight-line basis.

For awards with a combination of performance or market measures, NSAM estimates the fair value as if it were two separate awards. First, NSAM estimates the probability of achieving the performance measure. If it is not probable the performance condition will be met, NSAM recognizes the compensation expense based on the fair value of the market measure, as described above. This expense is recorded even if the market-based measure is never met. If the performance-based measure is subsequently estimated to be achieved, NSAM records compensation expense based on the performance-based measure. NSAM would then record a cumulative catch-up adjustment for any additional compensation expense.

Equity-based compensation issued to non-employees is accounted for using the fair value of the award at the earlier of the performance commitment date or performance completion date. The awards are remeasured every quarter based on the stock price as of the end of the reporting period until such awards vest, if any.

In connection with the Mergers, substantially all outstanding time-based equity awards issued to executives and non-executive employees vested in accordance with their terms. In addition, all or a portion of the outstanding NSAM performance-based awards issued to executives and non-executives vested in accordance with their terms, subject to forfeiture and reduction. As such, substantially all remaining unrecognized compensation cost was recognized immediately.

Foreign Currency

Assets and liabilities denominated in a foreign currency for which the functional currency is a foreign currency are translated using the currency exchange rate in effect at the end of the period presented and the results of operations for such entities are translated into U.S. dollars using the average currency exchange rate in effect during the period. The resulting foreign currency translation adjustment is recorded as a component of accumulated OCI in the consolidated statements of equity.

Assets and liabilities denominated in a foreign currency for which the functional currency is the U.S. dollar are remeasured using the currency exchange rate in effect at the end of the period presented and the results of operations for such entities are remeasured into U.S. dollars using the spot currency exchange rate at the time of the transaction. The resulting foreign currency remeasurement adjustment is recorded in unrealized gain (loss) on foreign currency in the consolidated statements of operations.

Comprehensive Income (Loss)

NSAM reported consolidated comprehensive income (loss) in a separate statement following the consolidated statements of operations. Comprehensive income (loss) is defined as a change in equity resulting from net income (loss) and OCI. The component of OCI includes an adjustment for foreign currency translation.

Earnings Per Share

NSAM's basic earnings per share ("EPS") is calculated using the two-class method for each class of common stock and participating security as if all earnings had been distributed by dividing net income (loss) attributable to common stockholders by the weighted average number of common stock outstanding. Diluted EPS reflects the maximum potential dilution that could occur from NSAM's share-based compensation, consisting of unvested restricted stock awards, restricted stock units ("RSUs"), performance common stock or other contracts to issue common stock, assuming performance hurdles have been met, were converted to common stock, including limited partnership interests in the NSAM OP which are structured as profits interests ("LTIP Units"). Potential dilutive shares are excluded from the calculation if they have an anti-dilutive effect in the period. NSAM's unvested restricted stock awards, certain RSUs and LTIPs Units contain rights to receive non-forfeitable dividends and thus are participating securities. Due to the existence of these participating securities, the two-class method of computing EPS is required, unless another method is determined to be more dilutive.

Under the two-class method, net income is first reduced for distributions declared on all classes of participating securities to arrive at undistributed earnings. Under the two-class method, net loss is reduced for distributions declared on participating securities only if such security has the right to participate in the earnings of the entity and an objectively determinable contractual obligation to share in net losses of the entity.

Income Taxes

Certain of NSAM's subsidiaries are subject to taxation by federal, state, local and foreign authorities for the periods presented. On March 13, 2015, NSAM restructured by forming the NSAM OP, under Delaware law, by converting an existing limited liability company disregarded as separate from NSAM for federal income tax purposes to a Delaware limited partnership and admitting as limited partners LTIP Unit holders. The NSAM OP is taxed as a partnership for federal income tax purposes and consequently, its items of income gain, loss, deduction and credit are passed through to, and included in, the taxable income of each of its partners including NSAM. For the period prior to March 13, 2015, NSAM and its U.S. subsidiaries filed consolidated federal income tax returns. Income taxes are accounted for by the asset/liability approach in accordance with U.S. GAAP. Deferred taxes, if any, represent the expected future tax consequences when the reported amounts of assets and liabilities are recovered or paid. Such amounts arise from differences between the financial reporting and tax bases of assets and liabilities and are adjusted for changes in tax laws and tax rates in the period which such changes are enacted. A provision for income tax represents the total of income taxes paid or payable for the current period, plus the change in deferred tax assets and liabilities.

Recent Accounting Pronouncements

The below represent the evaluation by Colony NorthStar of the impact of recent accounting pronouncements on its consolidated financial position, results of operations and financial statement disclosures subsequent to the Mergers as it relates to NSAM's historical business.

In May 2014, the Financial Accounting Standards Board ("FASB") issued an accounting update requiring a company to recognize as revenue the amount of consideration it expects to be entitled to in connection with the transfer of promised goods or services to customers. The accounting standard update will replace most of the existing revenue recognition guidance currently promulgated by U.S. GAAP. Key provisions include, but are not limited to, determining which goods or services are capable of being distinct in a contract to be accounted for separately as a performance obligation and recognizing variable consideration only to extent that it is probable a significant revenue reversal would not occur. The new revenue standard may be applied retrospectively to each prior period presented (full retrospective) or retrospectively to contracts not completed as of date of initial application with the cumulative effect recognized in retained earnings (modified retrospective). In July 2015, the FASB decided to delay the effective date of the new revenue standard by one year. The FASB has subsequently issued several amendments to the standard, including clarifying the guidance on assessing principal versus agent based on the notion of control, which affects recognition of revenue on a gross or net basis. These amendments have the same effective date and transition requirements as the new standard. Colony NorthStar plans to adopt the standard on its required effective date of January 1, 2018 using the modified retrospective approach. While Colony NorthStar continues to assess all potential impacts of the standard on its consolidated financial statements and related disclosures, as applicable, subsequent to the Mergers, it currently believes that NSAM's historical management fees and selling commission and dealer manager fees will not be materially affected and continue to monitor accounting updates as it relates to NSAM's historical performance fees which will be subject to the revenue recognition provisions for variable consideration.

In February 2015, the FASB issued updated guidance that changes the rules regarding consolidation. The pronouncement eliminates specialized guidance for limited partnerships and similar legal entities and removes the indefinite deferral for certain investment funds. The new guidance is effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. NSAM adopted this guidance in the first quarter 2016 and determined the NSAM OP is considered a VIE. NSAM is the primary beneficiary of the VIE, the VIE's assets can be used for purposes other than the settlement of the VIE's obligations and NSAM's partnership interest is considered a majority voting interest. As such, this standard did not have a material impact on NSAM's historical consolidated financial position or results of operations.

In May 2015, the FASB issued updated guidance that removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The new guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2015 and should be applied retrospectively to all periods presented. In the first quarter 2016, NSAM adopted this guidance and, as a result, the fair value of its interest in real estate private equity funds sponsored by Townsend of $21.0 million is not included in Level 3 within the fair value hierarchy as of December 31, 2016. NSAM did not have any investments measured using net asset value as of December 31, 2015.

In January 2016, the FASB issued an accounting update that addressed certain aspects of accounting and disclosure requirements of financial instruments, including the requirement that equity investments with readily determinable fair value be measured at fair value with changes in fair value recognized in results of operations. The new guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. NSAM does not have any equity investments with readily determinable fair value recorded as available-for-sale. Colony NorthStar does not believe that this guidance will have a material impact on its consolidated financial statements and related disclosures, as applicable, subsequent to the Mergers as it relates to NSAM's historical business.

In February 2016, the FASB issued an accounting update that sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The update requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase of the leased asset by the lessee. This classification will determine whether the lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The update is expected to result in the recognition of a right-to-use asset and related liability to account for NSAM's future obligations under its lease arrangements for which it is the lessee. As of December 31, 2016, the remaining contractual payments under lease agreements are discussed in Note 8. Additionally, the new update will require that lessees capitalize, as initial direct costs, only those costs that are incurred due to the execution of a lease. Under this guidance, allocated payroll costs and other costs that are incurred regardless of whether the lease is obtained will no longer be capitalized as initial direct costs and instead will be expensed as incurred. The new guidance is to be applied using a modified retrospective approach at the beginning of the earliest comparative period in the financial statements and is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Colony NorthStar continues to assess the potential effect that the adoption of the updated guidance will have on its consolidated financial statements and related disclosures, as applicable, subsequent to the Mergers as it relates to NSAM's historical business.

In March 2016, the FASB issued guidance which eliminates the requirement for an investor to retroactively apply the equity method when its increase in ownership interest (or degree of influence) in an investee triggers equity method accounting. The update requires that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investment become qualified for equity method accounting. The update should be applied prospectively upon their effective date to increases in the level of ownership interests or degree of influence that results in the adoption of the equity method. The guidance is effective for fiscal years beginning after December 15, 2016 and interim periods within those fiscal years. Colony NorthStar will adopt the new guidance prospectively on January 1, 2017 and does not expect the adoption of this standard to have a material impact on its consolidated financial statements and related disclosures, as applicable, subsequent to the Mergers as it relates to NSAM's historical business.

In March 2016, the FASB issued guidance which amends several aspects of the accounting for equity-based payment transactions, including the income tax consequences, increasing the fair value of shares applied for income tax withholding without triggering liability accounting, allowing forfeitures related to service condition to be recognized upon occurrence, classification of awards as either equity or liabilities and classification on the statements of cash flows. The guidance is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2016. Colony NorthStar will adopt the new guidance prospectively on January 1, 2017 and does not expect the adoption of this standard to have a material impact on its consolidated financial statements and related disclosures, as applicable, subsequent to the Mergers as it relates to NSAM's historical business.

In June 2016, the FASB issued guidance that changes the impairment model for most financial instruments by requiring companies to recognize an allowance for expected losses, rather than incurred losses as required currently by the other-than-temporary impairment model. The guidance will apply to most financial assets measured at amortized cost and certain other instruments, including trade and other receivables, loans, held-to-maturity debt securities, net investments in leases and off-balance-sheet credit exposures (e.g., loan commitments). The new guidance is effective for reporting periods beginning after December 15, 2019 and will be applied as a cumulative adjustment to retained earnings as of the effective date. Colony NorthStar is currently assessing the potential effect the adoption of this guidance will have on its consolidated financial statements and related disclosures, as applicable, subsequent to the Mergers as it relates to NSAM's historical business.

In August 2016, the FASB issued guidance that makes eight targeted changes to how cash receipts and cash payments are presented and classified in the statement of cash flows which includes clarifying how the predominance principle should be applied when cash receipts and cash payments have aspects of more than one class of cash flows, as well as requiring an accounting policy election for classification of distributions received from equity method investees using either the cumulative earnings or nature of distributions approach. The guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The new guidance requires adoption on a retrospective basis unless it is impracticable to apply, in which case the company would be required to apply the amendments prospectively as of the earliest date practicable. Colony NorthStar does not believe that this guidance will have a material impact on its consolidated financial statements and related disclosures, as applicable, subsequent to the Mergers as it relates to NSAM's historical business.

In November 2016, the FASB issued guidance which requires entities to show the changes in the total of cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. Entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. The guidance is effective for reporting periods beginning after December 15, 2017 and will be applied retrospectively to all periods presented. Colony NorthStar does not believe that this guidance will have a material impact on its consolidated financial statements and related disclosures, as applicable, subsequent to the Mergers as it relates to NSAM's historical business.

In January 2017, the FASB issued guidance to clarify the definition of a business under ASC 805. This new standard clarifies the definition of a business and provides a screen to determine when an integrated set of assets and activities is not a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. The guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. The amendments in this update will be applied on a prospective basis. Colony NorthStar does not believe that this guidance will have a material impact on its consolidated financial statements and related disclosures, as applicable, subsequent to the Mergers as it relates to NSAM's historical business.

In January 2017, the FASB issued guidance which removes Step 2 from the goodwill impairment test. The guidance is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Colony NorthStar anticipates early adoption of this guidance for the annual goodwill impairment test in 2017 for its consolidated financial statements and related disclosures, as applicable, subsequent to the Mergers as it relates to NSAM's historical business.

3. Management Agreements

The following table presents asset management and other fees earned from the Managed Companies and Townsend (dollars in thousands):

	Years Ended December 31,		
	2016	2015	2014
NorthStar Listed Companies	$ 200,833	$ 201,049	$ 82,759
Retail Companies	99,594	106,939	64,979
Institutional Capital[1]	66,188	—	—
Total	$ 366,615	$ 307,988	$ 147,738

(1) Represents fees earned through NSAM's investment in Townsend. NSAM began earning fees on the Townsend Acquisition Date. NSAM was also entitled to $1.8 million of management and other fees from January 14, 2016 to the Townsend Acquisition Date, which was recorded net of operating expenses in other income in the consolidated statements of operations.

NorthStar Listed Companies

Management Agreement

As an asset manager, NSAM was responsible for the NorthStar Listed Companies' day-to-day activities, subject to supervision and management by each of the NorthStar Listed Companies' board of directors, as applicable. The management agreements with the NorthStar Listed Companies provided for a base management fee and incentive fee.

Upon completion of the Mergers, the management agreement with NorthStar Realty ceased to exist.

Base Management Fee and Incentive Fee

The following table presents a summary of the fee arrangements and amounts earned from the NorthStar Listed Companies:

	NorthStar Realty	NorthStar Europe
Commencement date	July 1, 2014	November 1, 2015
In place annual base management fee(1)	$187.1 million	$14.2 million
Incentive fee hurdle to CAD per share(2)		
15%	Excess of $0.68 and up to $0.78(3)	Excess of $0.30 and up to $0.36
25%	Excess of $0.78(3)	Excess of $0.36

(1) The base management fee will increase for NorthStar Europe by an amount equal to 1.5% per annum of the sum of: the cumulative net proceeds of all future common equity and preferred equity issued, equity issued in exchange or conversion of exchangeable senior notes or stock-settlable notes based on the stock price at the date of issuance and any other issuances of common equity, preferred equity or other forms of equity, including but not limited to limited partnership interests in the NorthStar Europe operating partnerships, which are structured as profits interests (excluding units issued to the parent company and equity-based compensation, but including issuances related to an acquisition, investment, joint venture or partnership) by the NorthStar Europe and cumulative cash available for distribution ("CAD") of the NorthStar Europe, in excess of cumulative distributions paid on common stock, LTIP units or other equity awards beginning the first full calendar quarter after the NSAM Spin-off and NRE Spin-off, respectively.

(2) The incentive fee is calculated by the product of 15% or 25% and CAD before such incentive fee, divided by the weighted average shares outstanding for the calendar quarter, when such amount is within a certain hurdle multiplied by the weighted average shares outstanding of the NorthStar Listed Companies for the calendar quarter. Weighted average shares represent the number of shares of the NorthStar Listed Companies' common stock, LTIP Units or other equity-based awards (with some exclusions), outstanding on a daily weighted average basis.

(3) After giving effect to NorthStar Realty's reverse stock split in October 2015 and the NRE Spin-off.

Payment of Costs and Expenses and Expense Allocation

The NorthStar Listed Companies are each responsible for all of their direct costs and expenses and reimburse NSAM for costs and expenses incurred by NSAM on their behalf. In addition, NSAM may allocate indirect costs to the NorthStar Listed Companies related to employees, occupancy and other general and administrative costs and expenses in accordance with the terms of, and subject to the limitations contained in, the applicable NorthStar Listed Company's management agreements with NSAM (the "G&A Allocation"). NSAM's management agreements with the NorthStar Listed Companies each provide that the amount of the G&A Allocation will not exceed the following: (i) 20.0% of the combined total of: (a) the NorthStar Listed Companies' general and administrative expenses as reported in their consolidated financial statements excluding (1) equity-based compensation expense, (2) non-recurring items, (3) fees payable to NSAM under the terms of the applicable management agreement and (4) any allocation of expenses from NSAM to the NorthStar Listed Companies ("NorthStar Listed Companies' G&A"); and (b) NSAM's general and administrative expenses as reported in its consolidated financial statements, excluding equity-based compensation expense and adding back any costs or expenses allocated to any of the Managed Companies; less (ii) the NorthStar Listed Companies' G&A. The G&A Allocation may include the applicable NorthStar Listed Company's allocable share of NSAM's compensation and benefit costs associated with dedicated or partially dedicated personnel who spend all or a portion of their time managing such NorthStar Listed Company's affairs, based upon the percentage of time devoted by such personnel to such NorthStar Listed Company's affairs. The G&A Allocation may also include rental and occupancy, technology, office supplies, travel and entertainment and other general and administrative costs and expenses which may be allocated based on various methodologies, such as weighted average employee count or the percentage of time devoted by personnel to such NorthStar Listed Companies' affairs. In addition, each NorthStar Listed Company will pay directly or reimburse NSAM for an allocable portion of any severance paid pursuant to any employment, consulting or similar service agreements in effect between NSAM and any of its executives, employees or other service providers. For the years ended December 31, 2016 and 2015 and six months ended December 31, 2014, NSAM allocated $2.2 million, $10.3 million and $5.2 million, respectively, of costs to the NorthStar Listed Companies. Such amounts are recorded net in general and administrative expense in the consolidated statements of operations.

Following the NRE Spin-off, as provided in NSAM's management agreements with each NorthStar Listed Company, such NorthStar Listed Company's obligations to reimburse NSAM for the G&A Allocation and any severance are shared among the NorthStar

Listed Companies, at NSAM's discretion, and the 20% cap on the G&A Allocation, as described above, applies on an aggregate basis to the NorthStar Listed Companies. NSAM currently determined to allocate these amounts based on total investments.

Pursuant to the management agreements with NorthStar Realty and NorthStar Europe, NorthStar Realty together with NorthStar Europe and any company spun-off from NorthStar Realty or NorthStar Europe, was obligated to pay directly or reimburse NSAM for up to 50% of any long-term bonus or other compensation that NSAM's compensation committee determines shall be paid and/or settled in the form of equity and/or equity-based compensation to executives, employees and service providers of NSAM during any year. In accordance with these agreements, NorthStar Realty and NorthStar Europe were responsible for paying 50% of the 2016 and 2015 long-term bonuses earned under the NSAM Bonus Plan.

Retail Companies

The following table presents a summary of the Retail Companies, including capital raise activity and investments as of or through February 23, 2017: NorthStar Real Estate Income Trust, Inc. ("NorthStar Income"); NorthStar Healthcare Income, Inc. ("NorthStar Healthcare"); NorthStar Real Estate Income II, Inc. ("NorthStar Income II"); NorthStar/RXR New York Metro Real Estate, Inc. ("NorthStar/RXR New York Metro"); NorthStar Real Estate Capital Income Fund ("NorthStar Capital Fund") and NorthStar/Townsend Institutional Real Estate Fund Inc. ("NorthStar/Townsend Investment"):

Retail Company	Primary Strategy	Offering Amount (in millions)[1]	Offering Period	Capital Raised (in millions)[1]	Total Investments (in millions)
Effective					
NorthStar Income	CRE Debt	$ 1,200.0	Completed July 2013	$ 1,293.4	$ 1,599.9
NorthStar Healthcare	Healthcare Equity and Debt	2,100.0	Completed January 2016[2]	1,880.8	3,413.7
NorthStar Income II	CRE Debt	1,650.0	Completed November 2016[2]	1,145.5	1,739.8
NorthStar/RXR New York Metro[3]	New York Metro Area CRE Equity and Debt	2,000.0	Ends February 2018[4][5]	12.8 [9]	11.0
NorthStar Capital Fund	CRE Debt and Equity	3,200.0 [6]	Ends July 2019[5][7]	2.2 [9]	0.1
Not Yet Effective					
NorthStar/Townsend Investment	CRE Debt and Equity	$ 1,000.0	N/A[8]	N/A	N/A

(1) Represents amount of shares registered and raised to offer pursuant to each Retail Company's public offering, distribution reinvestment plan and follow-on public offering.
(2) NorthStar Healthcare successfully completed its initial public offering on February 2, 2015 by raising $1.1 billion in capital and its follow-on public offering on January 19, 2016 by raising $0.7 billion in capital. NorthStar Income II closed its initial public offering on November 9, 2016 and raised $1.1 billion in capital.
(3) Any asset management and other fees incurred by NorthStar/RXR New York Metro will be shared equally between NSAM and RXR Realty, as co-sponsors.
(4) NorthStar/RXR New York Metro's registration statement became effective in 2015 and began raising capital in 2016. Colony NorthStar expects the capital raise to accelerate in 2017.
(5) Offering period subject to extension as determined by the board of directors or trustees of each Retail Company.
(6) Offering is for two feeder funds in a master feeder structure.
(7) NorthStar Capital Fund's registration statement was declared effective by the SEC in May 2016. Colony NorthStar expects NorthStar Capital Fund to begin raising capital from third parties in the first half 2017.
(8) NorthStar/Townsend Investment submitted a registration statement on Form N-2 to the SEC in October 2016. Colony NorthStar expects NorthStar/Townsend Investment to begin raising capital in the first half 2017.
(9) In connection with the distribution support agreement with each Retail Company, an affiliate of Colony NorthStar purchased shares of common stock in NorthStar/RXR New York Metro and NorthStar Capital Fund for $1.5 million and $2.0 million, respectively, since inception through December 31, 2016.

Pursuant to each of the advisory agreements with the current Retail Companies, NSAM may determine, in its sole discretion, to defer or waive, in whole or in part, certain asset management and other fees incurred. In considering whether to defer or waive any such fees, NSAM evaluated the specific facts and circumstances surrounding the incurrence of a particular fee and made the decision on a case by case basis. For the year ended December 31, 2016, NSAM is not seeking $4.0 million of acquisition fees related to investments in certain private equity funds and CRE securities.

Distribution Support

An affiliate of Colony NorthStar is committed to invest up to $10.0 million in each of the Retail Companies during the respective two-year period following commencement of the offering. In addition, an affiliate of Colony NorthStar is committed up to $10.0 million for distribution support in the event that the Retail Companies' distributions to stockholders exceed certain measures of operating performance, in any Retail Company that Colony NorthStar may sponsor, up to a total of five new companies per year. The distribution support agreement related to NorthStar/RXR New York Metro is an obligation of both an affiliate of Colony NorthStar and RXR Realty, where each agreed to purchase 75% and 25% of any shares purchased, respectively. The distribution support agreement related to NorthStar Capital Fund is an obligation of an affiliate of Colony NorthStar.

Payment of Costs and Expenses and Expense Allocation

In addition, NSAM is entitled to certain expense allocations for costs paid on behalf of the Retail Companies which include: (i) reimbursement for organization and offering costs such as professional fees and other costs associated with the formation and offering of the Retail Company not to exceed 1.0% to 1.5% of the proceeds expected to be raised from the offering and excluding shares being offered pursuant to distribution reinvestment plans; and (ii) reimbursement for direct and indirect operating costs such as certain salaries, bonus, equity-based compensation and professional and other costs such as rental and occupancy, technology, office supplies, travel and entertainment and other general and administrative costs and expenses associated with managing the operations of the Retail Company. The operating cost reimbursement is calculated based on the four preceding fiscal quarters not to exceed the greater of: (i) 2.0% of each Retail Company's average invested assets; or (ii) 25.0% of each Retail Company's net income determined without reduction for any additions to reserves for depreciation, loan losses or other similar non-cash reserves and excluding any gain from the sale of assets for that period. NSAM facilitates the payments of organization, offering and direct operating cost amounts, which are recorded in receivables on NSAM's consolidated balance sheets until repaid. The reimbursement of indirect operating cost amounts are recorded net in general and administrative expenses in the consolidated statements of operations.

For the years ended December 31, 2016 and 2015 and six months ended December 31, 2014, NSAM allocated $32.6 million, $36.6 million and $11.1 million of expense related to the Retail Companies, respectively.

Townsend

Townsend generates management, advisory and incentive fees of $66.2 million from the Townsend Acquisition Date through December 31, 2016. NSAM was also entitled to $1.8 million of management and other fees from January 14, 2016 to the Townsend Acquisition Date, which was recorded net of operating expenses in other income in the consolidated statements of operations.

Certain contracts contain provisions to reimburse Townsend for expenses incurred on behalf of its clients such as legal due diligence and investment advisory team travel expenses. From the Townsend Acquisition Date through December 31, 2016, NSAM recorded $2.1 million in both other income and other expenses related to such reimbursements in the consolidated statements of operations.

Selling Commission and Dealer Manager Fees and Commission Expense

Selling commission and dealer manager fees represent fees earned for selling equity in the Retail Companies through NorthStar Securities. The Retail Companies offer various share class structures which have a range of selling commissions and dealer manager fees:

- Class A shares: selling commissions of up to 7% of gross offering proceeds raised and dealer manager fee of up to 3% of gross offering proceeds raised.

- Class T shares: selling commissions of up to 2% of gross offering proceeds raised and dealer manager fee of up to 2.75% of gross offering proceeds raised.

- Class D shares: no selling commissions and dealer manager fees of up to 2% of gross offering proceeds raised.

- Class I Shares: no selling commissions or dealer manager fees.

Commission expense represents fees to participating broker-dealers with whom NorthStar Securities has selling agreements with to raise capital for the Retail Companies and commissions to employees of NorthStar Securities. All or a portion of the dealer manager fees may be reallowed to participating broker-dealers and paid to certain employees of NorthStar Securities.

Certain of the Retail Companies' share classes, and currently the T share class, may include a trail commission commonly described as a distribution fee that are paid over time, of up to 1% per annum, to NorthStar Securities of which all or a portion may be reallowed to participating broker-dealers. NSAM recorded the present value of the expected future distribution fees receivable/income from certain Retail Companies and corresponding payable/expense to participating broker-dealers each of $5.1 million as of December 31, 2016.

Colony NorthStar continues to observe the market and may modify existing share classes or introduce a new share class to the Retail Companies in the future.

The following table summarizes selling commission and dealer manager fees, commission expense and net commission income for the years ended December 31, 2016, 2015 and 2014 (dollar in thousands):

	Years Ended December 31,		
	2016	2015	2014
Selling commission and dealer manager fees	$ 22,803	$ 126,907	$ 110,563
Commission expense[1]	21,654	117,390	104,428
Net commission income[2]	$ 1,149	$ 9,517	$ 6,135

(1) Includes selling commission expense to NorthStar Securities employees. For the years ended December 31, 2016, 2015 and 2014, NSAM incurred $2.7 million, $14.0 million and $13.8 million, respectively.
(2) Excludes direct expenses of NorthStar Securities.

Other

A subsidiary of NSAM is a rated special servicer by Standard & Poor's and Fitch Ratings and receives special servicing fees for services related to certain securitization transactions. For the years ended December 31, 2016, 2015 and 2014, NSAM earned $0.7 million, $0.9 million and $0.8 million of special servicing fees, respectively.

NSAM provided certain services under advisory and sub-advisory agreements between wholly-owned subsidiaries. As part of one such agreement, NSAM Luxembourg S.A.R.L. ("NSAM Luxembourg") engaged NSAM US LLC to perform certain non-discretionary advisory and administrative services with respect to assets managed by the group. For the year ended December 31, 2016, NSAM Luxembourg paid $166.5 million to NSAM US LLC for services, of which $66.4 million was paid in advance for services expected to be rendered and earned during 2017. This intercompany transaction is eliminated in the consolidated financial statements.

4. Investments in Unconsolidated Ventures

NSAM accounts for investments in unconsolidated ventures using the equity method, at fair value or the cost method. The following table summarizes NSAM's investments in unconsolidated ventures (dollars in thousands):

			December 31,	
Investment[1]	**Acquisition Date**	**Ownership Interest**	**2016**	**2015**
Indirect Investments				
AHI Interest[2]	Dec-14	43%	$ 34,866	$ 45,581
Island Interest[3]	Jan-15	45%	—	39,809
Subtotal Indirect Investments			34,866	85,390
Townsend Funds[4]	Various	Various	20,970	—
Total			$ 55,836	$ 85,390

(1) Excludes NSAM's acquired interest in Distributed Finance Corporation ("Distributed Finance") in June 2014, a marketplace finance platform, for $4.0 million with a carrying value of $2.7 million as of December 31, 2015. In addition, NSAM entered into a convertible debt investment in Distributed Finance in January 2016 for $1.0 million. As of December 31, 2016, both investments are fully impaired.
(2) NSAM acquired the AHI Interest in AHI Newco, LLC ("AHI Ventures"), a direct wholly-owned subsidiary of AHI for $57.5 million, consisting of $37.5 million in cash and $20.0 million of NSAM's common stock, subject to certain lock-up and vesting restrictions ($10.0 million of NSAM's common stock vested immediately). NSAM's investment in AHI Ventures is structured as a joint venture between NSAM, the principals of AHI and James F. Flaherty III. The members of AHI are entitled to receive certain distributions of operating cash flow and certain promote fees in accordance with the allocations set forth in the joint venture agreement. For the years ended December 31, 2016 and 2015, NSAM received distributions of $5.7 million and $4.6 million related to the AHI Interest, respectively.

(3) NSAM acquired the Island Interest in Island through Island Hospitality Joint Venture, LLC (“Island Ventures”), a subsidiary of Island JV Members Inc. (“Island Members”) for $37.7 million, consisting of $33.2 million in cash and $4.5 million of NSAM’s common stock, subject to certain lock-up and vesting restrictions ($4.5 million of NSAM’s common stock vested immediately). NSAM’s investment in Island Ventures was structured as a joint venture between NSAM and Island Members. The members of Island Ventures were entitled to receive certain distributions of operating cash flow and certain promote fees in accordance with the allocations set forth in the joint venture agreement. For the years ended December 31, 2016 and 2015, NSAM received distributions of $6.5 million and $4.5 million related to the Island Interest, respectively. In December 2016, in connection with the Mergers, NSAM sold the Island Interest for a note receivable of $28.5 million that matures in January 2027 at 8% and cash of $3.2 million, resulting in a realized loss of $15.4 million, which includes closing and other related costs.

(4) Represents interests in real estate private equity funds sponsored by Townsend. The following table summarizes the Townsend Funds, which are accounted for as cost method investments at fair value, as of December 31, 2016 and for the period from the Townsend Acquisition Date through December 31, 2016 (dollars in thousands):

As of December 31, 2016			Period from the Townsend Acquisition Date through December 31, 2016		
Number of Funds[1]	Fair Value[2]	Unfunded Commitments[2][3]	Income[4]	Distributions[2]	Contributions
26	$ 20,970	$ 9,633	$ 1,980	$ 4,831	$ 6,115

(1) Investments in closed-ended funds are not redeemable and investments in open-ended funds have semi-annual redemption options with 120 days advance notice.
(2) NSAM assumed an obligation to the sellers of Townsend, including certain Townsend employees, under which they are entitled to approximately 84% of the value of the Townsend Funds at the Townsend Acquisition Date along with any income related to capital contributed prior to acquisition. NSAM is obligated to fund all future contributions and is entitled to any income on such contributions subsequent to the Townsend Acquisition Date. As of December 31, 2016, the carrying amount of such liability is $16.5 million and is recorded in other liabilities on the consolidated balance sheet. Certain distributions received are paid against the assumed obligation of $16.5 million to the sellers.
(3) Subsequent to the Townsend Acquisition Date, NSAM has commitments to co-invest approximately 1% of the total unfunded commitment in the Townsend Funds.
(4) NSAM’s portion of equity in earnings (losses) from the Townsend Funds is $0.7 million for the period from the Townsend Acquisition Date through December 31, 2016.

Summarized Financial Information

The combined balance sheets for the unconsolidated ventures as of December 31, 2016 and 2015 are as follows (dollars in thousands):

	As of December 31,	
	2016[1]	2015
Total assets	$ 75,975	$ 193,720
Total liabilities	4,018	15,098
Non-controlling interests	2,518	2,390
Total equity	71,957	178,622

(1) Decrease primarily due to the sale of the Island Interest in connection with the Mergers.

The combined statements of operations for the unconsolidated ventures for the year ended December 31, 2016 and from the respective acquisition date through 2015 or 2014 are as follows (dollars in thousands):

	Year Ended December 31,	Acquisition Date through December 31,	
	2016[1]	2015[2]	2014[3]
Total revenues	$ 66,463	$ 76,703	$ 2,158
Total expenses	69,634	56,128	2,829
Net income (loss)	(3,171)	20,575	(671)
Net (income) loss attributable to non-controlling interests	2,627	(12,994)	(601)
Net income (loss) attributable to unconsolidated ventures	$ (544)	$ 7,581	$ (1,272)

(1) Includes Island and AHI for the year ended December 31, 2016.
(2) Includes Island from acquisition date (January 9, 2015) through December 31, 2015 and AHI for the year ended December 31, 2015.
(3) Includes AHI from acquisition date (December 5, 2014) through December 31, 2014.

5. Borrowings

Corporate Facilities

In January 2016, upon the closing of Townsend, NSAM entered into a $500.0 million term loan (the "Term Loan"), less applicable original issue discounts and certain upfront fees, and used the proceeds to repay its outstanding revolving credit agreement of $100.0 million. The Term Loan bears interest at LIBOR, subject to a floor of 0.75%, plus 3.875% per year and matures on January 29, 2023. The Term Loan is guaranteed by NSAM and certain domestic subsidiaries of NSAM and secured by substantially all of the assets of NSAM. The Term Loan was repaid in January 2017 in connection with the Mergers.

The Term Loan related agreements contain representations, warranties, covenants, conditions precedent to funding, events of default and indemnities that are customary for agreements of these types. As of December 31, 2016, NSAM was in compliance with all of its financial covenants.

6. Related Party Arrangements

NorthStar Realty

Investment Opportunities

Under the management agreement with NorthStar Realty prior to the Mergers, NorthStar Realty agreed to make available to NSAM for the benefit of the Managed Companies, including NorthStar Realty, all investment opportunities sourced by NorthStar Realty. NSAM agreed to fairly allocate such opportunities among the Managed Companies, including NorthStar Realty, in accordance with NSAM's investment allocation policy. Pursuant to the management agreement, NorthStar Realty is entitled to fair and reasonable compensation for its services in connection with any loan origination opportunities sourced by it, which may include first mortgage loans, subordinate mortgage interests, mezzanine loans and preferred equity interests, in each case relating to commercial real estate. For the years ended December 31, 2016 and 2015, NSAM incurred $1.0 million and $3.0 million, respectively, to NorthStar Realty for services in connection with loan origination opportunities.

NSAM provided services with regard to such areas as payroll, human resources and employee benefits, financial systems management, treasury and cash management, accounts payable services, telecommunications services, information technology services, property management services, legal and accounting services and various other corporate services to NorthStar Realty as it related to its loan origination business for CRE debt.

Credit Agreement

In connection with the NSAM Spin-off, NSAM entered into a revolving credit agreement with NorthStar Realty pursuant to which NorthStar Realty makes available to NSAM, on an "as available basis," up to $250 million of financing with a maturity of June 30, 2019 at LIBOR plus 3.50%. The revolving credit facility was unsecured. The terms of the revolving credit facility contained various representations, warranties, covenants and conditions, including the condition that NorthStar Realty's obligation to advance proceeds to NSAM is dependent upon NorthStar Realty and its affiliates having at least $100 million of either unrestricted cash and cash equivalents or amounts available under committed lines of credit, after taking into account the amount NSAM seeks to draw under the facility. As of December 31, 2016, NSAM had no borrowings outstanding under the credit agreement. In January 2017, NSAM borrowed $40 million under the credit agreement, which was eliminated in connection with the Mergers.

Loan Agreements

Separately, in January 2017 and prior to the Mergers, affiliates of NSAM entered into a loan agreement with affiliates of NorthStar Realty in the aggregate amount of $500.9 million with a maturity of January 10, 2027 at 8.0%. Such intercompany loans remain outstanding between subsidiaries of Colony NorthStar subsequent to the Mergers.

NorthStar Listed Companies Shares

NSAM purchased 2.7 million and 0.2 million shares of NorthStar Realty and NorthStar Europe, respectively, in the open market for $52.2 million in the aggregate. For the years ended December 31, 2016 and 2015, NSAM recorded an unrealized loss of $4.3 million and $3.8 million, respectively. For the year ended December 31, 2016, NSAM recorded $4.4 million of related dividend income in other income in the consolidated statements of operations.

Recent Sales or Commitments to Sell to the Retail Companies

During 2016, NorthStar Realty entered into agreements to sell certain assets to the Retail Companies. The board of directors of each Retail Company, including all of the independent directors, approved of the respective transactions after considering, among other matters, third party pricing support.

Healthcare Strategic Joint Venture

In January 2014, NSAM entered into a long-term strategic partnership with James F. Flaherty III, former Chief Executive Officer of HCP, Inc., focused on expanding its healthcare business into a preeminent healthcare platform ("Healthcare Strategic Partnership"). In connection with the partnership, Mr. Flaherty oversees both NorthStar Realty's healthcare real estate portfolio and the portfolio of NorthStar Healthcare. In connection with entering into the partnership, NorthStar Realty granted Mr. Flaherty certain restricted stock units, or RSUs, half of which became RSUs of NSAM as a result of the NSAM Spin-off (refer to Note 9). The Healthcare Strategic Partnership is entitled to incentive fees ranging from 20% to 25% above certain hurdles for new and existing healthcare real estate investments held by NorthStar Realty and NorthStar Healthcare. The Healthcare Strategic Partnership is also entitled to any incentive fees earned from NorthStar Healthcare or any future healthcare retail vehicles sponsored by NSAM, NorthStar Realty or any affiliates, as well as future healthcare retail vehicles sponsored by AHI Ventures. For the years ended December 31, 2016 and 2015, NSAM did not earn incentive fees related to the Healthcare Strategic Partnership.

On February 2, 2015, in connection with the completion of NorthStar Healthcare's initial primary offering, NSAM issued 20,305 RSUs to Mr. Flaherty. On December 17, 2015, in connection with the completion of NorthStar Healthcare's follow-on public offering, NSAM issued 139,473 RSUs to Mr. Flaherty. On January 19, 2016, NSAM issued an additional 527 RSUs to Mr. Flaherty.

AHI Venture

In connection with the AHI Interest, AHI Ventures provides certain asset management, property management and other services to affiliates of NSAM assisting in managing the current and future healthcare assets (excluding any joint venture assets) of NorthStar Realty and other Retail Companies, including the assets formerly owned by Griffin-American Healthcare REIT II, Inc. ("Griffin-American") and its former operating partnership, Griffin-American Healthcare REIT II Holdings, LP ("Griffin-America OP portfolio") and third party assets, representing $7.5 billion, of which $5.5 billion is owned by NorthStar Realty and NorthStar Healthcare. AHI Ventures receives a base management fee of $1.6 million per year plus an additional 0.50% on certain additional equity invested by NorthStar Realty or NorthStar Healthcare in future healthcare assets (excluding assets in the Griffin-American OP portfolio and other joint ventures) that AHI Ventures may manage. AHI Ventures may also participate in the incentive fees earned by NSAM and its affiliates with respect to new and existing healthcare real estate investments held by NorthStar Realty and NorthStar Healthcare, including the Griffin-American OP portfolio, any future healthcare retail vehicles sponsored by NSAM, NorthStar Realty or any affiliates, as well as any future healthcare retail vehicles sponsored by AHI Ventures. AHI Ventures would also be entitled to additional base management fees should it manage assets on behalf of any other Managed Companies. AHI Ventures also intends to directly or indirectly sponsor, co-sponsor, form, register, market, advise, manage and/or operate investment vehicles that are intended to invest primarily in healthcare real estate assets. In addition, Mr. Flaherty acquired a 12.3% interest, as adjusted, in AHI Ventures. For the years ended December 31, 2016 and 2015, NSAM incurred $2.4 million and $1.4 million, respectively, of base management fees to AHI, which is recorded in other expenses in the consolidated statements of operations. Also, AHI provides certain asset management, property management and other services to NorthStar Realty to assist in managing its properties. For the years ended December 31, 2016 and 2015, NorthStar Realty incurred $1.7 million of property management fees to AHI in each period.

In April 2015, Griffin-American Healthcare REIT III, Inc., a vehicle managed by an affiliate of AHI, distributed shares of its common stock to the members of AHI Ventures, of which NSAM received 0.2 million shares in connection with the distribution, which is recorded in other assets on the consolidated balance sheets.

Island Venture

Island provides certain asset management, property management and other services to NorthStar Realty to assist in managing its hotel properties. Island receives a base management fee of 2.5% to 3.0% of the current monthly revenue of the NorthStar Realty hotel properties it manages for NorthStar Realty. For the year ended December 31, 2016 and for the period from acquisition date (January 9, 2015) through December 31, 2015, NorthStar Realty incurred $17.6 million and $16.6 million, respectively, of base property management and other fees to Island. In December 2016, in connection with the Mergers, NSAM sold the Island Interest for a note receivable of $28.5 million that matures in January 2027 at 8% and cash of $3.2 million, resulting in a realized loss of $15.4 million, which includes closing and other related costs.

RXR Realty

In December 2013, NorthStar Realty entered into a strategic transaction with RXR Realty, the co-sponsor of NorthStar/RXR New York Metro. The investment in RXR Realty includes an approximate 27% equity interest. NorthStar Realty's equity interest in RXR Realty is structured so that the Company is entitled to the portion of distributable cash flow from RXR Realty's investment management business in excess of the $10 million minimum annual base amount set forth in the management agreement with NorthStar Realty (refer to Note 3). For the years ended December 31, 2016 and 2015, the Company was not entitled to any excess. Upon completion of the Mergers, the management agreement with NorthStar Realty ceased to exist.

7. Fair Value

Fair Value Measurement

NSAM follows fair value guidance in accordance with U.S. GAAP to account for its financial instruments. NSAM categorizes its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

Financial assets and liabilities are recorded at fair value on its consolidated balance sheets and are categorized based on the inputs to the valuation techniques as follows:

Level 1. Quoted prices for identical assets or liabilities in an active market.

Level 2. Financial assets and liabilities whose values are based on the following:

- (a) Quoted prices for similar assets or liabilities in active markets.
- (b) Quoted prices for identical or similar assets or liabilities in non-active markets.
- (c) Pricing models whose inputs are observable for substantially the full term of the asset or liability.
- (d) Pricing models whose inputs are derived principally from or corroborated by observable market data for substantially the full term of the asset or liability.

Level 3. Prices or valuation techniques based on inputs that are both unobservable and significant to the overall fair value measurement.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following is a description of the valuation techniques used to measure fair value of assets and liabilities accounted for at fair value on a recurring basis and the general classification of these instruments pursuant to the fair value hierarchy.

Securities

As of December 31, 2016, securities are valued using quoted prices in an active market, and as such, are classified as Level 1 of the fair value hierarchy. As of December 31, 2016 and 2015, the fair value is $44.2 million and $46.2 million, respectively.

Townsend Funds

The fair value of the Townsend Funds are estimated by NSAM's proportionate share of net asset value provided by the underlying fund investment based on the most recent available information, which is on a one quarter lag. NSAM reviews the net asset value provided by the underlying fund investment managers on an ongoing basis and compares these values to the audited financial statements, as applicable. As of December 31, 2016, the fair value is $21.0 million.

Fair Value of Financial Instruments

In addition to the above disclosures regarding financial assets or liabilities which are recorded at fair value, U.S. GAAP requires disclosure of fair value about all financial instruments. The following disclosure of estimated fair value of financial instruments was determined by NSAM using available market information and appropriate valuation methodologies. Considerable judgment is necessary to interpret market data and develop estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts NSAM could realize on disposition of the financial instruments. The use of different market assumptions and/or estimation methodologies may have a material effect on estimated fair value. The fair value of other financial instruments such as receivables and payables is estimated to approximate their carrying value.

Disclosure about fair value of financial instruments is based on pertinent information available to management as of the reporting date. Although management is not aware of any factors that would significantly affect fair value, such amounts have not been comprehensively revalued for purposes of these consolidated financial statements since that date and current estimates of fair value may differ significantly from the amounts presented herein.

Note Receivable

Fair value was approximated based on the unobservable sales price in connection with the Island Interest (refer to Note 4), and as such, is classified as Level 3 of the fair value hierarchy. As of December 31, 2016, the carrying value of the note receivable is $28.5 million, which approximates fair value.

Term Loan

NSAM uses term to maturity and LIBOR rates to estimate fair value. This fair value measurement is based on observable inputs and as such, is classified as Level 2 of the fair value hierarchy. As of December 31, 2016, the carrying value of the Term Loan is $468.4 million, which approximates fair value. The Term Loan was repaid in full in connection with the Mergers.

8. Commitments and Contingencies

Merger Related Arrangements and Other Costs

NSAM entered into fee arrangements with service providers and advisors pursuant to which certain fees incurred by NSAM in connection with the Mergers became payable upon consummation of the Mergers. NSAM incurred other fees and costs related to the Mergers, including compensation expenses to executives and employees related to severance, retention and related costs. In January 2017 in connection with the Mergers, NSAM incurred approximately $32.4 million of costs to third parties, excluding compensation costs.

On December 22, 2016, NSAM declared a special dividend for its common stockholders of $228 million or approximately $1.16 per share contingent upon consummation of the Mergers. The special dividend was paid on January 27, 2017 to common stockholders of record as of the close of business on January 3, 2017.

Obligations Under Lease Agreements

As of December 31, 2016, NSAM leased offices domestically in locations including New York, Denver, Bethesda and Dallas and internationally including London, Bermuda and Luxembourg and through NSAM's interest in Townsend it has locations in Cleveland, San Francisco, London and Hong Kong. NSAM did not own any real property.

The following table presents minimum future rental payments under these contractual lease obligations as of December 31, 2016 (dollars in thousands):

Years Ending December 31:		
2017	$	4,956
2018		1,971
2019		1,484
2020		184
2021		184
Thereafter		—
Total minimum lease payments	$	8,779

NSAM incurred $5.7 million, $4.5 million and $2.1 million in rental expense for the years ended December 31, 2016, 2015 and 2014, respectively, which is recorded in other general and administrative expenses in the consolidated statements of operations.

Litigation

NSAM may be involved in various litigation matters arising in the ordinary course of its business. Although NSAM is unable to predict with certainty the eventual outcome of any litigation, in the opinion of management, the legal proceedings are not expected to have a material adverse effect on NSAM's financial position or results of operations.

Other

Effective July 1, 2014, in connection with the NSAM Spin-off, NSAM adopted the NSAM 401(k) Retirement Plan (the “401(k) Plan”) for its employees. Eligible employees under the 401(k) Plan may begin participation on the first day of the month after they have completed 30 days of employment. NSAM’s matching contribution is calculated as 100% of the first 3% and 50% of the next 2% of participant’s eligible earnings contributed (utilizing earnings that are not in excess of the amount established by the IRS. NSAM’s aggregate matching contribution for the years ended December 31, 2016, 2015 and 2014 was $2.2 million, $1.3 million and $0.2 million, respectively, which is recorded in general and administrative expenses in the consolidated statements of operations.

9. Compensation Expense

Summary

The following table presents a summary of compensation expense for the years ended December 31, 2016, 2015 and 2014 (dollars in thousands):

	Years Ended December 31,		
	2016	2015	2014
Salaries and related expenses	$ 98,243	$ 68,349	$ 37,205
Equity-based compensation expense	61,577	57,468	51,650
Total	$ 159,820	$ 125,817	$ 88,855

Equity-based compensation expense for the years ended December 31, 2016 and 2015 represents equity-based compensation expense following the NSAM Spin-off.

As of December 31, 2016, equity-based compensation expense to be recognized over the remaining vesting period through December 2020 is $69.9 million, provided there are no forfeitures.

In connection with the Mergers, substantially all outstanding time-based equity awards issued to executives and non-executive employees vested in accordance with their terms. In addition, all or a portion of the outstanding NSAM performance-based awards issued to executives and non-executives vested in accordance with their terms, subject to forfeiture and reduction. As such, substantially all remaining unrecognized compensation cost was recognized immediately.

Equity Plans

Prior to the NSAM Spin-Off, NorthStar Realty issued equity-based awards to directors, officers, employees and advisors pursuant to its equity plans which were adjusted upon the spin as discussed below. In addition, NSAM issued equity-based awards to directors, officers, employees and advisors pursuant to the (the “NSAM Stock Plan”) and (the “NSAM Bonus Plan” and collectively, with the NSAM Stock Plan, the “NSAM Plans”) based in whole or in part on the fair value of the restricted stock, LTIP Units or performance common stock which may contain certain service or performance requirements. The performance hurdles are based on achieving performance hurdles and/or total stockholder return hurdles for a four-year period, subject to the participant’s continued employment through the payment date.

In connection with the NSAM Bonus Plan for the years ended 2014 and 2015, approximately 31.65% of the long-term bonus was paid in LTIP Units/restricted stock and approximately 18.35% of the long-term bonus was paid by NSAM by issuing performance common stock subject to performance-based hurdles. In the first quarter 2016, NSAM’s compensation committee established bonus pools, awarded bonus pool percentages and established the performance goals, vesting requirements and other terms and conditions applicable to bonuses for 2016 under the NSAM Bonus Plan. Subsequently, pursuant to letter agreements that the Company entered into with its executives in connection with the Mergers, the number of shares of common stock eligible to be granted as long-term bonus, the portions of the performance-based equity awards that were to vest in connection with the Mergers and the size of the bonus pool for 2016 under the NSAM Bonus Plan were fixed. In January 2017, the Company issued 738,225 restricted shares of common stock to NSAM’s executive officers as long-term bonuses for 2016 related to time-based and performance-based awards, which reflected the fixed number of shares previously agreed to in connection with the Mergers.

A portion of these shares were vested upon grant and the remainder vested in connection with the Mergers. In addition, in January 2017, the Company granted 794,993 restricted shares of common stock to certain of its non-executive employees, which vested in accordance with their terms in connection with the Mergers and were otherwise subject to vesting based on continued employment through specified dates. In connection with the issuance and vesting of these shares, in January 2017, the Company retired 82,832 of the vested shares of common stock to satisfy the minimum statutory withholding requirements.

As of December 31, 2016, an aggregate of 30,072,659 shares of NSAM's common stock were reserved for the issuance of awards under the NSAM Stock Plan, subject to equitable adjustment upon the occurrence of certain corporate events.

The following table presents activity related to the issuance, vesting and forfeitures of restricted stock, LTIP Units, performance common stock and restricted common units ("RSUs"). The balance as of December 31, 2016 represents unvested restricted stock, vested and unvested LTIP Units, unvested RSUs and unvested performance common stock (grants in thousands):

	Year Ended December 31, 2016					
	Restricted Stock(1)	LTIP Units	Restricted Stock Units(3)	Performance Common Stock(5)	Total Grants	Weighted Average Grant Price
December 31, 2015	3,269	1,792	2,647 (4)	4,213	11,921	$ 16.80
New grants	2,625	—	1	997	3,623	8.86
Townsend grants	658	—	—	—	658	11.00
Vesting	(2,761) (2)	—	(705)	—	(3,466)	13.61
Conversions	—	(201)	—	—	(201)	17.15
Forfeited or canceled grants	(44)	(2)	(23)	—	(69)	16.30
December 31, 2016	3,747	1,589	1,920	5,210	12,466	$ 15.07

(1) Represents restricted stock included in common stock outstanding. Included 0.7 million of shares of common stock issued to certain members of Townsend's management team who own the remaining interest in Townsend. The grant was based on NSAM's stock price on such date and is related to future services to be rendered and subject to time-based vesting conditions through December 31, 2020. Such shares were not part of the acquisition cost.

(2) Included 2.4 million shares of restricted stock that vested and 0.4 million shares of restricted stock that were retired to satisfy minimum statutory withholding requirements.

(3) Includes previous time-based grants of 0.7 million to Mr. Jay Flaherty. In connection with entering into the Healthcare Strategic Partnership, NorthStar Realty granted Mr. Flaherty 0.5 million on January 22, 2014, adjusted to reflect NorthStar Realty's reverse stock split and the NSAM Spin-Off, which vest on January 22, 2019, unless certain conditions are met. The RSUs are entitled to dividend equivalents prior to vesting and may be settled either in shares of common stock of NSAM or in cash at the option of NSAM. Mr. Flaherty is also entitled to incremental grants of NSAM's common stock subject to certain conditions being met pursuant to a separate contractual arrangement entered into in connection with the Healthcare Strategic Partnership. Such incremental grants totaled approximately 0.2 million RSUs issued in connection with the completion of NorthStar Healthcare's initial public offering and follow-on public offering and the services Mr. Flaherty provides to the Healthcare Strategic Partnership and vest on the third anniversary of the grant date, unless certain conditions are met.

(4) December 31, 2015 included 1.1 million RSUs previously issued from NorthStar Realty, 0.8 million performance based RSUs granted to non-executive employees as part of the NSAM Spin-off and 0.7 million RSUs related to NorthStar Realty's bonus plan for 2012 that were settled in January 2016 by NSAM issuing 362,006 shares of common stock, net of the minimum statutory tax withholding requirements.

(5) December 31, 2015 included 3.7 million shares of performance common stock issued by NSAM to executives as part of the NSAM Spin-Off and 0.5 million shares of performance common stock issued as part of NSAM's 2014 bonus plan to executives. During 2016, 1.0 million of shares of performance common stock were issued to executives as part of NSAM's 2015 bonus plan. The grant price per share for the performance common stock issued as part of the NSAM bonus plan was $3.43 per share, which was determined using a risk free interest rate of 0.88%. Upon vesting, these shares of performance common stock automatically convert into shares of common stock and the executives will be entitled to receive the distributions that would have been paid with respect to a share of common stock (for each share of performance common stock that vests) on or after January 1, 2015.

Impact of Spin-offs

All of the vested and unvested equity-based awards granted by NorthStar Realty prior to the NSAM Spin-off remained outstanding (including Deferred LTIP Units which represented the right to receive LTIP Units in NorthStar Realty's successor operating partnership or shares of NorthStar Realty common stock) following the NSAM Spin-off. Appropriate adjustments were made to all awards to reflect the impact of NorthStar Realty's reverse stock split and the NSAM Spin-off with respect to employment conditions for service-based awards and total stockholder return for performance-based awards. On March 13, 2015, such Deferred LTIP Units were settled in LTIP Units in the NSAM OP, or shares of restricted stock, which remain subject to the same vesting conditions that applied to the Deferred LTIP Units.

Following the NSAM Spin-off, NorthStar Realty and the compensation committee of its board of directors (the "NorthStar Realty Compensation Committee") continue to administer all awards issued under the NorthStar Realty Equity Plans but NSAM is obligated to issue shares of NSAM's common stock or other equity awards of its subsidiaries or make cash payments in lieu thereof and NSAM is obligated to make cash payments with respect to dividend or distribution equivalent obligations relating to such shares to the extent required by such awards previously issued under the NorthStar Realty Equity Plans. These awards will continue to be governed by the NorthStar Realty Equity Plans, as applicable, and shares of NSAM's common stock issued pursuant to these awards will not be issued pursuant to, or reduce availability, under the NorthStar Realty Equity Plans.

In connection with the NSAM Spin-off, most of NorthStar Realty's employees at the time of the NSAM Spin-off became employees of NSAM except for executive officers, employees engaged in NorthStar Realty's loan origination business at the time of the NSAM Spin-off and certain other employees that became co-employees of both NSAM and NorthStar Realty.

In anticipation of the NSAM Spin-off, on April 3, 2014, NSAM granted an aggregate of 6,230,529 RSUs to its executive officers pursuant to the NSAM Stock Plan. The RSUs vest over four years and are subject to the achievement of performance-based vesting conditions and continued employment. 40% of these RSUs were performance-based awards and were subject to the achievement of performance-based hurdles relating to CAD of NSAM and NorthStar Realty and capital raising of the Retail Companies, as well as continued employment through December 31, 2017 ("Performance RSUs"). 30% of these RSUs are market-based awards and are subject to the achievement of performance-based hurdles relating to NSAM's absolute total stockholder return and continued employment over a four-year period ended April 2, 2018 ("Absolute RSUs"). The remaining 30% of these RSUs are market-based awards and are subject to the achievement of performance-based hurdles based on NSAM's total stockholder return relative to the Russell 2000 Index and continued employment over a four-year period ended April 2, 2018 ("Relative RSUs"). With respect to these grants, the grant date fair value for the Performance RSUs, Absolute RSUs and Relative RSUs ranged from $10.22 to $17.01 per RSU. The grant date fair value was determined using a risk-free interest rate of 1.48%. In May 2014, NSAM also granted an aggregate of 1,279,089 of the Performance RSUs, Absolute RSUs and Relative RSUs (net of forfeitures occurring prior to December 31, 2016) with substantially similar terms as the RSUs granted to executives in April 2014 to certain employees pursuant to the NSAM Stock Plan. With respect to these grants, the grant date fair value for the Performance RSUs, Absolute RSUs and Relative RSUs ranged from $9.95 to $16.80 per RSU. The grant date fair value of the Absolute RSUs and Relative RSUs was determined using a risk-free interest rate of 1.29%. In December 2014, NSAM determined that the performance hurdles relating to the Performance RSUs were met. On December 31, 2014, the Performance RSUs were settled in shares of NSAM's common stock, net of the minimum statutory tax withholding requirements, of which 25% were vested and the remainder (in the form of restricted stock) were subject to vesting in equal installments on December 31, 2015, 2016 and 2017, subject to continued employment. On December 31, 2014, the Absolute RSUs and Relative RSUs related to the executives were settled in shares of performance common stock. Upon vesting pursuant to the terms of the Absolute RSUs and Relative RSUs, shares of performance common stock will automatically convert into shares of common stock and the executive will be entitled to receive the distributions that would have been paid with respect to a share of common stock (for each share of performance common stock that vests) on or after the date the shares of performance common stock were initially issued.

Other Issuances

AHI

On December 8, 2014, NSAM acquired an interest in AHI for $37.5 million in cash and $20.0 million of common stock, representing 956,462 shares. In connection with this acquisition, NSAM required the seller to subject one-half of these shares to forfeiture conditions that lapse based on the continued service to AHI of its three principals, with forfeiture conditions with respect to 50% of these shares lapsing two years after the closing date of NSAM's acquisition and the remaining 50% lapsing five years after the closing date. As a result of this vesting arrangement, $10.0 million of common stock (or 478,231 shares) subject to this arrangement is treated as a contingent consideration arrangement tied to continued employment of the AHI principals as an incentive to remain as employees of AHI. As such, this contingent consideration arrangement is accounted for separately as a compensatory arrangement with amortization of such equity award being recorded by NSAM through equity in earnings (losses). The AHI principals are also entitled to incremental grants of NSAM's common stock subject to certain conditions being met pursuant to a separate contractual arrangement entered into in connection with NSAM's AHI investment. For the year ended December 31, 2016, no incremental awards were issued.

In March 2016, NSAM issued 93,896 shares of common stock to employees of AHI in settlement of the commitment to contribute $1.0 million in shares of common stock related to equity incentives and will contribute $1.0 million in shares of common stock in March 2017 related to the year ended 2016.

Restricted stock/LTIP Units/RSUs with Service Conditions

NSAM granted restricted stock/LTIP Units/RSUs to executive officers, certain non-executive officers, board of directors, non-employees and selected advisers. The fair value of restricted stock/LTIP Units/RSUs are based on the closing price on the date of grant, multiplied by the number of unvested awards and expensed over the assumed service period for employees with subsequent changes in fair value, through the vesting date, expensed over remaining service period with a cumulative catch-up adjustment in the period of change for non-employees. Such vesting periods range from three to five years. Certain awards vest subject to minimum statutory tax withholding requirements.

Equity-Based Awards with Performance Conditions

NSAM also granted certain equity-based awards with performance requirements to executive officers and non-executives including awards issued as part of the NSAM Spin-Off. These market based awards (other than the spin-awards) are subject to achieving total stockholder return hurdles for the four year period ended December 31 following the plan year. Certain awards vest subject to minimum statutory tax withholding requirements.

10. Stockholders' Equity

Share Repurchase

In April 2015, NSAM's board of directors authorized the repurchase of up to $400 million of its outstanding common stock. In May 2016, NSAM's board of directors extended the authorization for an additional year. The authorization ceased to exist in connection with the Mergers. From April 2015 through December 31, 2015, NSAM repurchased 7.8 million shares of its common stock for approximately $105.2 million. For the year ended December 31, 2016, NSAM did not repurchase any shares of its common stock.

Call Spread

In September 2015, NSAM entered into a call spread transaction (the "Call Spread") with a third-party counterparty related to its share repurchase program. In connection with the Call Spread, certain subsidiaries of NSAM purchased and sold a call option on NSAM's common stock with a notional amount of $100.0 million with various expiration dates beginning in December 2018 and a final maturity date in February 2019. Subsequent to the Mergers, the obligation to the counterparty under the sold call option is guaranteed by Colony NorthStar. In October 2015, NSAM paid a net premium of $16.0 million, which is recorded as a reduction in paid-in capital.

Subsequent to the Mergers, at maturity, Colony NorthStar can, at its election, exercise the purchased call option on a cash basis, share basis or a net share basis. Upon exercise, the net value of the consideration is identical and can range from zero to approximately $40.0 million, depending upon the market price per share of Colony NorthStar's common stock at the time. In the event there is an early unwind of one or more components of the Call Spread, the amount of cash to be received by Colony NorthStar will depend upon its market price of common stock and the remaining term of the Call Spread. The number of shares and the strike prices are subject to customary adjustments.

Earnings Per Share

Basic and diluted earnings per share and the average number of common shares outstanding were calculated using the number of common stock outstanding. The following table presents EPS for the years ended December 31, 2016, 2015 and 2014 (dollars and shares in thousands, except per share data):

	Years Ended December 31,		
	2016	2015	2014
Numerator:			
Net income (loss) attributable to NorthStar Asset Management Group Inc. common stockholders	$ 42,281	$ 119,794	$ 19,100
Less: Earnings (loss) allocated to unvested participating securities	(3,424)	(4,253)	(190)
Numerator for basic income (loss) per share	38,857	115,541	18,910
Add: Undistributed earnings allocated to participating nonvested shares	—	1,594	—
Less: Undistributed earnings reallocated to participating nonvested shares	—	(1,567)	—
Net income (loss) attributable to LTIP Units non-controlling interests	442	953	—
Numerator for diluted income (loss) per share	$ 39,299	$ 116,521	$ 18,910
Denominator:			
Weighted average number of shares of common stock	183,327	188,706	187,853
Incremental diluted shares	1,785	2,308	2,588
Weighted average number of diluted shares(1)	185,112	191,014	190,441
Earnings (loss) per share:			
Basic	$ 0.21	$ 0.61	$ 0.10
Diluted	$ 0.21	$ 0.61	$ 0.10

(1) Diluted EPS excludes the effect of equity-based awards issued that were not dilutive for the periods presented. These instruments could potentially impact diluted EPS in future periods, depending on changes in NSAM's stock price and other factors.

Dividends

The following table presents NSAM's dividends declared (on a per share basis) for the year ended December 31, 2016:

Common Stock	
Declaration Date	Dividend
2016	
December 22	$ 1.16 (1)
November 1	$ 0.10
August 2	$ 0.10
May 4	$ 0.10
February 25	$ 0.10

(1) On December 22, 2016, NSAM declared a special dividend for its common stockholders of $228 million or approximately $1.16 per share contingent upon consummation of the Mergers. The special dividend was paid on January 27, 2017 to common stockholders of record as of the close of business on January 3, 2017.

11. Non-controlling Interests

NSAM OP

Non-controlling interests include the aggregate LTIP Units held by limited partners (the “Unit Holders”) in the NSAM OP. Net income (loss) attributable to the non-controlling interest is based on the weighted average Unit Holders’ ownership percentage of the NSAM OP for the respective period. The issuance of additional common stock or LTIP Units changes the percentage ownership of both the Unit Holders and NSAM. Since an LTIP Unit is generally redeemable for cash or common stock at the option of NSAM, it is deemed to be equivalent to common stock. Therefore, such transactions are treated as capital transactions and result in an allocation between stockholders’ equity and non-controlling interests on the accompanying consolidated balance sheets to account for the change in the ownership of the underlying equity in the NSAM OP. On a quarterly basis, the carrying value of such non-controlling interest is allocated based on the number of LTIP Units held by Unit Holders in total in proportion to the number of LTIP Units in total plus the number of shares of common stock. In connection with the formation of the NSAM OP, NSAM recorded a non-controlling interest of $4.4 million related to LTIP Units. As of December 31, 2016, 1,588,998 LTIP units were outstanding, representing an approximate 1.0% ownership and non-controlling interest in the NSAM OP. Income attributable to the NSAM OP non-controlling interest for the years ended December 31, 2016 and 2015 was $0.4 million and $1.0 million, respectively.

Redeemable Non-Controlling Interests

Townsend is a consolidated majority-owned subsidiary of NSAM. Prior to the Mergers, certain members of Townsend management own interests in Townsend in the form of Class B units where the holders have the ability to require NSAM to purchase a certain percentage of such units annually beginning December 31, 2016 through December 31, 2020 with settlement in: (i) cash; (ii) NSAM’s common stock; or (iii) a combination of cash and NSAM’s common stock, subject to certain conditions. Such interest is considered redeemable non-controlling interest and net income (loss) attributable to such interest is based on the member’s ownership percentage of Townsend for the respective period. Subsequent to the Mergers, the same terms and conditions exist except NSAM’s common stock merged out of existence and is now Colony NorthStar’s common stock.

The following table presents a summary of changes in the redeemable non-controlling interests from the Townsend Acquisition Date through December 31, 2016 (dollars in thousands):

Beginning balance	$ —
Contributions	75,259
Distributions	(5,471)
Net income (loss)	4,271
Allocation of redeemable non-controlling interests	661
Currency translation adjustment and other	(195)
Ending balance	$ 74,525

12. Income Taxes

Certain subsidiaries of NSAM are subject to taxation by federal, state, local and foreign authorities for the periods presented. The NSAM OP is treated as a partnership for federal income tax purposes and consequently, its items of income gain, loss, deduction and credit are passed through to, and included in, the taxable income of each of its partners including NSAM. NSAM operates internationally and domestically through multiple operating subsidiaries. Each of the jurisdictions in which NSAM operates has its own tax law and tax rate and the tax rate outside the United States may be lower than the U.S. federal statutory income tax rate.

The following table presents the income taxes benefit (expense) for the years ended December 31, 2016 and 2015 and the six months ended December 31, 2014 (dollars in thousands):

	Years Ended December 31,		Six Months Ended
	2016	2015	December 31, 2014[(1)]
Current:			
U.S. federal	$ (12,151)	$ (24,238)	$ (2,516)
U.S. state and local	(1,333)	(3,856)	(503)
Non-U.S.	(3,332)	(2,652)	(1,934)
Subtotal current	(16,816)	(30,746)	(4,953)
Deferred:			
U.S. federal	5,745	7,530	2,293
U.S. state and local	(44)	943	458
Non-U.S.	93	404	580
Subtotal deferred	5,794	8,877	3,331
Income tax benefit (expense)	$ (11,022)	$ (21,869)	$ (1,622)

(1) Subsequent to the NSAM Spin-off, NSAM became subject to both domestic and international income tax, as such, there was no income tax benefit (expense) for the six months ended June 30, 2014.

Deferred income taxes reflect the net tax effects of temporary differences that may exist between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes using enacted tax rates in effect for the year in which the differences are expected to reverse. The following table presents the tax effects of the temporary differences as of December 31, 2016 and 2015 (dollars in thousands):

	December 31,	
	2016	2015
Deferred tax asset		
Equity-based compensation	$ 11,875	$ 7,944
Investments in unconsolidated ventures	7,139	3,846
Capital loss	3,727	—
Other	5,922	244
Valuation allowance	(5,474)	—
Total deferred tax asset	$ 23,189	$ 12,034
Deferred tax liability		
State tax deduction	$ 1,260	$ 811
Intangible assets	4,809	—
Other	7,019	343
Total deferred tax liability	$ 13,088	$ 1,154

NSAM operates internationally and domestically through multiple operating subsidiaries. Each of the jurisdictions in which NSAM operates has its own tax law and tax rate, where the tax rate outside the United States may be lower than the U.S. federal statutory income tax rate. The following table presents the reconciliation of the provision for income taxes (expense) benefit to the U.S. federal statutory income tax rate for the years ended December 31, 2016 and 2015 and six months ended December 31, 2014:

	Years Ended December 31,		Six Months Ended December 31,
	2016	2015	2014[1]
U.S. federal statutory income tax rate	35.0 %	35.0 %	35.0 %
U.S. state and local income taxes	1.0	1.4	2.9
Change in valuation allowance	10.3	—	(21.3)
Transaction costs	20.7	4.0	—
Equity-based compensation	6.8	0.4	4.0
Other permanent items	3.5	0.1	0.4
Effect of foreign operations taxed at various rates	(53.6)	(24.5)	(17.9)
Other	(3.2)	(1.1)	0.1
Effective income tax rate	20.5 %	15.3 %	3.2 %

(1) Subsequent to the NSAM Spin-off, NSAM became subject to both domestic and international income tax, as such, there was no income tax benefit (expense) for the six months ended June 30, 2014.

NSAM considers the operating earnings of certain non-U.S. subsidiaries to be indefinitely reinvested outside the United States based on NSAM's current needs for those earnings to be reinvested offshore as well as estimates that future domestic cash generated from operations and/or borrowings will be sufficient to meet future domestic cash needs for the foreseeable future. No provision has been made for U.S. federal that may result from future remittances of the undistributed earnings of these foreign subsidiaries. For the years ended December 31, 2016 and 2015 and for the six months ended December 31, 2014, the cumulative undistributed earnings was $247.0 million, $147.2 million and $30.1 million, respectively. The determination of the amount of such unrecognized tax liability is not practicable.

Excess tax benefits are recognized upon actual realization of the related tax benefit. As of December 31, 2016 and 2015, NSAM recognized a windfall tax shortfall of $0.1 million and windfall tax benefit of $1.1 million, respectively, relating to equity-based compensation expense, which is a reduction to income tax payable and recorded in additional paid-in capital on the consolidated balance sheets.

In the normal course of business, NSAM is subject to examination by federal, state, local and foreign tax regulators. The normal statute of limitations started and the examination period opened with the initial filings of the 2014 federal, state, local and foreign tax returns.

The guidance for accounting for uncertainty in income taxes prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. NSAM does not believe that it has any tax positions for which it is more likely than not that the total amounts of unrecognized tax benefits will significantly increase or decrease within the next twelve months. Furthermore, NSAM does not have any material uncertain tax positions at December 31, 2016.

As of December 31, 2016, NSAM had no unrecognized tax benefits. NSAM would record penalties and interest related to uncertain tax positions as a component of income tax expense, where applicable.

13. Quarterly Financial Information (Unaudited)

The following presents selected quarterly information for the years ended December 31, 2016 and 2015 (dollars in thousands):

	Three Months Ended			
	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Asset management and other fees, related parties	$ 90,276	$ 89,977	$ 90,081	$ 96,281
Selling commission and dealer manager fees, related parties	7,688	3,856	4,888	6,371
Commission expense	7,629	3,608	4,471	5,946
Interest expense	6,947	6,882	6,922	5,163
Total general and administrative expenses	62,497	46,676	44,559	47,492
Income (loss) before equity in earnings (losses) of unconsolidated ventures and income tax benefit (expense)	(7,492)	31,464	14,145	25,681
Income (loss) before income taxes	(8,180)	31,651	13,293	21,252
Income tax benefit (expense)	(1,691)	(5,708)	(1,154)	(2,469)
Net income (loss)	(9,871)	25,943	12,139	18,783
Net (income) loss attributable to non-controlling interests	91	(246)	(111)	(176)
Net (income) loss attributable to redeemable non-controlling interests	(1,280)	(855)	(1,104)	(1,032)
Net income (loss) attributable to NorthStar Asset Management Group Inc. common stockholders	$ (11,060)	$ 24,842	$ 10,924	$ 17,575
Earnings (loss) per share:(1)				
Basic	$ (0.06)	$ 0.13	$ 0.06	$ 0.09
Diluted	$ (0.06)	$ 0.13	$ 0.06	$ 0.09

(1) The total for the year may differ from the sum of the quarters as a result of weighting.

	Three Months Ended			
	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
Asset management and other fees, related parties	$ 77,257	$ 78,994	$ 90,358	$ 61,379
Selling commission and dealer manager fees, related parties	39,543	29,104	28,337	29,923
Commission expense	36,379	26,978	26,338	27,695
Transaction costs	778	—	—	—
Total general and administrative expenses	44,403	40,970	41,962	31,868
Income (loss) before equity in earnings (losses) of unconsolidated ventures and income tax benefit (expense)	22,251	37,785	50,177	30,778
Income (loss) before income taxes	24,712	37,729	50,267	29,908
Income tax benefit (expense)	(5,701)	3,825	(12,055)	(7,938)
Net income (loss)	19,011	41,554	38,212	21,970
Net (income) loss attributable to non-controlling interests	(182)	(381)	(188)	(202)
Net income (loss) attributable to NorthStar Asset Management Group Inc. common stockholders	$ 18,829	$ 41,173	$ 38,024	$ 21,768
Earnings (loss) per share:(1)				
Basic	$ 0.10	$ 0.21	$ 0.19	$ 0.11
Diluted	$ 0.10	$ 0.21	$ 0.19	$ 0.11

(1) The total for the year may differ from the sum of the quarters as a result of weighting.

14. Segment Reporting

NSAM’s historical businesses were through the following five segments, which was based on how management reviewed and managed the business:

- *NorthStar Listed Companies* - Provided asset management and other services on a fee basis by managing the day-to-day activities of the NorthStar Listed Companies. NSAM began earning fees from NorthStar Realty on July 1, 2014 and NorthStar Europe on November 1, 2015.

- *Retail Companies* - Provided asset management and other services on a fee basis by managing the day-to-day activities of the Retail Companies.

- *Broker-dealer* - Raised capital in the retail market through NorthStar Securities and earned dealer manager fees for selling equity in the Retail Companies.

- *Direct Investments* - Invested in strategic partnerships and joint ventures with third-parties, either consolidated or unconsolidated, with expertise in commercial real estate or other sectors and markets, where NSAM benefited from the fee stream and potential incentive fee. NSAM began earning fees from Townsend on the Townsend Acquisition Date.

- *Corporate/Other* - Included corporate level general and administrative expenses, as well as special servicing on a fee basis in connection with certain securitization transactions. In addition, such segment included opportunistic investments, such as the purchase of the NorthStar Listed Companies common stock.

The following tables present segment reporting for the years ended December 31, 2016, 2015 and 2014 (dollars in thousands):

Statement of Operations:

Year Ended December 31, 2016	NorthStar Listed Companies	Retail Companies	Broker-Dealer[1]	Direct Investments	Corporate/Other	Total
Asset management and other fees	$ 200,833	$ 99,594	$ —	$ 66,188	$ —	$ 366,615
Selling commission and dealer manager fees, related parties	—	—	22,803	—	—	22,803
Commission expense	—	—	21,654	—	—	21,654
Interest expense	—	—	—	—	25,914	25,914
Compensation expense	—	—	9,783	27,385	122,652	159,820
Other general and administrative expenses	—	—	7,995	5,653	27,756	41,404
Equity in earnings (losses) of unconsolidated ventures[2]	—	—	—	(5,782)	—	(5,782)
Income tax benefit (expense)	—	—	—	—	(11,022)	(11,022)
Net income (loss)	200,833	99,594	(16,732)	4,714	(241,415) [3]	46,994

Balance Sheet:

December 31, 2016	NorthStar Listed Companies	Retail Companies	Broker-Dealer	Direct Investments	Corporate/Other	Total
Total assets	$ 24,019 [4]	$ 58,771 [4]	$ 12,054	$ 533,679	$ 222,104	$ 850,627
Investments in unconsolidated ventures	$ —	$ —	$ —	$ 55,836	$ —	$ 55,836

(1) Direct general and administrative expenses incurred by the broker-dealer.
(2) For the year ended December 31, 2016, NSAM recognized in equity in earnings (losses), operating income of $10.8 million, which excludes $14.1 million of equity-based compensation expense and depreciation and amortization expense and $0.5 million related to the Townsend Funds.
(3) Includes general and administrative expenses including equity-based compensation of $59.0 million, of which $0.4 million related to Townsend grants, transaction costs of $47.4 million and unrealized loss of $4.5 million.
(4) Primarily represents receivables from related parties. Subsequent to December 31, 2016, NSAM received $10.0 million from the Managed Companies.

Statement of Operations:

Year Ended December 31, 2015	NorthStar Listed Companies	Retail Companies	Broker-Dealer[1]	Direct Investments	Corporate/Other	Total
Asset management and other fees, related parties	$ 201,049	$ 106,939	$ —	$ —	$ —	$ 307,988
Selling commission and dealer manager fees, related parties	—	—	126,907	—	—	126,907
Commission expense	—	—	117,390	—	—	117,390
Interest expense	—	—	—	—	778	778
Compensation expense	—	—	10,204	—	115,613	125,817
Other general and administrative expenses	—	—	6,655	—	26,731	33,386
Equity in earnings (losses) of unconsolidated ventures[2]	—	—	—	1,625	—	1,625
Income tax benefit (expense)	—	—	—	—	(21,869)	(21,869)
Net income (loss)	201,049	106,939	(6,833)	429	(180,837) [3]	120,747

Balance Sheet:

December 31, 2015	NorthStar Listed Companies	Retail Companies	Broker-Dealer	Direct Investments	Corporate/Other	Total
Total assets	$ 50,924 [4]	$ 66,246 [4]	$ 16,470	$ 88,069	$ 153,112	$ 374,821
Investments in unconsolidated ventures	$ —	$ —	$ —	$ 88,069	$ —	$ 88,069

(1) Direct general and administrative expenses incurred by the broker-dealer.
(2) For the year ended December 31, 2015, NSAM recognized in equity in losses, operating income of $14.5 million, which excludes $2.0 million of equity-based compensation expense and $10.8 million of depreciation and amortization expense.
(3) Includes $3.8 million of unrealized loss.
(4) Primarily represents receivables from related parties as of December 31, 2015. Subsequent to December 31, 2015, NSAM received $53.6 million of reimbursements from the Managed Companies.

Statement of Operations: **Year Ended December 31, 2014**	**NorthStar Listed Companies**	**Retail Companies**	**Broker-Dealer[1]**	**Direct Investments**	**Corporate/Other**	**Total**
Asset management and other fees, related parties	$ 82,759	$ 64,979	$ —	$ —	$ —	$ 147,738
Selling commission and dealer manager fees, related parties	—	—	110,563	—	—	110,563
Commission expense	—	—	104,428	—	—	104,428
Compensation expense	—	—	6,831	—	82,024	88,855
Other general and administrative expenses	—	—	8,126	—	9,591	17,717
Equity in earnings (losses) of unconsolidated ventures	—	—	—	(1,039)	—	(1,039)
Income tax benefit (expense)	—	—	—	—	(1,622)	(1,622)
Net income (loss)	82,759	64,979	(8,916)	(1,039)	(118,683)	19,100
Balance Sheet:						
December 31, 2014						
Total assets	$ 60,909 (3)	$ 29,458 (3)	$ 17,868	$ 54,480	$ 101,154	$ 263,869
Investments in unconsolidated ventures	$ —	$ —	$ —	$ 54,480	$ —	$ 54,480

(1) NSAM began earning fees on July 1, 2014 with NorthStar Realty and November 1, 2015 with NorthStar Europe (refer to Note 3).
(2) Direct general and administrative expenses incurred by the broker-dealer.
(3) Primarily represents receivables from related parties as of December 31, 2015.

15. Subsequent Events

Colony NorthStar

On January 10, 2017, NSAM completed the tri-party merger with Colony and NorthStar Realty under which the companies combined in an all-stock merger of equals transaction to create an internally-managed, diversified real estate and investment management company. The Mergers create a global equity REIT with an embedded investment management platform with increased scale and capabilities.

Under the terms of the merger agreement, NSAM redomesticated to Maryland and elected to be treated as a REIT beginning in 2017 and Colony and NorthStar Realty, through a series of transactions, merged with and into the redomesticated NSAM, which was renamed Colony NorthStar, Inc. NSAM's common stockholders received one share of Colony NorthStar's common stock for each share of NSAM common stock they owned. NSAM's stockholders received approximately 32.85%, Colony stockholders received approximately 33.25% and NorthStar Realty stockholders received approximately 33.90% of the combined company on a fully diluted basis, excluding the effect of certain equity-based awards issued in 2017 in connection with the Mergers.

Healthcare Joint Venture

In January 2017, Colony NorthStar completed the sale of an 18.7% interest in its healthcare real estate portfolio for net proceeds of approximately $340 million. The healthcare real estate portfolio is currently comprised of the Company's ownership interest, excluding existing minority interest holders, in 191 senior housing properties, 114 medical office properties, 14 hospitals and 107 skilled nursing facilities (such properties collectively referred to as the "Healthcare Properties"). The transaction represents an implied valuation for the Healthcare Properties of approximately $5.4 billion.

Dividends

On December 22, 2016, NSAM declared a special dividend for its common stockholders of $228 million or approximately $1.16 per share contingent upon consummation of the Mergers. The common stock dividend was paid on January 27, 2017 to stockholders of record as of the close of business on January 3, 2017.

Credit Facility

In connection with the Mergers, the operating partnership of Colony NorthStar entered into a revolving credit facility with an aggregate principal amount of up to $1 billion with JP Morgan Chase Bank, N.A. as administrative agent and the several lenders that are parties thereto. This facility matures in January 2021 and includes two six-month extension options.

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

None.

Item 9A. Controls and Procedures

Attached as exhibits to this Annual Report on Form 10-K are certifications of the Chief Executive Officer and Chief Financial Officer, which are required in accordance with Rule 13a-14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). This "Controls and Procedures" section includes information concerning the controls and procedures evaluation referred to in the certifications. Item 8. of this Annual Report on Form 10-K sets forth the report of Grant Thornton LLP, the independent registered public accounting firm, regarding its audit of NSAM's internal control over financial reporting set forth below in this section. This section should be read in conjunction with the certifications and the Grant Thornton LLP report for a more complete understanding of the topics presented.

Disclosure Controls and Procedures

Management established and maintains disclosure controls and procedures that are designed to ensure that material information relating to the NSAM and its subsidiaries required to be disclosed in the reports that are filed or submitted under the Exchange Act are recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures.

As of the end of the period covered by this report, management conducted an evaluation as required under Rules 13a-15(b) and 15d-15(b) under the Exchange Act under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, of the effectiveness of NSAM's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, NSAM's disclosure controls and procedures are effective. Notwithstanding the foregoing, a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will detect or uncover failures to disclose material information otherwise required to be set forth in periodic reports.

Internal Control over Financial Reporting

(a) 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 Exchange Act Rule 13a-15(f), internal control over financial reporting is a process designed by, or under the supervision of, the principal executive and principal financial officer and effected by the board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP and includes those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of NSAM; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP and that receipts and expenditures of NSAM are being made only in accordance with authorizations of management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of NSAM's assets that could have a material effect on the financial statements.

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, an evaluation of the effectiveness of its internal control over financial reporting was performed as of December 31, 2016 based on the "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (2013 framework). Based upon this evaluation, management has concluded that NSAM's internal control over financial reporting was effective as of December 31, 2016.

(b) Attestation report of the registered public accounting firm.

NSAM's independent registered public accounting firm, Grant Thornton LLP, independently assessed the effectiveness of NSAM's internal control over financial reporting as of December 31, 2016. Grant Thornton LLP has issued an attestation report, which is included in Item 8. "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

(c) Changes in internal control over financial reporting.

Except as set forth below, there have not been any changes in NSAM's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the most recent fiscal quarter that materially affected, or are reasonably likely to materially affect, NSAM's internal control over financial reporting.

For the year ended December 31, 2016, NSAM implemented certain controls and procedures relative to the acquisition of Townsend 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. For the year ended December 31, 2016, Townsend represented 17% and 60% of total revenues and total assets, respectively.

Inherent Limitations on Effectiveness of Controls

Management, including the Chief Executive Officer and Chief Financial Officer, does not expect that disclosure controls and procedures or internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraint and the benefits of controls must be considered relative to their costs.

PART III

Item 10. Directors, Executive Officers and Corporate Governance*

Certain information relating to Colony NorthStar's code of business conduct and ethics and code of ethics for senior financial officers (as defined in the code) is included in Part I, Item 1. "Business" of this Annual Report on Form 10-K.

Item 11. Executive Compensation*

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

Item 13. Certain Relationships and Related Transactions and Director Independence*

Item 14. Principal Accountant Fees and Services*

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* The information that is required by Items 10, 11, 12, 13 and 14 (other than the information included in this Annual Report on Form 10-K) is incorporated herein by reference from the definitive proxy statement relating to the 2017 Annual Meeting of Stockholders, to be filed with the U.S. Securities and Exchange Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, no later than 120 days after the end of Colony NorthStar's fiscal year ended December 31, 2016.

PART IV

Item 15. Exhibits and Financial Statements

(a) 1. Consolidated Financial Statements included in Part II, Item 8. "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K:

Reports of Independent Registered Public Accounting Firm
Consolidated Balance Sheets as of December 31, 2016 and 2015
Consolidated Statements of Operations for the years ended December 31, 2016, 2015 and 2014
Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2016, 2015 and 2014
Consolidated Statements of Equity for the years ended December 31, 2016, 2015 and 2014
Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015 and 2014
Notes to the Consolidated Financial Statements

(a) 3. Exhibit Index:

Exhibit Number	Description of Exhibit
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 Plan of Merger, dated as of August 5, 2014, by and among NorthStar Realty Finance Corp., NRF Healthcare Subsidiary, LLC, NRF OP Healthcare Subsidiary, LLC, Griffin-American Healthcare REIT II Holdings, LP and Griffin-American Healthcare REIT II, Inc. (incorporated by reference to Exhibit 2.1 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K filed on August 5, 2014)
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., 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)
3.1	Articles of Amendment and Restatement of Colony NorthStar, Inc. (incorporated by reference to Exhibit 3.1 to Colony NorthStar, Inc.'s Current Report on Form 8-K12B filed on January 10, 2017)
3.2	Amended and Restated Bylaws of Colony NorthStar, Inc. (incorporated by reference to Exhibit 3.2 to Colony NorthStar, Inc.'s Current Report on Form 8-K12B filed on January 10, 2017)
4.1	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 4.1 to Colony Capital, Inc.'s Current Report on Form 8-K filed on April 10, 2013)
4.2	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)
4.3	Second Supplemental Indenture, dated as of January 28, 2014, by and between Colony Capital, Inc. and The Bank of New York Mellon (incorporated by reference to Exhibit 4.2 to Colony Capital, Inc.'s Current Report on Form 8-K filed on January 28, 2014)
4.4	Third Supplemental Indenture, dated as of January 10, 2017, by and between Colony NorthStar, Inc. and The Bank of New York Mellon (incorporated by reference to Exhibit 10.2 to Colony NorthStar, Inc.'s Current Report on Form 8-K12B filed on January 10, 2017)
4.5	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)
4.6	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))

Exhibit Number	Description of Exhibit
4.7	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)
4.8	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)
4.9	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)
4.10	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 Colony NorthStar, Inc.'s Current Report on Form 8-K12B filed on January 10, 2017)
4.11	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)
4.12	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)
4.13	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 referent to Exhibit 4.3 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K12B filed on July 1, 2014)
4.14	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)
4.15	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 Colony NorthStar, Inc.'s Current Report on Form 8-K12B filed on January 10, 2017)
4.16	Indenture, dated as of March 31, 2014, by and between NorthStar Realty Finance Corp. and Wilmington Trust, National Association (incorporated by reference to NorthStar Realty Finance Corp.'s Current Report on Form 8-K filed on March 31, 2014)
4.17	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. (incorporated by reference to Exhibit 4.4 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K filed on March 19, 2015)
4.18	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 Colony NorthStar, Inc.'s Current Report on Form 8-K12B filed on January 10, 2017)
4.19	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. (incorporated by reference to Exhibit 4.5 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K filed on March 19, 2015)
4.20	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 Colony NorthStar, Inc.'s Current Report on Form 8-K12B filed on January 10, 2017)
4.21	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. (incorporated by reference to Exhibit 4.6 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K filed on March 19, 2015)
4.22	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 Colony NorthStar, Inc.'s Current Report on Form 8-K12B filed on January 10, 2017)
4.23	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 4.7 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K filed on March 19, 2015)
4.24	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 Colony NorthStar, Inc.'s Current Report on Form 8-K12B filed on January 10, 2017)
4.25	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 4.8 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K filed on March 19, 2015)
4.26	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 Colony NorthStar, Inc.'s Current Report on Form 8-K12B filed on January 10, 2017)
4.27	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 4.9 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K filed on March 19, 2015)
4.28	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 Colony NorthStar, Inc.'s Current Report on Form 8-K12B filed on January 10, 2017)
4.29	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 4.10 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K filed on March 19, 2015)

Exhibit Number	Description of Exhibit
4.30	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 Colony NorthStar, Inc.'s Current Report on Form 8-K12B filed on January 10, 2017)
4.31	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 4.11 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K filed on March 19, 2015)
4.32	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 Colony NorthStar, Inc.'s Current Report on Form 8-K12B filed on January 10, 2017)
4.33	Indenture, dated as of July 1, 2015, by and among NorthStar Realty Europe Corp., NorthStar Realty Finance Corp., NorthStar Realty Finance Limited Partnership 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 July 1, 2015)
4.34	Form of Note of NorthStar Realty Europe Corp. (incorporated by reference to Exhibit 4.2, which is included in Exhibit 4.1 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K filed on July 1, 2015)
4.35	Form of Guarantee of NorthStar Realty Finance Corp. and NorthStar Realty Finance Limited Partnership (incorporated by reference to Exhibit 4.3, which is included in Exhibit 4.1 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K filed on July 1, 2015)
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 Colony NorthStar, Inc.'s Current Report on Form 8-K12B filed on January 10, 2017)
10.2†	Colony NorthStar, Inc. 2014 Omnibus Stock Incentive Plan. (incorporated by reference to Exhibit 10.1 to Post-Effective Amendment No. 1 on Form S-8 to Colony NorthStar, Inc.'s Registration Statement on Form S-8 (File No. 333-197104-01))
10.3	Second Amended and Restated Credit Agreement, dated as of January 10, 2017, by and among Colony Capital Operating Company, LLC, the several lenders from time to time parties thereto and JPMorgan Chase Bank, N.A. (incorporated by reference to Exhibit 10.13 to Colony NorthStar, Inc.'s Current Report on Form 8-K12B filed on January 10, 2017)
10.4	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 Colony NorthStar, Inc.'s Current Report on Form 8-K12B filed on January 10, 2017)
10.5	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 Colony NorthStar, Inc.'s Current Report on Form 8-K12B filed on January 10, 2017)
10.6	Advisory Agreement, dated as of June 30, 2014, by and among NSAM J-NSI Ltd, NorthStar Real Estate Income Trust, Inc., NorthStar Real Estate Income Trust Operating Partnership, LP and NorthStar Asset Management Group Inc. (incorporated by reference to Exhibit 10.7 to NorthStar Asset Management Group Inc.'s Current Report on Form 8-K filed on July 1, 2014)
10.7	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)
10.8	Advisory Agreement, dated as of June 30, 2014, by and among NSAM J- NSII Ltd, NorthStar Real Estate Income II, Inc., NorthStar Real Estate Income Operating Partnership II, LP and NorthStar Asset Management Group Inc. (incorporated by reference to Exhibit 10.9 to NorthStar Asset Management Group Inc.'s Current Report on Form 8-K filed on July 1, 2014)
10.9†	Amended and Restated Executive Employment Agreement, dated as of August 5, 2015, by and between NorthStar Asset Management Group Inc. and David T. Hamamoto (incorporated by reference to Exhibit 10.11 to NorthStar Asset Management Group Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2015)
10.10	Securities Purchase Agreement, dated as of October 15, 2015, by and among Townsend Holdings LLC, NorthStar Asset Management Group Inc., Sinclair Group, Inc., GTCR Partners X/B LP, GTCR Fund X/C LP, the individuals listed on Schedule A of the Securities Purchase Agreement, Townsend Acquisition LLC and GTCR/AAM Blocker Corp. (incorporated by reference to Exhibit 10.1 to NorthStar Asset Management Group Inc.'s Current Report on Form 8-K filed on October 21, 2015)
10.11	Amendment to Securities Purchase Agreement, dated January 15, 2016, by and among Townsend Holdings LLC, NorthStar Asset Management Group Inc., and Townsend Acquisition LLC (incorporated by reference to Exhibit 10.25 to NorthStar Asset Management Group Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015)
10.12	Asset Management Agreement, dated as of October 31, 2015, by and between NSAM J-NRE Ltd and NorthStar Realty Europe Corp. (incorporated by reference to Exhibit 10.1 to NorthStar Asset Management Group Inc.'s Current Report on Form 8-K filed on November 3, 2015)
10.13	Third Amended and Restated Limited Liability Company Agreement of Townsend Holdings LLC, dated as of January 14, 2016 and effective as of January 29, 2016, by and among Townsend Holdings LLC, NorthStar Asset Management Group Inc. and the other unitholders named therein (incorporated by reference to Exhibit 10.1 to NorthStar Asset Management Group Inc.'s Current Report on Form 8-K filed on February 2, 2016)
10.14†	Executive Letter Agreement, dated as of June 2, 2016, by and among Debra Hess, NorthStar Asset Management Group Inc. and NorthStar Realty Finance Corp. (incorporated by reference to Exhibit 10.1 to NorthStar Asset Management Group Inc.'s Current Report on Form 8-K filed on June 8, 2016)
10.15†	Executive Letter Agreement, dated as of June 2, 2016, by and among Daniel Gilbert, NorthStar Asset Management Group Inc., NorthStar Realty Finance Corp., NorthStar Asset Management Group, LTD. and NSAM Bermuda, LTD. (incorporated by reference to Exhibit 10.2 to NorthStar Asset Management Group Inc.'s Current Report on Form 8-K filed on June 8, 2016)
10.16†	Executive Letter Agreement, dated as of June 2, 2016, by and among David T. Hamamoto, NorthStar Asset Management Group Inc. and NorthStar Realty Finance Corp. (incorporated by reference to Exhibit 10.3 to NorthStar Asset Management Group Inc.'s Current Report on Form 8-K filed on June 8, 2016)
10.17†	Executive Letter Agreement, dated as of June 2, 2016, by and among Ronald J. Lieberman, NorthStar Asset Management Group Inc. and NorthStar Realty Finance Corp. (incorporated by reference to Exhibit 10.4 to NorthStar Asset Management Group Inc.'s Current Report on Form 8-K filed on June 8, 2016)

Exhibit Number	Description of Exhibit
10.18†	Executive Letter Agreement, dated as of June 2, 2016, by and among Albert Tylis, NorthStar Asset Management Group Inc. and NorthStar Realty Finance Corp. (incorporated by reference to Exhibit 10.5 to NorthStar Asset Management Group Inc.'s Current Report on Form 8-K filed on June 8, 2016)
10.19†	Side Letter, dated as of October 13, 2016, amending Executive Letter Agreement, dated as of June 2, 2016, by and among Debra Hess, NorthStar Asset Management Group Inc. and NorthStar Realty Finance Corp. (incorporated by reference to Exhibit 10.1 to NorthStar Asset Management Group Inc.'s Current Report on Form 8-K filed on October 17, 2016)
10.20†	Side Letter, dated as of October 13, 2016, amending Executive Letter Agreement, dated as of June 2, 2016, by and among Daniel R. Gilbert, NorthStar Asset Management Group Inc., NorthStar Realty Finance Corp., NorthStar Asset Management Group, LTD. and NSAM Bermuda, LTD. (incorporated by reference to Exhibit 10.2 to NorthStar Asset Management Group Inc.'s Current Report on Form 8-K filed on October 17, 2016)
10.21†	Side Letter, dated as of October 13, 2016, amending Executive Letter Agreement, dated as of June 2, 2016, by and among David T. Hamamoto, NorthStar Asset Management Group Inc. and NorthStar Realty Finance Corp. (incorporated by reference to Exhibit 10.3 to NorthStar Asset Management Group Inc.'s Current Report on Form 8-K filed on October 17, 2016)
10.22†	Side Letter, dated as of October 13, 2016, amending Executive Letter Agreement, dated as of June 2, 2016, by and among Ronald J. Lieberman, NorthStar Asset Management Group Inc. and NorthStar Realty Finance Corp. (incorporated by reference to Exhibit 10.4 to NorthStar Asset Management Group Inc.'s Current Report on Form 8-K filed on October 17, 2016)
10.23†	Side Letter, dated as of October 13, 2016, amending Executive Letter Agreement, dated as of June 2, 2016, by and among Albert Tylis, NorthStar Asset Management Group Inc. and NorthStar Realty Finance Corp. (incorporated by reference to Exhibit 10.5 to NorthStar Asset Management Group Inc.'s Current Report on Form 8-K filed on October 17, 2016)
10.24	Registration Rights Agreement, by and among Colony Capital, Inc. and the persons listed on Schedule A thereto (incorporated by reference to Exhibit 10.2 to Colony Capital, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2009)
10.25†	2009 Non-Executive Director Stock Plan of Colony Financial, Inc. (incorporated by reference to Exhibit 10.1 to Colony Capital, Inc.'s Registration Statement on Form S-8 filed on September 29, 2009)
10.26	Loan Agreement, dated as of December 18, 2014, by and among ColFin Cobalt I-II Owner, LLC, ColFin Cobalt Owner III, LLC, ColFin Cobalt I-II Sub, LLC, ColFin Cobalt Sub III, LLC, General Electric Capital Corporation, GE Capital Bank and General Electric Capital Corporation (incorporated by reference to Exhibit 10.38 to Colony Capital, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2014)
10.27	Registration Rights Agreement, by and among Colony Capital, Inc. and Cobalt Capital Partners, L.P., dated as of December 18, 2014 (incorporated by reference to Exhibit 10.39 to Colony Capital, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2014)
10.28	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)
10.29†	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)
10.30†	Employment Agreement, dated as of December 23, 2014, by and between Colony Financial, Inc. and Richard B. Saltzman (incorporated by reference to Exhibit 10.3 to Colony Capital, Inc.'s Current Report on Form 8-K filed on December 23, 2014)
10.31	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)
10.32†	First Amendment to Employment Agreement, Share Transfer Agreement and Restrictive Covenant Agreement, dated as of June 2, 2016, by and among Colony Capital, Inc. and Richard B. Saltzman (incorporated by reference to Exhibit 10.3 to Colony Capital, Inc.'s Current Report on Form 8-K filed on June 8, 2016)
10.33	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)
10.34†	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)
10.35	Waiver and Acknowledgement 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)
10.36†	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)
10.37†	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)
10.38†	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)
10.39	Asset Purchase Agreement, dated as of September 17, 2014, by and among Inland American Real Estate Trust, Inc., as Parent, IHP I Owner JV, LLC, IHP West Homestead (PA) Owner LLC and NorthStar Realty Finance Corp. (incorporated by reference to Exhibit 10.1 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K filed on September 23, 2014)
10.40	Separation Agreement, dated as of October 31, 2015, by and between NorthStar Realty Finance Corp. and NorthStar Realty Europe Corp. (incorporated by reference to Exhibit 10.3 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K filed on November 2, 2015)
10.41	Contribution Agreement, dated as of October 31, 2015, by and between NorthStar Realty Finance Corp. and NorthStar Realty Europe Corp. (incorporated by reference to Exhibit 10.4 to NorthStar Realty Finance Corp.'s Current Report on Form 8-K filed on November 2, 2015)
10.42	Interest Sale Agreement, dated as of May 6, 2016, by and among RHP Western Portfolio Group, LLC, American Home Portfolio Group, LLC, AMC Portfolio Group, LLC, MHC Portfolio IV, LLC and BSREP II MH Holdings LLC (incorporated by reference to Exhibit 10.42 to NorthStar Realty Finance Corp.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2016)

Exhibit Number	Description of Exhibit
10.43	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)
10.44†	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)
10.45†	Colony Financial, Inc. 2014 Equity Incentive Plan (incorporated by reference to Colony Financial, Inc.'s Form S-8 filed on August 5, 2014)
12.1*	Ratio of Earnings to Combined Fixed Charges
12.2	Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends (incorporated by reference to Exhibit 12.1 to NorthStar Realty Finance Corp.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2016)
21.1*	Significant Subsidiaries of the Registrant
23.1*	Consent of Grant Thornton LLP to Colony NorthStar, Inc.
23.2*	Consent of Ernst & Young LLP
23.3*	Consent of Grant Thornton LLP to NRF Holdco, LLC
31.1*	Certification by the Chief Executive Officer pursuant to 17 CFR 240.13a-14(a)/15(d)-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification by the Chief Financial Officer pursuant to 17 CFR 240.13a-14(a)/15(d)-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification by the Chief Executive Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification by the Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1	Press Release of Colony NorthStar, Inc., dated as of January 10, 2017 (incorporated by reference to Exhibit 99.1 to Colony NorthStar, Inc.'s Current Report on Form 8-K12B filed on January 10, 2017)
99.2	Risk factors related to the business of Colony NorthStar, Inc. as of January 10, 2017 (incorporated by reference to Exhibit 99.2 to Colony NorthStar, Inc.'s Current Report on Form 8-K12B filed on January 10, 2017)
99.3	Unaudited consolidated financial statements of NorthStar Asset Management Group Inc. as of and for the periods ended September 30, 2016 and 2015 (incorporated by reference to the Form 10-Q filed by NorthStar Asset Management Group Inc. on November 9, 2016) (incorporated by reference to Exhibit 99.3 to Colony NorthStar, Inc.'s Current Report on Form 8-K12B filed on January 10, 2017)
99.4	Audited consolidated financial statements of NorthStar Asset Management Group Inc. as of December 31, 2015 and 2014 and for the years ended December 31, 2015, 2014 and 2013 (incorporated by reference to the Form 10-K filed by NorthStar Asset Management Group Inc. on February 29, 2016 and to the Form 10-K/A filed by NorthStar Asset Management Group Inc. on April 29, 2016) (incorporated by reference to Exhibit 99.4 to Colony NorthStar, Inc.'s Current Report on Form 8-K12B filed on January 10, 2017)
99.5	Consolidated financial statements of Townsend Holdings LLC and Subsidiaries as of December 31, 2015 and 2014 and for the years ended December 31, 2015, 2014 and 2013 (incorporated by reference to Exhibit 99.1 to the Current Report on Form 8-K/A filed by NorthStar Asset Management Group Inc. on April 15, 2016) (incorporated by reference to Exhibit 99.5 to Colony NorthStar, Inc.'s Current Report on Form 8-K12B filed on January 10, 2017)
99.6	Unaudited consolidated financial statements of NorthStar Realty Finance Corp. as of and for the periods ended September 30, 2016 and 2015 (incorporated by reference to Exhibit 99.6 to Colony NorthStar, Inc.'s Current Report on Form 8-K12B filed on January 10, 2017)
99.7	Audited consolidated financial statements of NorthStar Realty Finance Corp. as of December 31, 2015 and 2014 and for the years ended December 31, 2015, 2014 and 2013 (incorporated by reference to Exhibit 99.7 to Colony NorthStar, Inc.'s Current Report on Form 8-K12B filed on January 10, 2017)
99.8	Unaudited consolidated financial statements of Colony Capital, Inc. as of and for the periods ended September 30, 2016 and 2015 (incorporated by reference to Exhibit 99.8 to Colony NorthStar, Inc.'s Current Report on Form 8-K12B filed on January 10, 2017)
99.9	Audited consolidated financial statements of Colony Capital, Inc. as of December 31, 2015 and 2014 and for the years ended December 31, 2015, 2014 and 2013 (incorporated by reference to Exhibit 99.9 to Colony NorthStar, Inc.'s Current Report on Form 8-12BK filed on January 10, 2017)
99.10	Unaudited Pro Forma Condensed Consolidated Financial Statements of Colony NorthStar, Inc. (incorporated by reference to Exhibit 99.10 to Colony NorthStar, Inc.'s Current Report on Form 8-K12B filed on January 10, 2017)
99.11*	Audited consolidated financial statements of Colony Capital, Inc. as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014
99.12*	Audited consolidated financial statements of NorthStar Realty Finance Corp. as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014
101*	The following materials from the Colony NorthStar, Inc. Annual Report on Form 10-K for the year ended December 31, 2016, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of December 31, 2016 and December 31, 2015; (ii) Consolidated Statements of Operations for the years ended December 31, 2016, 2015 and 2014; (iii) Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2016, 2015 and 2014; (iv) Consolidated Statements of Equity for the years ended December 31, 2016, 2015 and 2014; (v) Consolidated Statements of Cash Flows for the years ended December 31, 2016, 2015 and 2014; and (vi) Notes to Consolidated Financial Statements

* Filed herewith.

† Denotes a management contract or compensatory plan or arrangement.

Item 16. Form 10-K Summary

Omitted at Registrant's option.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COLONY NORTHSTAR, INC.

Date:	February 28, 2017	By:	/s/ Richard B. Saltzman
			Richard B. Saltzman
			Chief Executive Officer and President

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.	Director and Executive Chairman	February 28, 2017
/s/ David T. Hamamoto David T. Hamamoto	Director and Executive Vice Chairman	February 28, 2017
/s/ Richard B. Saltzman Richard B. Saltzman	Chief Executive Officer (Principal Executive Officer)	February 28, 2017
/s/ Darren J. Tangen Darren J. Tangen	Chief Financial Officer (Principal Financial Officer)	February 28, 2017
/s/ Neale Redington Neale Redington	Chief Accounting Officer (Principal Accounting Officer)	February 28, 2017
/s/ Douglas Crocker II Douglas Crocker II	Director	February 28, 2017
/s/ Nancy A. Curtin Nancy A. Curtin	Director	February 28, 2017
/s/ Jon A. Fosheim Jon A. Fosheim	Director	February 28, 2017
/s/ Justin Metz Justin Metz	Director	February 28, 2017
/s/ George G.C. Parker George G.C. Parker	Director	February 28, 2017
/s/ Charles W. Schoenherr Charles W. Schoenherr	Director	February 28, 2017
/s/ John A. Somers John A. Somers	Director	February 28, 2017
/s/ John L. Steffens John L. Steffens	Director	February 28, 2017

Exhibit 12.1

Ratio of Earnings to Fixed Charges
Ratio of Earning to Combined Fixed Charges
(dollars in thousands)

	Years Ended December 31,				
	2016	**2015**	**2014**	**2013**	**2012**
Earnings					
Income (loss) before equity in earnings (losses) of unconsolidated ventures and income tax benefit (expense)	$ 63,798	$ 140,991	$ 21,761	$ (1,995)	$ (17,322)
Add (subtract):					
Distributions from unconsolidated ventures	17,022	10,793	—	—	—
Interest expense	25,914	778	—	—	—
Total earnings	$ 106,734	$ 152,562	$ 21,761	$ (1,995)	$ (17,322)
Fixed Charges					
Interest expense	25,914	778	—	—	—
Total Fixed Charges	25,914	778	—	—	—
Total Combined Fixed Charges and Preferred Stock Dividends	$ 25,914	$ 778	$ —	$ —	$ —
Ratio of earnings to fixed charges[(1)]	4.12	196.10	NA	NA	NA
Ratio of earnings to combined fixed charges and preferred stock dividends[(2)]	NA	NA	NA	NA	NA
Deficiency related to ratio of earnings to fixed charges	NA	NA	NA	NA	NA

(1) Because there were no fixed charges prior to 2015 the ratio is not applicable.
(2) Because there was no preferred stock outstanding for the periods presented, the ratio is not applicable.

Exhibit 21.1

NorthStar Asset Management Group Inc.

List of Significant Subsidiaries

Entity Name	**Formation Jurisdiction**
NSAM LP	Delaware
Platform Healthcare Investor T-II, LLC	Delaware
NorthStar Asset Management Group, Ltd	Jersey
NSAM J-NRF Ltd	Jersey
NSAM CS Investor L.P.	Jersey
NSAM Luxembourg Sarl	Luxembourg
Platform Hospitality Investor T-II, LLC	Delaware

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our reports dated February 28, 2017, with respect to the consolidated financial statements and internal control over financial reporting included in the Annual Report of Colony NorthStar, Inc. on Form 10-K for the year ended December 31, 2016. We hereby consent to the incorporation by reference of said reports in the Registration Statements of Colony NorthStar, Inc. on Form S-3 (File No. 333-215506) and on Form S-8 (File Nos. 333-197104-01, 333-212739 and 333-215509).

/s/ GRANT THORNTON LLP
New York, New York
February 28, 2017

Exhibit 23.2

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement on Form S-8 (File No. 333-215509) of Colony NorthStar, Inc. pertaining to the 2014 Omnibus Stock Incentive Plan;
(2) Registration Statement on Form S-3 ASR (File No. 333-215506) of Colony NorthStar, Inc. pertaining to the registration of its class A common stock, preferred stock, depositary shares, warrants, and rights;
(3) Registration Statement on Form S-8 POS (File No. 333-197104-01) of Colony NorthStar, Inc. pertaining to the 2014 Omnibus Stock Incentive Plan; and
(4) Registration Statement on Form S-8 POS (File No. 333-212739) of Colony NorthStar, Inc. pertaining to the NorthStar Realty Finance Corp. Third Amended and Restated 2004 Omnibus Stock Incentive Plan;

of our report dated February 28, 2017, with respect to the consolidated financial statements of Colony Capital, Inc. included as Exhibit 99.11 to this Annual Report (Form 10-K) of Colony NorthStar, Inc. for the year ended December 31, 2016.

/s/ Ernst & Young LLP

Los Angeles, California
February 28, 2017

Exhibit 23.3

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We have issued our report dated February 28, 2017, with respect to the consolidated financial statements of NRF Holdco, LLC (formerly known as NorthStar Realty Finance Corp. prior to January 10, 2017) included in the Annual Report of Colony NorthStar, Inc. on Form 10-K for the year ended December 31, 2016. We hereby consent to the incorporation by reference of said report in the Registration Statements of Colony NorthStar, Inc. on Form S-3 (File No. 333-215506) and on Form S-8 (File Nos. 333-197104-01, 333-212739 and 333-215509).

/s/ GRANT THORNTON LLP
New York, New York
February 28, 2017

EXHIBIT 31.1

CERTIFICATION BY THE CHIEF EXECUTIVE OFFICER PURSUANT TO 17 CFR 240.13a-14(a)/15d-14(a), AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Richard B. Saltzman, certify that:

1. I have reviewed this Annual Report on Form 10-K of Colony NorthStar, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2017

By: /s/ RICHARD B. SALTZMAN

Richard B. Saltzman

Chief Executive Officer and President

EXHIBIT 31.2

CERTIFICATION BY THE CHIEF FINANCIAL OFFICER PURSUANT TO
17 CFR 240.13a-14(a)/15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Darren J. Tangen, certify that:

1. I have reviewed this Annual Report on Form 10-K of Colony NorthStar, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: February 28, 2017

By: /s/ DARREN J. TANGEN
Darren J. Tangen
Chief Financial Officer

EXHIBIT 32.1

**CERTIFICATION BY THE 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 on Form 10-K of Colony NorthStar, Inc. (the “Company”) for the year ended December 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Richard B. Saltzman, as Chief Executive Officer and President of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 28, 2017	By: /s/ RICHARD B. SALTZMAN
	Richard B. Saltzman
	Chief Executive Officer and President

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version 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 BY THE 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 on Form 10-K of Colony NorthStar, Inc. (the "Company") for the year ended December 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Darren J. Tangen, as Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of her knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 28, 2017

By: /s/ DARREN J. TANGEN
Darren J. Tangen
Chief Financial Officer

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version 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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF COLONY CAPITAL, INC.

Index to Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of
Colony NorthStar, Inc.

We have audited the accompanying consolidated balance sheets of Colony Capital, Inc. (the “Company”) as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, equity, and cash flows for each the three years in the period ended December 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company’s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Colony Capital, Inc. at December 31, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Los Angeles, California
February 28, 2017

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

	December 31, 2016	December 31, 2015
ASSETS		
Cash	$ 376,005	$ 185,854
Loans receivable, net		
Held for investment	3,432,992	4,048,477
Held for sale	29,353	75,002
Real estate assets, net		
Held for investment	3,243,631	3,132,218
Held for sale	223,954	297,887
Equity method investments	953,259	824,597
Other investments (including $23,446 and $0 at fair value)	123,182	99,868
Goodwill	680,127	678,267
Deferred leasing costs and intangible assets, net (including $21,239 and $9,872 related to real estate held for sale)	299,980	325,513
Due from affiliates	9,971	11,713
Other assets (including $16,045 and $3,704 related to assets held for sale)	388,538	359,914
Total assets	$ 9,760,992	$ 10,039,310
LIABILITIES AND EQUITY		
Liabilities:		
Accrued and other liabilities (including $14,296 and $9,101 related to assets held for sale)	$ 321,225	$ 325,589
Due to affiliates—contingent consideration	41,250	52,990
Dividends and distributions payable	65,972	65,688
Debt, net (including $108,758 and $8,769 related to assets held for sale)	3,122,792	3,587,724
Convertible senior notes, net	592,826	591,079
Total liabilities	4,144,065	4,623,070
Commitments and contingencies (Note 21)		
Equity:		
Stockholders' equity:		
Preferred stock, $0.01 par value per share; $625,750 and $625,750 liquidation preference; 50,000 shares authorized; 25,030 and 25,030 shares issued and outstanding	250	250
Common stock, $0.01 par value per share		
Class A, 449,000 shares authorized; 113,510 and 111,694 shares issued and outstanding	1,135	1,118
Class B, 1,000 shares authorized; 525 and 546 shares issued and outstanding	5	5
Additional paid-in capital	3,050,582	2,995,243
Distributions in excess of earnings	(246,064)	(131,278)
Accumulated other comprehensive loss	(32,109)	(18,422)
Total stockholders' equity	2,773,799	2,846,916
Noncontrolling interests in investment entities	2,453,938	2,138,925
Noncontrolling interests in Operating Company	389,190	430,399
Total equity	5,616,927	5,416,240
Total liabilities and equity	$ 9,760,992	$ 10,039,310

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

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

The following table presents the assets and liabilities recorded in the consolidated balance sheets attributable to securitization vehicles consolidated as variable interest entities (excluding the Operating Company, as discussed in Note 4).

	December 31,	
	2016	2015
Assets		
Cash	$ 4,320	$ 2,453
Loans receivable, net	885,374	1,193,859
Real estate assets, net	8,873	9,016
Other assets	66,306	94,796
Total assets	$ 964,873	$ 1,300,124
Liabilities		
Debt, net	$ 494,496	$ 806,728
Accrued and other liabilities	63,381	80,619
Total liabilities	$ 557,877	$ 887,347

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

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

	Year Ended December 31,		
	2016	2015	2014
Income			
Interest income	$ 385,851	$ 417,305	$ 204,361
Property operating income	371,082	299,871	20,962
Income from equity method investments	99,375	47,605	73,829
Fee income (including $67,731, $64,585 and $0 from affiliates, respectively)	67,731	65,813	—
Other income (including $4,298, $4,797 and $812 from affiliates, respectively)	14,193	11,382	1,497
Total income	938,232	841,976	300,649
Expenses			
Management fees (including $0, $5,897, and $10,384 of share-based payments, respectively)	—	15,062	43,133
Investment and servicing expenses (including $0, $366 and $2,846 reimbursed to affiliates, respectively)	23,666	23,369	5,811
Transaction and merger integration costs	40,605	38,888	21,096
Interest expense	170,083	133,094	48,168
Property operating expenses	118,461	117,713	5,563
Depreciation and amortization	171,682	140,977	9,177
Provision for loan losses	35,005	37,475	197
Impairment loss	11,717	11,192	—
Compensation expense (including $0, $450 and $1,778 reimbursed to affiliates, respectively)	111,838	84,506	2,468
Administrative expenses (including $0, $1,922 and $3,301 reimbursed to affiliates, respectively)	51,699	38,238	8,940
Total expenses	734,756	640,514	144,553
Gain on sale of real estate assets, net	73,616	8,962	—
Gain on remeasurement of consolidated investment entities, net	—	41,486	—
Other gain (loss), net	18,416	(5,170)	1,216
Income before income taxes	295,508	246,740	157,312
Income tax (expense) benefit	(4,782)	9,296	2,399
Net income	290,726	256,036	159,711
Net income attributable to noncontrolling interests:			
Investment entities	163,084	86,123	36,562
Operating Company	12,324	19,933	—
Net income attributable to Colony Capital, Inc.	115,318	149,980	123,149
Preferred dividends	48,159	42,569	24,870
Net income attributable to common stockholders	$ 67,159	$ 107,411	$ 98,279
Net income per common share:			
Basic	$ 0.58	$ 0.96	$ 1.01
Diluted	$ 0.58	$ 0.96	$ 1.01
Weighted average number of common shares outstanding:			
Basic	112,235	110,931	96,694
Diluted	112,235	110,931	96,699

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

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

	Year Ended December 31,		
	2016	**2015**	**2014**
Net income	$ 290,726	$ 256,036	$ 159,711
Other comprehensive income (loss), net of tax:			
Equity in other comprehensive income (loss) of unconsolidated joint ventures, net	101	(451)	(3,170)
Unrealized loss on beneficial interests in debt securities	(659)	—	(327)
Net change in fair value of cash flow hedges	389	(236)	(127)
Foreign currency translation adjustments:			
Foreign currency translation adjustment (loss) gain	(97,681)	25,287	(58,792)
Change in fair value of net investment hedges	35,833	(5,604)	26,985
Net foreign currency translation adjustments	(61,848)	19,683	(31,807)
Other comprehensive (loss) income	(62,017)	18,996	(35,431)
Comprehensive income	228,709	275,032	124,280
Comprehensive income attributable to noncontrolling interests:			
Investment entities	117,241	89,693	32,215
Operating Company	9,837	25,290	—
Comprehensive income attributable to stockholders	$ 101,631	$ 160,049	$ 92,065

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

COLONY CAPITAL, INC.
CONSOLIDATED STATEMENTS OF EQUITY
(In thousands)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Distributions in Excess of Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Noncontrolling Interests in Investment Entities	Noncontrolling Interests in Operating Company	Total Equity
Balance at December 31, 2013	$ 101	$ 765	$1,701,274	$ (20,423)	$ 2,593	$ 1,684,310	$ 269,917	$ —	$ 1,954,227
Net income	—	—	—	123,149	—	123,149	36,562	—	159,711
Other comprehensive loss	—	—	—	—	(31,084)	(31,084)	(4,347)	—	(35,431)
Issuance of 7.5% Series B Cumulative Redeemable Perpetual Preferred Stock	34	—	86,216	—	—	86,250	—	—	86,250
Class A common stock offerings	—	326	717,544	—	—	717,870	—	—	717,870
Underwriter discount and offering costs	—	—	(3,551)	—	—	(3,551)	—	—	(3,551)
Issuance of common stock for incentive fees	—	—	464	—	—	464	—	—	464
Share-based payments	—	5	10,796	—	—	10,801	—	—	10,801
Contributions from noncontrolling interests	—	—	—	—	—	—	344,506	—	344,506
Distributions to noncontrolling interests	—	—	—	—	—	—	(128,325)	—	(128,325)
Preferred stock dividends	—	—	—	(25,122)	—	(25,122)	—	—	(25,122)
Common stock dividends declared ($1.44 per share)	—	—	—	(145,607)	—	(145,607)	—	—	(145,607)
Balance at December 31, 2014	135	1,096	2,512,743	(68,003)	(28,491)	2,417,480	518,313	—	2,935,793
Net income	—	—	—	149,980	—	149,980	86,123	19,933	256,036
Other comprehensive income	—	—	—	—	10,069	10,069	3,570	5,357	18,996
Issuance of 7.125% Series C Cumulative Redeemable Perpetual Preferred Stock	115	—	287,385	—	—	287,500	—	—	287,500
Issuance of Class A common stock	—	14	37,375	—	—	37,389	—	—	37,389
Issuance of Class B common stock	—	6	14,765	—	—	14,771	—	—	14,771
Issuance of units in Operating Company	—	—	—	—		—	—	568,794	568,794
Offering costs	—	—	(9,406)	—	—	(9,406)	—	—	(9,406)
Share-based payments	—	7	13,707	—	—	13,714	—	—	13,714
Consolidation of investment entities (Note 7)	—	—	—	—	—	—	1,700,114	—	1,700,114
Contributions from noncontrolling interests	—	—	—	—	—	—	486,152	—	486,152
Distributions to noncontrolling interests	—	—	—	—	—	—	(655,347)	(25,011)	(680,358)
Preferred stock dividends	—	—	—	(43,365)	—	(43,365)	—	—	(43,365)
Common stock dividends declared ($1.52 per share)	—	—	—	(169,890)	—	(169,890)	—	—	(169,890)
Reallocation of equity of Operating Company (Note 2)	—	—	138,674	—	—	138,674	—	(138,674)	—
Balance at December 31, 2015	$ 250	$ 1,123	$2,995,243	$ (131,278)	$ (18,422)	$ 2,846,916	$ 2,138,925	$ 430,399	$ 5,416,240

COLONY CAPITAL, INC.
CONSOLIDATED STATEMENTS OF EQUITY (Continued)
(In thousands)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Distributions in Excess of Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Noncontrolling Interests in Investment Entities	Noncontrolling Interests in Operating Company	Total Equity
Balance at December 31, 2015	$ 250	$ 1,123	$2,995,243	$ (131,278)	$ (18,422)	$ 2,846,916	$ 2,138,925	$ 430,399	$ 5,416,240
Net income	—	—	—	115,318	—	115,318	163,084	12,324	290,726
Other comprehensive loss	—	—	—	—	(13,687)	(13,687)	(45,843)	(2,487)	(62,017)
Repurchase of preferred stock	(10)	—	(19,988)	—	—	(19,998)	—	—	(19,998)
Reissuance of preferred stock to an equity method investee	10	—	19,988	—	—	19,998	—	—	19,998
Redemption of units in Operating Company for cash and Class A common stock	—	9	18,562	—	—	18,571	—	(21,128)	(2,557)
Share-based compensation	—	10	13,628	—	—	13,638	—	—	13,638
Shares canceled for tax withholding on vested stock awards	—	(2)	(2,860)	—	—	(2,862)	—	—	(2,862)
Contributions from noncontrolling interests	—	—	—	—	—	—	819,033	—	819,033
Distributions to noncontrolling interests	—	—	—	—	—	—	(587,539)	(33,668)	(621,207)
Acquisition of noncontrolling interests (Note 16)	—	—	725	—	—	725	(4,688)	—	(3,963)
Preferred stock dividends	—	—	—	(48,159)	—	(48,159)	—	—	(48,159)
Common stock dividends declared ($1.60 per share)	—	—	—	(181,945)	—	(181,945)	—	—	(181,945)
Reallocation of equity (Notes 2 and 16)	—	—	25,284	—	—	25,284	(29,034)	3,750	—
Balance at December 31, 2016	$ 250	$ 1,140	$3,050,582	$ (246,064)	$ (32,109)	$ 2,773,799	$ 2,453,938	$ 389,190	$ 5,616,927

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

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

	Year Ended December 31,		
	2016	2015	2014
Cash Flows from Operating Activities			
Net income	$ 290,726	$ 256,036	$ 159,711
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of discount and net origination fees on purchased and originated loans	(27,038)	(21,109)	(46,053)
Accretion in excess of cash receipts on purchased credit-impaired loan	(8,515)	(39,886)	(23,390)
Paid-in-kind interest added to loan principal, net of paid-in-kind interest collected	(29,844)	(30,211)	(2,796)
Straight-line rents	(12,617)	(11,929)	(1,032)
Amortization of above- and below-market lease values, net	2,045	3,240	179
Amortization of deferred financing costs	28,936	21,222	6,590
Income from equity method investments	(99,375)	(47,605)	(73,829)
Distributions of income from equity method investments	79,361	66,418	74,948
Provision for loan losses	35,005	37,475	—
Impairment of real estate and intangible assets	11,717	11,192	—
Depreciation and amortization	171,682	140,977	9,177
Share-based compensation	13,638	13,714	11,265
Net gain on remeasurement of net assets of consolidated investment entities	—	(41,486)	—
Change in fair value of contingent consideration	(11,740)	(16,510)	—
Gain on sales of real estate assets, net	(73,616)	(8,962)	—
Foreign currency loss recognized on repayment of loans receivable	—	31,268	—
Changes in operating assets and liabilities:			
Decrease (increase) in due from affiliates	(521)	7,828	—
Decrease (increase) in other assets	5,174	(4,372)	(12,431)
Increase in accrued and other liabilities	38,336	23,929	25,635
Increase (decrease) in due to affiliates	—	(12,236)	4,250
Other adjustments, net	(4,993)	(5,867)	535
Net cash provided by operating activities	408,361	373,126	132,759
Cash Flows from Investing Activities			
Contributions to equity method and cost method investments	(226,665)	(356,051)	(458,881)
Distributions of capital from equity method and cost method investments	113,491	357,307	150,788
Investments in purchased loans receivable, net of seller financing	(176,314)	(135,194)	(412,152)
Net disbursements on originated loans	(385,702)	(984,840)	(1,241,046)
Repayments of loans receivable	732,393	335,446	673,815
Proceeds from sales of loans receivable	220,900	—	—
Cash receipts in excess of accretion on purchased credit-impaired loans	140,057	399,783	—
Disbursements on acquisition of real estate assets, related intangibles and leasing commissions	(501,221)	(1,377,344)	(1,618,069)
Investment deposits	(67,693)	(1,380)	(1,496)
Proceeds from repayment of beneficial interests in debt securities	—	—	28,000
Proceeds from sales of real estate assets	390,943	323,430	—
Investments in marketable securities	(23,324)	—	—
Acquisition of investment management business, net of cash acquired (Note 3)	—	(56,335)	—
Proceeds from settlement of derivative instruments	34,471	45,024	8,824
Other investing activities, net	476	(8,660)	(4,554)
Net cash provided by (used in) investing activities	$ 251,812	$ (1,458,814)	$ (2,874,771)

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

	Year Ended December 31,		
	2016	2015	2014
Cash Flows from Financing Activities			
Proceeds from issuance of preferred stock, net	$ —	$ 277,945	$ 83,533
Proceeds from issuance of common stock, net	—	—	717,870
Dividends paid to preferred stockholders	(48,372)	(38,244)	(23,504)
Dividends paid to common stockholders	(181,172)	(165,559)	(131,815)
Line of credit borrowings	694,000	1,345,900	1,130,800
Line of credit repayments	(586,400)	(1,194,900)	(1,105,300)
Proceeds from secured financing	1,072,556	1,936,043	1,808,505
Secured financing repayments	(1,601,423)	(871,788)	(198,775)
Increase (decrease) in escrow deposits for financing arrangements	12,724	—	(11,153)
Net proceeds from issuance of convertible senior notes	—	—	394,593
Payment of deferred financing costs	(22,464)	(27,670)	(36,355)
Contributions from noncontrolling interests	819,033	486,152	344,506
Distributions to noncontrolling interests	(615,059)	(671,659)	(128,325)
Acquisition of noncontrolling interests	(3,963)	—	—
Repurchase of preferred stock	(19,998)	—	—
Reissuance of preferred stock to an equity method investee	19,998	—	—
Other financing activities, net	(5,417)	(15,546)	(2,816)
Net cash provided by (used in) financing activities	(465,957)	1,060,674	2,841,764
Cash held by investment entities consolidated (Note 7)	—	75,412	—
Effect of exchange rates on cash	(4,065)	(6,480)	(983)
Net increase in cash	190,151	43,918	98,769
Cash, beginning of period	185,854	141,936	43,167
Cash, end of period	$ 376,005	$ 185,854	$ 141,936
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid for interest	$ 118,365	$ 105,608	$ 33,470
Cash paid for income taxes	$ 7,190	$ 2,078	$ 2,188
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:			
Dividends payable	$ 65,972	$ 65,688	$ 47,537
Foreclosures on collateral assets from originated or acquired debt	$ 128,124	$ —	$ —
Net settlement of redemption in equity method investee	$ 117,241	$ —	$ —
Release of restricted cash in lieu of cash distribution upon buyout of noncontrolling interests	$ 6,564	$ —	$ —
Deferred tax liability assumed in a real estate acquisition	$ —	$ 27,978	$ —
Settlement of debt through issuance of units in Operating Company	$ —	$ 10,000	$ —
Issuance of common stock for acquisition of investment management business	$ —	$ 52,160	$ —
Issuance of units in Operating Company for acquisition of investment management business	$ —	$ 558,794	$ —
Net assets of investment entities consolidated, net of cash assumed (Note 7)	$ —	$ 2,637,278	$ —
Loan payoff proceeds held in escrow	$ —	$ 11,300	$ —
Accrued and other liabilities assumed in connection with acquisitions, net of cash assumed	$ —	$ 407	$ 10,781
Seller-provided secured financing on purchased loans	$ —	$ —	$ 82,328
Deferred financing costs deducted from convertible debt issuance proceeds	$ —	$ —	$ 10,063
Unsecured note issued in connection with acquisition	$ —	$ —	$ 10,000
Interest reserve for seller financing returned to borrower upon resolution of underlying collateral loan	$ —	$ —	$ 2,670

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

COLONY CAPITAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016

1. Organization

As of December 31, 2016, Colony Capital, Inc. (the “Company”) is a leading global real estate and investment management firm that targets attractive risk-adjusted returns for its investors by investing primarily in real estate and real estate-related assets. The Company manages capital on behalf of both its shareholders and limited partners in private investment funds under its management where the Company may earn management fees and carried interests. The Company's portfolio is primarily composed of: (i) real estate equity; (ii) real estate and real estate-related debt; and (iii) investment management of Company-sponsored private equity funds and vehicles. The Company was organized on June 23, 2009 as a Maryland corporation and has elected to be taxed as a real estate investment trust ("REIT") under the Internal Revenue Code, for U.S. federal income tax purposes.

Prior to April 2, 2015, the Company was externally managed and advised by Colony Financial Manager, LLC (the "Manager"), which was a wholly-owned subsidiary of Colony Capital, LLC ("CCLLC"), a privately held global real estate investment firm. On April 2, 2015, Colony Capital Operating Company, LLC ("Operating Company" or “OP”), an operating subsidiary of the Company, acquired substantially all of the real estate investment management business and operations of CCLLC (the "Combination") and the Company became a self-managed REIT. As a result of the Combination, the Company is able to sponsor new investment vehicles as general partner under the Colony name. Details of the Combination are described more fully in Note 3.

In connection with the Combination, the Company reorganized into an umbrella partnership real estate investment trust ("UPREIT"). As part of the restructuring, the Company contributed to OP and its subsidiaries substantially all of the Company's other subsidiaries, assets and liabilities, other than certain indebtedness, in exchange for membership interests in OP ("OP Units"). Following the Combination, OP conducts all of the activities and owns substantially all of the assets and liabilities of the combined business.

Merger

On June 2, 2016, the Company entered into a definitive Agreement and Plans of Merger (the “Merger Agreement”) with NorthStar Asset Management Group Inc. ("NSAM") and NorthStar Realty Finance Corp. (“NRF”) under which the companies agreed to combine in an all-stock merger transaction (the "Merger") to form Colony NorthStar, Inc. ("Colony NorthStar"), the publicly-traded company of the combined organization.

On December 20, 2016, the Merger was approved by the shareholders of the Company, NSAM and NRF. The Merger closed on January 10, 2017 (the "Closing Date"), after remaining customary conditions were satisfied and all relevant regulatory approvals were received.

See additional information in Note 23.

2. Significant Accounting Policies

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

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). The accompanying consolidated financial statements include the accounts of the Company and its controlled subsidiaries and consolidated variable interest entities. All significant intercompany accounts and transactions have been eliminated. The portions of the equity, net income and other comprehensive income of consolidated subsidiaries that are not attributable to the parent are presented separately as amounts attributable to noncontrolling interests in the consolidated financial statements. A substantial portion of noncontrolling interests represent interests held by private investment funds or other investment vehicles managed by the Company and which invest alongside the Company ("Co-Investment Funds") and membership interests in OP held by affiliates and senior executives.

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

Noncontrolling Interests

Noncontrolling Interests in Investment Entities—This represents interests in consolidated real estate investment entities held primarily by Co-Investment Funds, which, prior to the Combination, were managed by CCLLC or its affiliates, and to a lesser extent, held by unaffiliated third parties. 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, where applicable and substantive.

Noncontrolling Interests in Operating Company—This represents membership interests in OP held primarily by affiliates and senior executives. A majority of the OP Units held by noncontrolling interests were issued as part of the consideration for the Combination. 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. At the end of each period, noncontrolling interests in OP is adjusted to reflect their ownership percentage in OP at the end of the period, through a reallocation between controlling and noncontrolling interests in OP, as applicable.

Use of Estimates

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

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 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 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), net.

Disclosures of non-US dollar amounts to be recorded in the future are translated using exchange rates in effect at balance sheet date.

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.

The Company has not elected fair value option for any financial instruments.

Business Combinations

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 asset or a group of similar 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 cost, effort or delay or is otherwise considered unique or scarce. To qualify as a business without outputs would require an organized workforce with the necessary skills, knowledge and experience that performs a substantive process.

Net cash paid to acquire a business or assets is classified as investing activities on the accompanying statements of cash flows.

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

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

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. For contingent consideration in connection with the acquisition of assets, subsequent changes to the recorded amount are adjusted against the cost of the acquisition.

Real estate acquisitions, which are likely to be considered asset acquisitions (upon adoption of ASU 2017-01 as discussed below) or otherwise, as business combinations, 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.

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 did not have any cash equivalents at December 31, 2016 and 2015. The Company's cash is held with major financial institutions and may at times exceed federally insured limits.

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, and separately, if the loan was credit-impaired at 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 status. Interest receivable is reversed against interest income when loans are placed on nonaccrual status. Interest collection on nonaccruing loans for which ultimate collectability of principal is uncertain is recognized using a cost recovery method by applying interest collected as a reduction to loan principal; otherwise, interest collected is recognized on a cash basis by crediting to income when received. Loans may be restored to accrual status when all principal and interest is current and full repayment of the remaining contractual principal and interest is 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 sponsors 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 consolidated statement of operations. Allowance for loan losses generally exclude interest receivable as accrued interest receivable is reversed when a loan is placed on nonaccrual status. Allowance for loan losses is generally measured as the difference between the carrying value of the loan and either the present value of cash flows expected to be collected, discounted at the original effective interest rate of the loan or an observable market price for the loan. Subsequent changes in impairment are recorded as adjustments to the provision for loan losses. Loans are charged-off against allowance for loan losses when all or a portion of the principal amount is determined to be uncollectible. A loan is considered to be collateral-dependent when repayment of the loan is expected to be provided solely by the underlying collateral. Impaired collateral-dependent loans are written down to the fair value of the collateral less disposal cost, first through a charge-off against allowance for loan losses, if any, then recorded as impairment loss.

Troubled Debt Restructuring ("TDR")—A loan with contractual terms modified in a manner that grants concession to the borrower who is experiencing financial difficulty is classified as a TDR. Concessions could include term extensions, payment deferrals, interest rate reductions, principal forgiveness, forbearance, or other actions designed to maximize the Company's collection on the loan. As a TDR is generally considered to be an impaired loan, it is measured for impairment based on the Company's allowance for loan losses methodology.

Loans Held for Sale

Loans that the Company intends to sell or liquidate in the foreseeable future are classified as held-for-sale. Loans held for sale are carried at the lower of amortized cost or fair value less disposal cost, with valuation changes recognized as impairment loss. Loans held for sale are not subject to allowance for loan losses. Net deferred loan origination fees and purchase premium or discount 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, and ultimately, in the gain or loss upon sale of the loan.

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") Loan 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.

Real Estate Assets

Real Estate Held for Investment

Real estate held for investment is 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, is depreciated on a straight-line basis over the estimated useful lives of the assets, as follows:

Real Estate Assets	Term
Building (fee interest)	15 to 40 years
Building leasehold interests	Lesser of 40 years or remaining term of the lease
Building improvements	Lesser of the useful life or remaining life of the building
Land improvements	10 to 30 years
Tenant improvements	Lesser of the useful life or remaining term of the lease
Furniture, fixtures and equipment	5 to 15 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 cash flows and determines impairments on an individual property basis. In making this determination, the Company reviews, among other things, current and estimated future cash flows associated with each property, market information for each sub-market, including, where applicable, competition levels, foreclosure levels, leasing trends, occupancy trends, lease or room rates, and the market prices of similar properties recently sold or currently being offered for sale, and other quantitative and qualitative factors. If an impairment indicator exists, the Company evaluates whether the expected future undiscounted cash flows is less than the carrying amount of the asset, and if the Company determines that the carrying value is not recoverable, an impairment loss is recorded for the difference between the estimated fair value and the carrying amount of the asset.

Allowance for Doubtful Accounts—The Company periodically evaluates aged receivables as well as considers the collectability of unbilled receivables for each tenant. 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.

Real Estate Held for Sale

Classification as Held for Sale—Real estate asset 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 subsequent increase in fair value less disposal cost, 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.

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.

Real Estate Sales—The Company evaluates if real estate sale transactions qualify for recognition under the full accrual method, considering whether, among other criteria, the buyer's initial and continuing investments are adequate to demonstrate a commitment to pay, any receivable due to the Company is not subject to future subordination, the Company has transferred to the buyer the usual risks and rewards of ownership and the Company does not have a substantial continuing involvement with the sold real estate. At the time the sale is consummated, a gain or loss is recognized as the difference between the sale price less disposal cost and the carrying value of the real estate.

Real estate investments classified as held for sale or disposed may be reported in discontinued operations if the disposal represents a strategic shift that has or will have a major effect on the Company's operations and financial results. A discontinued operation may include an asset group, a reporting unit, an operating segment, a reportable segment, a subsidiary, or a business.

Foreclosed Properties

The Company receives foreclosed properties in full or partial settlement of loans receivable by taking legal title or physical possession of the properties. Foreclosed properties are recognized, generally, at the time the real estate is received at foreclosure sale or upon execution of a deed in lieu of foreclosure. Foreclosed properties are initially measured at fair value and amounts less than the carrying value of the loan, after reversing any previously recognized loss provision on the loan, is recorded as impairment loss. The Company periodically evaluates foreclosed properties for subsequent decrease in fair value which is recorded as additional impairment loss. Fair value of foreclosed properties are generally based on third party appraisals, broker price opinions, comparable sales or a combination thereof.

Investments in Unconsolidated Ventures

Where the Company exerts significant influence over the operating and financial policies of an entity, but does not have a controlling financial interest, the Company's investment in the entity is accounted for under the equity method. Under the equity method, the Company initially records its investments at cost and subsequently recognizes the Company's share of net earnings or losses and other comprehensive income or loss, contributions made and distributions received, and other adjustments, as appropriate. The Company's share of net income or loss may differ from the stated ownership percentage interest in such entity as a result of a preferred return and allocation formula, if any, in accordance with the terms of its governing documents. The Company's share of net income or loss from its general partner interests in its sponsored funds reflects fair value changes in the underlying investments of the fund, which are reported at fair value in accordance with investment company guidelines. The Company records its proportionate share of income from certain equity method investments one to three months in arrears. Distributions of operating profits from equity method investments are reported as operating activities in the statement cash flows. Distributions in excess of operating profits or those related to capital transactions, such as a financing transactions or sales, are reported as investing activities.

Investments that do not qualify for equity method accounting are accounted for under the cost method. Dividends from cost-method investments, when received, are recorded as dividend income to the extent they are not considered a return of capital; otherwise such amounts are recorded as a reduction of the cost of investment.

Impairment—The Company performs an evaluation on a quarterly basis, or more frequently as necessary, of its equity method and cost method investments to assess whether the fair value of an investment is less than its carrying value. To the extent the decrease in value is considered to be other-than-temporary and an impairment has occurred, the investment is written down to its estimated fair value, recorded as an impairment loss.

Investments in Securities

Debt securities are recorded on the trade date. 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 securities, the cumulative gains or losses in other comprehensive income that are realized are recognized in other gain (loss), net, on the consolidated statement of operations using an average cost method.

Interest Income—Interest income, including accretion of purchased premiums or amortization of purchased discounts and stated coupon interest payments, 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 ("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. 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 security or more likely than not will be required to sell the impaired security before recovery of its amortized cost, the entire impairment amount is recognized in earnings. If the Company does not intend to sell the security and it is not more likely than not that the Company will be required to sell the security before recovery of its amortized cost, the Company further evaluates the 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 security. The credit component of OTTI is recognized in earnings, while the remaining non-credit component is recognized in other comprehensive income. The amortized cost basis of the 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 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.

Identifiable Intangibles

In a business combination or asset acquisition, the Company may recognize identifiable intangibles that meet either or both the contractual-legal criterion or the separability criterion. Indefinite-lived intangibles are not subject to amortization until such time that its useful life is determined to no longer be indefinite, at which point, it will be assessed for impairment and its adjusted carrying amount amortized over its remaining useful life. Finite-lived intangibles are amortized over their useful life in a manner that reflects the pattern in which the intangible is being consumed if readily determinable such as expected cash flows, otherwise 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. Finite-lived intangibles will be periodically reviewed for impairment and an impairment loss will be recognized if the carrying amount of the intangible is not recoverable and exceeds its fair value. An impairment establishes a new basis for the identifiable intangibles and any impairment loss recognized is not subject to subsequent reversal.

Identifiable intangibles recognized in acquisitions of operating real estate properties generally include in-place leases, above- or below-market leases and deferred leasing costs.

In-place leases generate value over and above the tangible real estate because a property that is occupied with leased space is typically worth more than a vacant building without an operating lease contract in place. The estimated fair value of acquired in-place leases is derived based on management's assessment of costs avoided from having tenants in place, including lost rental income, rent concessions and tenant allowances or reimbursements, that would be incurred to lease a hypothetically 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. Above- or below-market ground lease obligations are amortized on a straight-line basis as a decrease or increase to rent expense, respectively, over the applicable lease terms. If the above- or below-market operating lease values or above- or below-market ground lease obligations are terminated, the unamortized portion of the lease intangibles are recorded in rental income or rent expense, respectively.

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

Goodwill

Goodwill is an unidentifiable intangible asset and recognized as a residual, generally measured as the excess of consideration transferred in a business combination over the identifiable assets acquired and liabilities assumed, including any noncontrolling interest 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. 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; and if so, a two-step quantitative assessment is performed to determine if an impairment has occurred and thereafter, measure the impairment loss. In the first step, if the fair value of the reporting unit is less than its carrying value (including goodwill), then the goodwill is considered to be impaired. In the second step, the implied fair value of the goodwill is determined by comparing the fair value of the reporting unit (in step one) to the fair value of the net assets of the reporting unit as if the reporting unit is being acquired in a business combination. If the carrying value of goodwill exceeds the resulting implied fair value of goodwill, then an impairment charge is recognized for the excess. An impairment establishes a new basis for the goodwill and any impairment loss recognized is not subject to subsequent reversal. Goodwill impairment tests require judgment, including the 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.

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 their entirety, or if a component of the financial asset is transferred, when the component meets the definition of a participating interest.

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 would require that the transfer meets the following sale 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 consolidated balance sheets. 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 income statement in other gain (loss), net.

For designated accounting hedges, the relationships between hedging instruments and hedged items, risk management objectives and strategies for undertaking the accounting hedges as well as the methods to assess the effectiveness of the derivative prospectively and retrospectively, are formally documented at inception. Hedge effectiveness relates to the amount by which the gain or loss on the designated derivative instrument exactly offsets the change in the hedged item attributable to the hedged risk. If it is determined that a derivative is not expected to be or has ceased to be highly effective at hedging the designated exposure, hedge accounting is discontinued.

Cash Flow Hedges—The Company uses interest rate caps and swaps to hedge its exposure to interest rate fluctuations in forecasted interest payments on floating rate debt. The effective portion of the change in fair value of the derivative is recorded in accumulated other comprehensive income, while hedge ineffectiveness is recorded in earnings. If the derivative in a cash flow hedge is terminated or the hedge designation is removed, related amounts in accumulated other comprehensive income are reclassified into earnings.

Net Investment Hedges—The Company uses foreign currency hedges to protect the value of its net investments in foreign subsidiaries or equity method investees whose functional currencies are not U.S. dollars. Changes in the fair value of derivatives used as hedges of net investment in foreign operations, to the extent effective, are recorded in the cumulative translation adjustment account within accumulated other comprehensive income.

At the end of each quarter, the Company reassesses the effectiveness of its net investment hedges and as appropriate, dedesignates the portion of the derivative notional that is in excess of the beginning balance of its net investments as non-designated hedges.

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

Financing Costs

Debt discounts and premiums as well as debt issuance costs (except for revolving credit arrangements) are presented net against the associated debt on the consolidated balance sheets and amortized into interest expense using the effective interest method over the term of the debt.

Costs incurred in connection with revolving credit arrangements are recorded as deferred financing costs in other assets, and amortized on a straight-line basis over the expected term of the credit facility.

Property Operating Income

Property operating income includes the following.

Rental Income—Rental income is recognized on a straight-line basis over the non-cancelable term of the related lease which includes the effects of rent steps and rent abatements under the lease. Rents received in advance are deferred. Rental income recognition commences when the tenant takes possession of the leased space and the leased space is substantially ready for its intended use. Residential leases generally have one-year terms while commercial leases generally have longer terms.

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 by the tenants, is capitalized. For Company-owned tenant improvements, the amount funded by or reimbursed by 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. 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, net on the consolidated balance sheets, and amortized as a reduction to rental income on a straight-line basis over the term of the lease.

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

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

Fee Income

Fee income consists of the following.

Base Management Fees—The Company earns base management fees for the day-to-day operations and administration of its managed funds, generally as a percentage of the limited partners' net funded capital. Base management fees are recognized over the period in which the related services are performed in accordance with contractual terms of the underlying management and advisory agreements. Base management fees are generally accrued from the date of the first closing of commitments or the first investment of the fund through the last day of the term of the fund.

Asset Management Fees—The Company may receive a one-time asset management fee upon closing of each investment made by its managed funds. In accordance with contractual terms of the underlying management and advisory agreements, a portion of asset management fees is recognized upon completion of initial underwriting, with remaining fees deferred and recognized over the holding period of each investment in which the related services are performed for each investment. Asset management fees are calculated as a fixed percentage of the limited partners' net funded capital on each investment.

Servicing Fees—Certain subsidiaries of the Company (each an asset management company or "AMC") were established to service and manage loan portfolios, including foreclosed properties, held by the Company's real estate investment entities for a servicing fee equal to a percentage of the outstanding unpaid principal balance of each loan portfolio. Servicing fees earned from investment entities that are consolidated by the Company are eliminated upon consolidation.

Other Income

Other income includes the following.

Expense Recoveries from Borrowers—Expenses, primarily legal costs incurred in administering non-performing loans and foreclosed properties held by investment entities, may be subsequently recovered through payments received when these investments are resolved. The Company recognizes income when the cost recoveries are determinable and repayment is assured.

Cost Reimbursements from Affiliates—Based on an arrangement assumed from the Manager through the Combination, the Company provides administrative services to certain of its affiliates, including property management on behalf of the Company's investment entities. The Company is entitled to receive reimbursements of expenses incurred, generally based on expenses incurred that are directly attributable to the affiliates 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 administrative services are rendered and costs are incurred.

Compensation

Compensation comprises salaries, bonus including discretionary awards and contractual amounts for certain senior executives, benefits and share-based compensation. Bonus is accrued over the employment period to which it relates.

Share-Based Compensation

Equity classified share-based awards granted to employees have a service condition only, and are measured at fair value at the date of grant and remeasured at fair value only upon a modification of the award. Share awards granted to non-employees have a service condition only and are remeasured at fair value at the end of each reporting period until the award is fully vested. Fair value is determined based on the closing price of the Company's listed Class A common stock at date of grant or remeasurement. The Company recognizes compensation expense on a straight-line basis over the requisite service period of the awards, with the amount of compensation expense recognized at the end of a reporting period at least equal to the fair value of the portion of the award that has vested through that date. An expected forfeiture rate estimated based upon the Company's historical experience is applied against compensation expense during the year and adjusted for actual forfeitures at year end.

Gain on Remeasurement of Consolidated Investment Entities, Net

Gain on remeasurement of consolidated investment entities, net is the fair value remeasurement of the Company's proportional share of investments in joint ventures which were consolidated upon a reconsideration event in connection with the Combination (Note 7), net of cumulative translation adjustments reclassified to earnings.

Other Gain (Loss), Net

Other gain and loss include fair value changes related to derivatives not designated as accounting hedges, fair value changes on the contingent consideration arising from the Combination and gain (loss) from remeasurement of foreign currency transactions and translation of foreign currency balances.

Income Taxes

The Company elected to be taxed as a REIT, commencing with the Company’s initial taxable year ended December 31, 2009. 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, as well as certain restrictions in regard to the nature of owned assets and categories of income. If the Company fails to qualify as a REIT in any taxable year, it will be subject to federal and state income taxes at regular corporate rates (including any applicable alternative minimum tax) 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, including investment management, property management including hotel 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.

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 reflects 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 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 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 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. As of December 31, 2016 and 2015, the Company has not established a liability for uncertain tax positions.

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.

Reclassification

Certain prior period amounts have been reclassified to conform to current period presentation. Such reclassifications were immaterial and did not affect the Company's financial position, results of operations or its cash flows.

Recent Accounting Updates

The following evaluation of the effects of adoption of recently issued accounting standards is discussed in the context of the consolidated financial statements of the new combined entity, Colony NorthStar.

Revenue Recognition—In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*, which amends existing revenue recognition standards by establishing principles for a single comprehensive model for revenue measurement and recognition, along with enhanced disclosure requirements. Key provisions include, but are not limited to, determining which goods or services are capable of being distinct in a contract to be accounted for separately as a performance obligation and recognizing variable consideration only to the extent that it is probable a significant revenue reversal would not occur. The new revenue standard may be applied retrospectively to each prior period presented (full retrospective) or retrospectively to contracts not completed as of date of initial application with the cumulative effect recognized in retained earnings (modified retrospective). ASU No. 2014-09 was originally effective for fiscal years and interim periods beginning after December 15, 2016. In July 2015, the FASB deferred the effective date of the new standard by one year to fiscal years and interim periods beginning after December 15, 2017. Early adoption is permitted but not before the original effective date. The FASB has subsequently issued several amendments to the standard, including clarifying the guidance on assessing principal versus agent based on the notion of control, which affects recognition of revenue on a gross or net basis. These amendments have the same effective date and transition requirements as the new standard.

Colony NorthStar plans to adopt the standard on its required effective date of January 1, 2018 using the modified retrospective approach. The standard excludes from its scope the areas of accounting that most significantly affect revenue recognition for Colony NorthStar, including accounting for financial instruments and leases, except that the non-lease service component in a gross lease contract will be considered a separate performance obligation and be subject to the new revenue recognition standard. Additionally, any incentive income from sponsored investment vehicles is expected to be subject to the revenue recognition provisions for variable consideration. Evaluation of the impact of this guidance to Colony NorthStar is on-going.

Financial Instruments—In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, which affects accounting for investments in equity securities and financial liabilities under the fair value option including presentation and disclosures, but does not affect accounting for investments in debt securities and loans. Investments in equity securities, other than equity method investments, will be measured at fair value through earnings, except for equity securities without readily determinable fair values which may be measured at cost less impairment and adjusted for observable price changes. This provision eliminates cost method accounting and recognition of unrealized holding gains (losses) on equity investments in other comprehensive income. For financial liabilities under fair value option, changes in fair value due to instrument specific credit risk will be recorded separately in other comprehensive income. Fair value disclosures of financial instruments measured at amortized cost will be based on exit price and corresponding disclosures of valuation methodology and significant inputs will no longer be required. ASU No. 2016-01 is effective for fiscal years and interim periods beginning after December 15, 2017. Early adoption is limited to specific provisions. ASU 2016-01 is to be applied retrospectively with cumulative effect as of the beginning of the first reporting period adopted recognized in retained earnings, except for provisions related to equity investments without readily determinable fair values and exit price fair value disclosures for financial instruments measured at amortized cost, which are to be applied prospectively. Colony NorthStar plans to adopt this guidance on its required effective date of January 1, 2018. While evaluation of the impact to Colony NorthStar is on-going, adoption of this standard is not expected to have a material effect on its consolidated financial condition and results of operations.

Leases—In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which amends existing lease accounting standards, primarily requiring lessees to recognize most leases on balance sheet, as well as making targeted changes to lessor accounting. ASU No. 2016-02 is effective for fiscal years and interim periods beginning after December 15, 2018. Early adoption is permitted. The new leases standard requires adoption using a modified retrospective approach for all leases existing at, or entered into after, the date of initial application, and provides for certain practical expedients. Full retrospective application is prohibited. Transition will require application of the new guidance at the beginning of the earliest comparative period presented.

Evaluation of the impact of this guidance to Colony NorthStar is on-going. As lessor, gross leases will be subject to allocation between lease and non-lease service components, with the latter accounted for under the new revenue recognition standard. As the new lease standard requires congruous accounting treatment between lessor and lessee in a sale-leaseback transaction, if the seller/lessee does not achieve sale accounting under the new revenue recognition standard, it would be considered a financing transaction to the buyer/lessor. As lessee, the new lease standard requires the recognition of a right-of-use asset and corresponding liability for future obligations under leasing arrangements such as ground leases and office leases. Additionally, under the new lease standard, only incremental initial direct costs incurred in the execution of a lease can be capitalized by the lessor and lessee.

Derivative Novation—In March 2016, the FASB issued ASU No. 2016-05, *Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships*, which clarifies that a change in the derivative counterparty does not, in and of itself, represent a termination of the original derivative or a change in critical terms of the hedging relationship. As a result, a hedging relationship would not be dedesignated as long as all of the other hedge accounting criteria are met when considering the credit worthiness of the new counterparty. ASU No. 2016-05 is effective for fiscal years and interim periods beginning after December 15, 2016. Early adoption is permitted, including interim periods. The new guidance may be adopted prospectively or on a modified retrospective basis to derivatives outstanding in the periods presented that were previously dedesignated due to a novation. The Company adopted the new guidance effective April 1, 2016 on a prospective basis. The adoption did not have an impact on the Company's consolidated financial statements.

Equity Method—In March 2016, the FASB issued ASU No. 2016-07, *Simplifying the Transition to the Equity Method of Accounting*, which eliminates retrospective application of the equity method to prior periods that the investment was held before the investor obtained significant influence over the investee. ASU No. 2016-07 is effective for fiscal years and interim periods beginning after December 15, 2016, to be applied prospectively. Early adoption is permitted, including interim periods. The Company adopted the new guidance effective April 1, 2016. The adoption did not have an impact on the Company's consolidated financial statements.

Share-Based Compensation—In March 2016, the FASB issued ASU No. 2016-09, *Improvements to Share-Based Payment Accounting*, which amends certain aspects of accounting for share-based payments to employees. This includes accounting for income tax effects in the income statement, increasing the fair value of shares applied for income tax withholding without triggering liability accounting, allowing forfeitures related to service condition to be recognized upon occurrence, as well as changes in cash flow classifications. This guidance may be adopted prospectively or on a modified retrospective transition basis depending on the requirements of each provision. ASU No. 2016-09 is effective for fiscal years and interim periods beginning after December 15, 2016. Early adoption is permitted, with all provisions within the guidance to be adopted in the same period. If early adopted in an interim period, adjustments are to be reflected as of the beginning of the fiscal year of adoption. This guidance will be adopted prospectively on January 1, 2017 and is not expected to have a material effect on the consolidated financial condition, results of operations and cash flows of Colony NorthStar.

Credit Losses—In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses*, which amends the credit impairment model for financial instruments. The existing incurred loss model will be replaced with a lifetime current expected credit loss ("CECL") model for financial instruments carried at amortized cost and off-balance sheet credit exposures, such as loans, loan commitments, held-to-maturity ("HTM") debt securities, financial guarantees, net investment in leases, reinsurance and trade receivables, which will generally result in earlier recognition of allowance for losses. For AFS debt securities, unrealized credit losses will be recognized as allowances rather than reductions in amortized cost basis and elimination of the OTTI concept will result in more frequent estimation of credit losses. The accounting model for purchased credit-impaired loans and debt securities will be simplified, including elimination of some of the asymmetrical treatment between credit losses and credit recoveries, to be consistent with the CECL model for originated and purchased non-credit impaired assets. The existing model for beneficial interests that are not of high credit quality will be amended to conform to the new impairment models for HTM and AFS debt securities. Expanded disclosures on credit risk include credit quality indicators by vintage for financing receivables and net investment in leases. Transition will generally be on a modified retrospective basis, with prospective application for other-than-temporarily impaired debt securities and purchased credit-impaired assets. ASU No. 2016-13 is effective for fiscal years and interim periods beginning after December 15, 2019. Early adoption is permitted for annual and interim periods beginning after December 15, 2018. Colony NorthStar, plans to adopt this guidance on its required effective date of January 1, 2020 and expects that recognition of credit losses will generally be accelerated under the CECL model. Evaluation of the impact of this guidance to Colony NorthStar is on-going.

Cash Flow Classifications—In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows*, intended to reduce diversity in practice in certain classifications on the statement of cash flows. This guidance addresses eight types of cash flows, which includes clarifying how the predominance principle should be applied when cash receipts and cash payments have aspects of more than one class of cash flows, as well as requiring an accounting policy election for classification of distributions received from equity method investees using either the cumulative earnings or nature of distributions approach. Transition will generally be on a retrospective basis. ASU No. 2016-15 is effective for fiscal years and interim periods beginning after December 15, 2017. Early adoption is permitted, provided that all amendments within the guidance are adopted in the same period. Colony NorthStar anticipates making an accounting policy election for classification of distributions from its equity method investees using the cumulative earnings approach. The adoption of this standard is not expected to have a material effect on presentation in Colony NorthStar's consolidated statements of cash flows.

Consolidation—In October 2016, the FASB issued ASU No. 2016-17, *Consolidation: Interests Held Through Related Parties Under Common Control*, which considers indirect interests in a VIE held by a decision maker through related parties under common control on a proportionate basis, and not in their entirety, when evaluating the economics criterion in the primary beneficiary determination. This is consistent with the treatment of indirect interests held through related parties not under common control. This ASU, however, does not change the initial assessment of whether a decision maker has a variable interest in a VIE, which considers indirect interests in related parties under common control in their entirety as the equivalent of direct interests. ASU No. 2016-17 is effective for fiscal years and interim periods beginning after December 15, 2016, with retrospective application to the beginning of the fiscal year when ASU No. 2015-02, *Consolidation: Amendments to the Consolidation Analysis*, was adopted. Early adoption is permitted, including interim periods. The Company adopted the new guidance effective October 1, 2016. The adoption did not have an impact on the Company's consolidated financial statements.

Restricted Cash—In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows: Restricted Cash*, which requires that cash and cash equivalent balances in the statement of cash flows include restricted cash and restricted cash equivalent amounts, and therefore, changes in restricted cash and restricted cash equivalents be presented in the statement of cash flows. This will eliminate the presentation of transfers between cash and cash equivalents with restricted cash and restricted cash equivalents in the statement of cash flows. When cash, cash equivalents, restricted cash and restricted cash equivalents are presented in more than one line item on the balance sheet, this ASU requires disclosure of a reconciliation between the totals in the statement of cash flows and the related captions in the balance sheet. The new guidance also requires disclosure of the nature of restricted cash and restricted cash equivalents, similar to existing requirements under Regulation S-X; however, it does not define restricted cash and restricted cash equivalents. ASU No. 2016-18 is effective for fiscal years and interim periods beginning after December 15, 2017, to be applied retrospectively, with early adoption permitted. If early adopted in an interim period, adjustments are to be reflected as of the beginning of the fiscal year of adoption. The adoption of this standard is not expected to have a material effect on presentation in Colony NorthStar's consolidated statements of cash flows.

Definition of a Business—In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*, which revises the definition of a business and will likely result in more transactions accounted for as asset acquisitions. The new guidance introduces an initial threshold that if substantially all of the fair value of gross assets acquired is concentrated in a single asset or a group of similar assets, then the set of transferred assets and activities is not a business. If this threshold is not met, an acquisition, to be considered a business, would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. To qualify as a business without outputs would require an organized workforce that performs a substantive process. The definition of "outputs" has been narrowed to align with Topic 606, *Revenue from Contracts with Customers*, by focusing on revenue generating activities. ASU 2017-01 is effective for fiscal years and interim periods beginning after December 15, 2017. Early adoption is permitted for transactions that occurred before the issuance date or effective date of this standard if the transactions have not been reported in issued financial statements. The Company adopted the new guidance effective October 1, 2016 and determined that real estate acquisitions transacted in the fourth quarter of 2016 met the initial threshold to qualify as asset acquisitions, resulting in the capitalization of $0.7 million of related transaction costs.

Goodwill Impairment—In January 2017, the FASB issued ASU No. 2017-04, *Intangibles—Goodwill and Other (Topic 350)*: *Simplifying the Test for Goodwill Impairment*, which removes the second step of the goodwill impairment test that requires a hypothetical purchase price allocation. Goodwill impairment is now measured as the excess in carrying value over fair value of the reporting unit, with the loss recognized not to exceed the amount of goodwill assigned to that reporting unit. The one-step impairment test will also be applied to goodwill at reporting units that have zero or negative carrying values, with a disclosure of the amount of goodwill at these reporting units. ASU 2017-04 is effective for fiscal years beginning after December 15, 2019, to be applied prospectively. Early adoption is permitted for interim and annual goodwill impairment testing dates after January 1, 2017. Colony NorthStar anticipates early adoption of this guidance for its goodwill impairment assessment in 2017.

3. Combination with Colony Capital

On April 2, 2015, pursuant to agreements dated December 23, 2014, OP completed its acquisition of the CCLLC trademark name and substantially all of its real estate investment management business and operations, excluding those conducted exclusively in connection with Colony American Homes, Inc. (now Colony Starwood Homes—see Note 22). The Combination was subject to approval of two-thirds of the Company’s non-affiliated shareholders, which was received at a special meeting of shareholders held on March 31, 2015.

Upon consummation of the Combination, CCLLC's personnel became employees of the Company and the Company became an internally managed REIT. As a result of the Combination, the Company is able to sponsor new investment vehicles as general partner under the Colony name. In addition, the Company changed its name from Colony Financial, Inc. to Colony Capital, Inc. and its common stock was reclassified as Class A Common Stock.

Mr. Thomas J. Barrack, Jr., Executive Chairman, and Mr. Richard B. Saltzman, Chief Executive Officer and President, have entered into 5-year employment agreements and related lock-up arrangements with the Company, which, subject to certain exceptions, will generally restrict them from transferring their respective interests in OP Units and/or shares received in connection with the Combination over the same period as their respective employment agreement terms, which restriction would be ratably reduced over such period. Messrs. Barrack and Saltzman also have entered into non-competition arrangements with the Company, each of which will provide for clawback as to a material portion of consideration in the event such individuals violate the non-compete restrictions during the same period as their respective lock-ups. The employment agreements, and related lock-ups and non-competition arrangements became effective at the closing of the Combination.

The consideration for the Combination consisted of an upfront and a contingent portion, as follows:

- Upfront consideration paid in a combination of 1.43 million shares of Class A Common Stock, 563,987 shares of newly created Class B Common Stock and 21.34 million of OP Units, measured based upon the closing price of the Company's common stock of $26.19 on April 1, 2015, as well as $61.4 million of cash payments made for working capital, transaction and integration costs incurred on behalf of CCLLC and tax withholding on behalf of Mr. Saltzman. The aggregate upfront consideration was valued at $672.3 million.
- Contingent consideration to be paid in a combination of up to approximately 1.02 million shares of Class A Common Stock, 90,991 shares of Class B Common Stock and approximately 3.47 million OP Units, subject to multi-year performance targets for achievement of certain funds from operations per share targets and capital-raising thresholds from the funds management businesses. 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.

Each share of Class B Common Stock and each OP Unit is, at the holder's option, convertible into one share of Class A Common Stock, subject, in the case of OP Units, to the terms and conditions set forth in the operating agreement of OP.

The following table summarizes the total consideration and allocation to assets acquired and liabilities assumed at April 2, 2015. In the first quarter of 2016, measurement period adjustments were identified that impacted provisional accounting, specifically adjustments to payroll accrual, valuation of investment management contract intangible asset and related impact to deferred tax liability, which increased goodwill by approximately $1.9 million, as presented in the table below.

(In thousands)	As Reported At December 31, 2015	Measurement Period Adjustments (1)	Final Adjusted Amounts At March 31, 2016
Consideration			
Cash	$ 61,350	$ —	$ 61,350
Class A and Class B common stock issued	52,160	—	52,160
OP Units issued	558,794	—	558,794
Estimated fair value of contingent consideration (2)	69,500	—	69,500
	$ 741,804	$ —	$ 741,804
Identifiable assets acquired and liabilities assumed			
Cash	$ 5,015	$ —	$ 5,015
Fixed assets	46,396	—	46,396
Other assets	23,300	—	23,300
Intangible asset:			
Investment management contracts	46,000	(1,900)	44,100
Customer relationships	46,800	—	46,800
Trade name	15,500	—	15,500
Notes payable	(44,337)	—	(44,337)
Deferred tax liability	(35,920)	729	(35,191)
Other liabilities	(19,217)	(689)	(19,906)
	83,537	(1,860)	81,677
Goodwill	658,267	1,860	660,127
	$ 741,804	$ —	$ 741,804

(1) The estimated fair values and purchase price allocation at April 2, 2015 are subject to retrospective adjustments during the measurement period, which ended on April 1, 2016, based upon new information obtained about facts and circumstances that existed as of the date of acquisition.

(2) Estimated fair value of contingent consideration is subject to remeasurement each reporting period, as discussed in Note 14.

See Note 9 for further discussions related to identifiable intangible assets and goodwill, and Note 14 for fair value measurement of contingent consideration.

Total income and net income attributable to Colony Capital, Inc. from the investment management segment, as included in the consolidated statement of operations, were $65.6 million and $19.0 million, respectively, for the period from acquisition date through December 31, 2015.

Pro Forma Results (Unaudited)

The following table presents pro forma results of the Company for the year ended December 31, 2015 assuming the Combination had been consummated on January 1, 2015. The amounts have been calculated pursuant to the application of the Company's accounting policies and adjusting the results of CCLLC's operations to reflect additional compensation expense, depreciation and amortization, income tax, and after eliminating intercompany transactions of the combined entities and allocation of net income to OP Units. The pro forma result for the year ended December 31, 2015 was adjusted to exclude acquisition-related expenses of approximately $15.1 million. The pro forma results are not indicative of future operating results.

(In thousands, except per share data)	Year Ended December 31, 2015
Pro forma:	
Total income	$ 873,075
Net income attributable to Colony Capital, Inc.	166,662
Net income attributable to common stockholders	124,093
Net income per common share:	
Basic	$ 1.09
Diluted	$ 1.09

4. Variable Interest Entities

Securitizations

The Company securitizes loans receivable using VIEs as a source of financing. The securitization vehicles are structured as pass-through entities that receive principal and interest on the underlying mortgage loans and distribute those payments to the holders of the notes or certificates issued by the securitization vehicles. The loans are transferred into securitization vehicles such that these assets are restricted and legally isolated from the creditors of the Company, and therefore are not available to satisfy the Company's obligations but only the obligations of the securitization vehicles. The obligations of the securitization vehicles do not have any recourse to the general credit of any other consolidated entities, nor to the Company.

The Company retains beneficial interests in the securitization vehicles, usually equity tranches or subordinate securities. Affiliates of the Company or appointed third parties act as special servicer of the underlying collateral mortgage loans. The special servicer has the power to direct activities during the loan workout process on defaulted and delinquent loans as permitted by the underlying contractual agreements, which is subject to the consent of the Company, as the controlling class representative or directing holder who, under certain circumstances, has the right to unilaterally remove the special servicer. As the Company's rights as the directing holder and controlling class representative provide the Company the ability to direct activities that most significantly impact the economic performance of the securitization vehicles—for example, responsibility over decisions related to loan modifications and workouts—the Company maintains effective control over the loans transferred into the securitization trusts. Considering the positions retained by the Company in the securitization vehicles together with its role as controlling class representative or directing holder, the Company is deemed to be the primary beneficiary and consolidates these securitization vehicles. Accordingly, these securitizations did not qualify as sale transactions and are accounted for as secured financing with the underlying mortgage loans pledged as collateral.

All of the underlying assets, liabilities, equity, revenues and expenses of the securitization vehicles are consolidated within the Company's consolidated financial statements. The Company's exposure to the obligations of the securitization vehicles is generally limited to its investment in these entities, which was $407.0 million and $412.8 million at December 31, 2016 and 2015, respectively. The Company is not obligated to provide any financial support to these securitization vehicles and did not do so in the periods reported.

Operating Subsidiary

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

Sponsored Funds

The Company sponsors funds and other similar investment vehicles as general partner ("Sponsored Funds"), for the purpose of providing investment management services in exchange for management fees and performance-based fees. Sponsored Funds are established as limited partnerships or equivalent structures. The limited partners of Sponsored 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. The absence of such rights, which represent voting rights in a limited partnership, results in the sponsored fund being considered a VIE. The Company invests alongside its Sponsored Funds through joint ventures between the Company and the Sponsored Funds. These co-investment joint ventures are consolidated by the Company. As general partner, the Company has capital commitments directly to the Sponsored Funds. The Company may also have capital commitments satisfied directly through the co-investment joint ventures in its capacity as an affiliate of the general partner. The nature of the Company's involvement with the Sponsored Funds comprises fee arrangements and equity interests. The fee arrangements are commensurate with the level of management services provided by the Company, and contain terms and conditions that are customary to similar at-market fee arrangements. The Company's equity interests in the Sponsored Funds absorb insignificant variability. As the Company acts in the capacity of an agent of the Sponsored Funds, the Company is not the primary beneficiary and does not consolidate the Sponsored Funds. The Company accounts for its equity interest in the Sponsored Funds under the equity method. The Company's equity method investment in Sponsored Funds was $1.7 million and $0.3 million at December 31, 2016 and 2015, respectively.

5. Loans Receivable

Loans Held For Investment

The following table provides a summary of the Company’s loans held for investment.

	December 31, 2016				December 31, 2015			
(Amounts 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
Non-PCI Loans								
Fixed rate								
Mortgage loans	$ 894,232	$ 881,755	9.0%	3.5	$ 882,935	$ 880,519	9.3%	3.9
Securitized mortgage loans	105,586	107,609	6.4%	15.4	135,519	138,366	6.4%	16.9
Mezzanine loans	372,247	369,207	12.3%	2.8	338,856	340,260	12.3%	3.5
	1,372,065	1,358,571			1,357,310	1,359,145		
Variable rate								
Mortgage loans	494,797	487,651	8.2%	0.8	643,013	627,374	7.2%	1.7
Securitized mortgage loans	775,963	776,156	5.7%	2.7	1,051,822	1,048,522	5.5%	3.4
Mezzanine loans	348,035	347,469	11.2%	0.6	348,091	347,267	10.8%	0.7
	1,618,795	1,611,276			2,042,926	2,023,163		
	2,990,860	2,969,847			3,400,236	3,382,308		
PCI Loans								
Mortgage loans	748,930	521,905			1,008,839	693,934		
Securitized mortgage loans	8,146	6,836			8,871	7,422		
	757,076	528,741			1,017,710	701,356		
Allowance for loan losses	—	(65,596)			—	(35,187)		
Loans held for investment, net	$ 3,747,936	$ 3,432,992			$ 4,417,946	$ 4,048,477		

Activity in loans held for investment is summarized below:

(In thousands)	Year Ended December 31, 2016	2015	2014
Carrying value at January 1	$ 4,048,477	$ 2,131,134	$ 1,028,654
Loan acquisitions and originations	551,456	1,145,704	1,735,526
Paid-in-kind interest added to loan principal	43,864	30,211	2,796
Discount and net loan fee amortization	27,038	17,062	46,053
Carrying value of loans sold	(118,068)	—	—
Loan repayments	(735,162)	(346,246)	(673,815)
Payments received from PCI loans	(197,453)	(514,818)	(11,725)
Accretion on PCI loans	65,911	158,468	35,115
Transfer to loans held for sale	(56,357)	—	—
Transfer to real estate assets upon foreclosure	(128,124)	(155,035)	—
Provision for loan losses, excluding interest receivable	(34,864)	(37,254)	(200)
Consolidation of loans receivable held by investment entities (Note 7)	—	1,629,496	—
Effect of changes in foreign exchange rates	(33,726)	(10,245)	(31,270)
Carrying value at December 31	$ 3,432,992	$ 4,048,477	$ 2,131,134

As discussed in Note 7, effective April 2, 2015, the Company was deemed to have a controlling financial interest in a number of its real estate investment entities previously accounted for under the equity method. As a result, the Company consolidated these investment entities, including loans receivable held by these entities, a majority of which were PCI loans.

Loan Maturity and Aging

Carrying value of loans held for investment before allowance for loan losses, excluding PCI loans, based on remaining maturities under contractual terms at December 31, 2016, was as follows:

(In thousands)	December 31, 2016
Due in one year or less	$ 1,348,788
Due after one year through five years	1,267,638
Due after five years	353,421
	$ 2,969,847

The following table provides an aging summary of loans held for investment at carrying values before allowance for loan losses, excluding PCI loans.

(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, 2016	$ 2,912,023	$ 7,379	$ 1,172	$ 49,273	$ 2,969,847
December 31, 2015	3,357,454	14,628	1,509	8,717	3,382,308

Troubled Debt Restructuring

The following table provides a summary of loan modifications, excluding PCI loans, classified as TDRs, in which the Company provided the borrowers, who are experiencing financial difficulties, with various concessions in interest rates, payment terms or default waivers.

(Amounts in thousands)	Year Ended December 31, 2016	2015	2014
Loans modified in TDRs during the year:			
Number of loans	1	1	1
Carrying value of loans before allowance for loan losses	$ 37,611	$ 26,667	$ 8,381
Loss incurred	$ 1,687	$ 278	$ —

At December 31, 2016 and 2015, carrying value of TDR loans before allowance for loan losses was $66.2 million and $26.7 million, respectively, and all TDR loans were performing according to their modified terms. There were no additional commitments to lend to borrowers with TDR loans.

Purchased Credit-Impaired Loans

In September 2016 and October 2016, the Company acquired PCI loans secured by commercial properties in France and United States, respectively. In 2015, no new PCI loans were acquired other than those through consolidation of the investment entities on April 2, 2015. The table below presents information about these PCI loans at time of acquisition:

	Year Ended December 31,	
(In thousands)	**2016**	**2015**
Contractually required payments including interest	$ 149,763	$ 1,936,499
Less: Nonaccretable difference	(51,993)	(850,212)
Cash flows expected to be collected	97,770	1,086,287
Less: Accretable yield	(22,493)	(121,130)
Fair value of loans acquired	$ 75,277	$ 965,157

Changes in accretable yield of PCI loans were as follows:

	Year Ended December 31,		
(In thousands)	**2016**	**2015**	**2014**
Beginning accretable yield	$ 66,639	$ 98,523	$ 130,823
Additions	22,493	—	3,067
Changes in accretable yield	31,171	12,199	13,436
Accretion	(65,911)	(158,468)	(35,115)
Consolidation of PCI loans held by investment entities (Note 7)	—	121,130	—
Effect of changes in foreign exchange rates	(1,820)	(6,745)	(13,688)
Ending accretable yield	$ 52,572	$ 66,639	$ 98,523

Nonaccrual Loans

Carrying values of loans, before allowance for loan losses, that have been placed on nonaccrual were as follows:

	December 31,	
(In thousands)	**2016**	**2015**
Non-PCI loans [(1)]	$ 88,211	$ 10,226
PCI loans	31,973	116,647
	$ 120,184	$ 126,873

(1) Includes a TDR loan that is current under its modified terms but placed on nonaccrual in 2016. The Company has not received any interest payments subsequent to the modification in 2016 as under the contractual terms of the loan, the Company, as the junior lien holder, would receive interest payments only upon full repayment of principal and interest outstanding to the senior lien holder.

At December 31, 2016 and 2015, there were no non-PCI loans past due 90 days or more that continued to accrue interest.

For the years ended December 31, 2016 and 2015, interest income of $1.6 million and $0.6 million, respectively, were recognized on a cash basis related to PCI loans with carrying values before allowance for loan losses of $32.0 million and $34.1 million at December 31, 2016 and 2015, respectively, as the Company did not have a reasonable expectation of the timing and amount of cash flows. There was no cash basis interest income recognized in 2014.

Allowance for Loan Losses

The allowance for loan losses and related carrying value of loans held for investment were as follows:

	December 31, 2016		December 31, 2015	
(In thousands)	**Allowance for Loan Losses**	**Carrying Value**	**Allowance for Loan Losses**	**Carrying Value**
Non-PCI loans	$ 6,287	$ 56,650	$ 472	$ 7,827
PCI loans	59,309	243,155	34,715	203,527
	$ 65,596	$ 299,805	$ 35,187	$ 211,354

Changes in allowance for loan losses are presented below:

(In thousands)	Year Ended December 31, 2016	2015	2014
Allowance for loan losses at January 1	$ 35,187	$ 197	$ —
Provision for loan losses	34,864	37,475	197
Charge-off	(4,455)	(2,485)	—
Allowance for loan losses at December 31	$ 65,596	$ 35,187	$ 197

Loans Held For Sale

At December 31, 2016, two loans with aggregate carrying value of $29.4 million were classified as held for sale.

In December 2015, the Company acquired and classified a loan with carrying value of $75.0 million as held for sale. In February 2016, the loan was sold at approximately its carrying value.

6. Real Estate Assets

The Company's real estate assets, including foreclosed properties, comprise the following:

(In thousands)	December 31, 2016	2015
Real Estate Held for Investment		
Land	$ 630,540	$ 578,577
Buildings and improvements	2,790,013	2,639,861
	3,420,553	3,218,438
Less: Accumulated depreciation	(176,922)	(86,220)
	3,243,631	3,132,218
Real Estate Held for Sale		
Land, buildings and improvements	223,954	297,887
Real Estate Assets, Net	$ 3,467,585	$ 3,430,105

Real Estate Held for Sale and Dispositions

Real estate held for sale at December 31, 2016 and 2015 included $67.0 million and $20.3 million, respectively, that have been written down to fair value, estimated based on auction bid prices, broker price opinions or discounted cash flows with discount rates between 5.6% to 11.0%, and selling costs between 2% to 8% of fair values.

Sales of real estate during the years ended December 31, 2016 and 2015 resulted in gains of $73.6 million and $9.0 million, respectively.

Real estate classified as held for sale or disposed in the years ended December 31, 2016 and 2015 did not constitute discontinued operations.

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Real Estate Acquisitions

The following table summarizes the Company's real estate acquisitions.

($ in thousands)				Purchase Price Allocation				
Acquisition Date	Property Type and Location	Number of Properties	Purchase Price [1]	Land	Buildings and Improvements	Lease Intangible Assets	Lease Intangible Liabilities	Other Liabilities
Year Ended December 31, 2016 [2]								
Asset Acquisitions [3]								
Various	Light Industrial—Various in U.S.	12	$ 112,475	$ 15,866	$ 88,955	$ 8,324	$ (670)	$ —
Business Combinations [4][5]								
January	Industrial—Spain	23	94,403	30,451	59,399	5,318	(765)	—
April	Industrial—Massachusetts, U.S. [6]	1	34,900	5,235	27,731	1,934	—	—
May	Office—France [7]	1	18,204	13,594	4,372	388	(150)	—
Various	Light industrial—Various in U.S.	18	201,635	30,034	158,629	16,063	(3,091)	—
		55	$ 461,617	$ 95,180	$ 339,086	$ 32,027	$ (4,676)	$ —
Year Ended December 31, 2015								
Asset Acquisitions [3]								
January	Education—Switzerland	2	$ 167,911	$ 16,450	$ 130,446	$ 21,015	$ —	$ —
June	Office—Norway [8]	1	322,231	69,350	257,541	28,235	—	(32,895)
November	Office—France	1	31,000	3,936	24,096	3,661	(693)	—
Business Combinations [4][5]								—
Various	Light industrial—Various in U.S.	34	345,463	53,257	280,380	17,724	(5,898)	—
December	Mixed use—United Kingdom [9]	24	440,999	51,169	320,078	76,016	(6,264)	—
		62	$ 1,307,604	$ 194,162	$ 1,012,541	$ 146,651	$ (12,855)	$ (32,895)

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(1) Dollar amounts of purchase price and allocation to assets acquired and liabilities assumed are translated based on foreign exchange rates as of respective dates of acquisition, where applicable. Purchase price excludes transaction costs.

(2) Useful lives of real estate assets acquired in 2016 range from 15 to 44 years for buildings, 2 to 11 years for improvements, 33 years for below-market ground lease obligations and 1 to 11 years for other lease intangibles.

(3) Real estate acquisitions in the fourth quarter of 2016 were determined to be asset acquisitions upon the Company's adoption, effective October 1, 2016, of the new guidance clarifying the definition of a business. The asset acquisitions in 2015 were net lease properties in which the Company entered into sale-leaseback transactions with the sellers. Transaction costs associated with asset acquisitions were capitalized, totaling approximately $0.7 million and $9.0 million for the years ended December 31, 2016 and 2015, respectively.

(4) Prior to the fourth quarter of 2016, acquisitions of real estate assets with existing leases where the sellers are not the lessees were classified as business combinations. Upon adoption of the new guidance effective October 1, 2016, acquisitions of real estate assets with existing leases but where substantially all the fair value of gross assets acquired were concentrated in a single asset or a group of similar assets, qualified as asset acquisitions. Transaction costs associated with business combinations are expensed, totaling $6.5 million and $22.2 million for the years ended December 31, 2016 and 2015, respectively.

(5) The estimated fair values and purchase price allocation are provisional and subject to retrospective adjustments during the measurement period, not to exceed one year, based upon new information obtained about facts and circumstances that existed as of the date of acquisition.

(6) The real estate asset acquired was sold in August 2016.

(7) In the third quarter of 2016, a measurement period adjustment was identified related to a lease contract, which resulted in a decrease to lease intangible asset of $0.6 million, with a corresponding increase of approximately $0.6 million to land and immaterial increase to buildings and improvements.

(8) The Company acquired equity in a subsidiary of the seller, partially financed by a non-callable bond, and assumed the liabilities of the entity acquired of $2.1 million, as well as the entity's tax basis, resulting in a tax basis difference recorded as a deferred tax liability of $30.8 million upon acquisition.

(9) Through June 30, 2016, certain measurement period adjustments were identified which impacted provisional accounting, related to below-market operating ground leases assumed in connection with the properties acquired as well as lease expirations. These adjustments cumulatively resulted in an increase to lease intangible assets and lease intangible liabilities of $15.4 million and $1.3 million, respectively, with a corresponding decrease to land of $21.4 million and an increase to buildings and improvements of $4.7 million. Included in the consolidated statement of operations for the year ended December 31, 2016 was a $0.4 million decrease in depreciation and amortization

expense as well as immaterial adjustments to increase rent expense and to increase rental income to reflect the effects of the measurement period adjustment as of the acquisition date in December 2015.

Depreciation and Impairment

Depreciation expense and impairment loss recognized on real estate assets were as follows:

	Year Ended December 31,		
(In thousands)	2016	2015	2014
Depreciation	$ 108,298	$ 83,200	$ 6,200
Impairment loss—real estate held for investment	57	300	—
Impairment loss—real estate held for sale	11,334	6,800	—
	$ 119,689	$ 90,300	$ 6,200

Property Operating Income

The components of property operating income were as follows:

	Year Ended December 31,		
(In thousands)	2016	2015	2014
Rental income	$ 276,404	$ 193,293	$ 15,624
Tenant reimbursements	65,657	51,530	5,338
Hotel operating income	29,021	55,048	—
	$ 371,082	$ 299,871	$ 20,962

Pro Forma Results (Unaudited)

The following table presents pro forma results of the Company as if all 2015 real estate business combinations above had been completed on January 1, 2015. The pro forma results for the year ended December 31, 2015 have been adjusted to exclude non-recurring acquisition-related expenses of approximately $22.2 million. The pro forma results are not necessarily indicative of future operating results. Real estate business combinations for the year ended December 31, 2016, individually and in aggregate, were not material to the Company's consolidated results of operations.

(In thousands, except per share data)	Year Ended December 31, 2015
Pro forma:	
Total income	$ 900,017
Net income	252,102
Net income attributable to common stockholders	107,029
Earnings per common share:	
Basic	$ 0.95
Diluted	$ 0.95

Future Minimum Rents

The Company has operating leases with tenants that expire at various dates through 2070. Future contractual minimum rental payments to be received under noncancelable operating leases for real estate held for investment at December 31, 2016 are as follows:

Year Ending December 31,	(In thousands)
2017	$ 247,719
2018	219,703
2019	187,846
2020	160,166
2021	128,224
2022 and after	651,305
Total	$ 1,594,963

7. Equity Method Investments

Certain of the Company's investments in real estate debt and equity are structured as joint ventures with one or more private investment funds or other investment vehicles managed by CCLLC or its affiliates, or to a lesser extent, with unaffiliated third parties. These investment entities are generally capitalized through equity contributions from the members, although certain investments are leveraged through various financing arrangements. Subsequent to the Combination, the Company sponsors funds and other similar investment vehicles under the Colony name as general partner and the Company continues to invest alongside its Sponsored Funds through joint ventures between the Company and the Sponsored Funds.

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

Activity in the Company's equity method investments is summarized below:

	Year Ended December 31,		
(In thousands)	2016	2015	2014
Balance at January 1	$ 824,597	$ 1,646,977	$ 1,369,529
Contributions	343,906	258,391	458,881
Distributions	(310,093)	(423,725)	(225,736)
Equity in net income [1]	99,375	47,605	73,829
Equity in other comprehensive income (loss)	156	(612)	1,511
Equity in realized (gain) loss reclassified from accumulated other comprehensive income	(55)	161	(4,681)
Equity method investment entities derecognized and consolidated	—	(957,009)	—
Equity method investments of newly consolidated investment entities	—	270,966	—
Foreign currency translation loss and other	(4,627)	(18,157)	(26,356)
Balance at December 31	$ 953,259	$ 824,597	$ 1,646,977

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(1) Included in income from equity method investments in 2016 was a gain of $45.0 million from redemption of the Company's preferred equity investment in an equity method investee. In June 2016, in conjunction with a refinancing transaction, the investee restructured the Company's investment by redeeming the original preferred equity and entering into a new preferred equity investment with the Company under amended terms, including a recourse guarantee and a fixed return. As a result of the restructuring, the Company relinquished its profit participation interest in the investee and deferred its ability to exercise certain rights.

No single investment in an equity method investment represented greater than 10% of total assets as of December 31, 2016 and 2015 or generated greater than 10% of net income before tax for the years ended December 31, 2016, 2015 and 2014.

Consolidation of Previous Equity Method Investments

Prior to the Combination, a majority of the Company's investments in real estate debt and equity that were held in joint ventures with Co-Investment Funds were accounted for under the equity method as the Company did not have a controlling financial interest but exercised significant influence over these investment entities. Upon closing of the Combination on April 2, 2015, the Company became the investment manager of the Co-Investment Funds, and employees of CCLLC, including those who are directors or officers of the investment entities, became employees of the Company. For real estate investment entities structured as joint ventures with Co-Investment Funds, combining the Company's interests with those held by the Co-Investment Funds, to which the Company now acts as investment manager, the Company is considered to have a controlling financial interest in these investment entities post-Combination. Therefore, the Combination represented a reconsideration event that resulted in a shift in controlling financial interest over these investment entities in favor of the Company. Accordingly, the Company consolidated 52 investment entities effective April 2, 2015. The Company did not acquire any economic interests in the Co-Investment Funds nor any additional economic interests in these investment entities as a result of the Combination.

Upon initial consolidation of the investment entities, the Company recorded the assets, liabilities, and noncontrolling interests of these entities at estimated fair values as of April 2, 2015, classified under the Level 3 fair value hierarchy, as follows:

- Loans receivable, consisting of first mortgages and subordinated mortgages, were valued based on discounted cash flow projections of principal and interest expected to be collected, which includes consideration of the financial standing of the borrower or sponsor as well as operating results of the underlying collateral, with discount rates ranging from approximately 7% to 18.6%.

- Operating properties were valued based on market comparables or discounted cash flows using estimated net operating income of the respective properties and in some cases, considering a potential sales strategy, with discount rates between 9.75% to 14%.
- Carrying value of loans receivables and real estate assets approximated their fair values for investments that were recently originated or acquired.
- Debt obligations of the investment entities were consolidated at the outstanding principal as all debt consolidated was indexed to LIBOR and existing credit spreads approximated market rates.
- The carrying values of cash, interest receivable, due from affiliates and accrued and other liabilities approximated fair values due to their short term nature.
- Noncontrolling interests were primarily determined at their proportionate share of the net assets determined as described above.

The following table presents the combined assets, liabilities and noncontrolling interests of the consolidated investment entities as of April 2, 2015:

(In thousands)		
Assets:		
Cash	$	75,412
Loans receivable, net		1,629,496
Real estate assets, net		812,672
Other assets		543,404
Total assets	$	3,060,984
Liabilities:		
Debt	$	282,555
Accrued and other liabilities		65,739
Total liabilities		348,294
Noncontrolling interests		1,700,114
Equity attributable to Colony Capital, Inc.	$	1,012,576

The fair value of the Company's proportionate share of equity interest in the investment entities was $1.0 billion. The excess of fair value over carrying value of the Company's equity interest in these investment entities, net of cumulative translation adjustments reclassified to earnings, resulted in a remeasurement gain of $41.5 million.

Total income and net income attributable to OP from these consolidated investment entities included in the consolidated statement of operations for the year ended December 31, 2015 were $264.4 million and $67.4 million, respectively.

Related Party Transactions of Unconsolidated Joint Ventures

Prior to the Combination, CCLLC and its affiliates incurred compensation, overhead and direct costs, as well as costs of property management on behalf of the joint ventures and AMCs, for which they were reimbursed by the joint ventures for amounts allocated. Subsequent to the Combination, the Company has assumed the activities of the Manager and has consolidated all of the AMCs and a majority of the joint ventures. Therefore, such costs and corresponding reimbursements have been eliminated upon consolidation. Total costs from such affiliates allocated to the joint ventures were $2.3 million for the three months ended March 31, 2015, and $33.7 million for the year ended December 31, 2014. The Company’s proportionate share, based upon its percentage interests in the joint ventures, was $0.8 million for the three months ended March 31, 2015, and $8.9 million for the year ended December 31, 2014.

8. Other Investments

Other investments comprise the following:

	December 31,			
(In thousands)	2016		2015	
Commercial mortgage-backed securities	$	23,446	$	—
Cost method investment		99,736		99,868
	$	123,182	$	99,868

Commercial Mortgage-Backed Securities ("CMBS")

These are mezzanine positions in CMBS that are not of high credit quality (credit rating below AA), acquired at a discount in the second quarter of 2016. These mezzanine positions are subordinated by first loss tranches in the securitization trusts. The CMBS investment was made alongside the Company's Sponsored Fund through co-investment joint ventures that are consolidated by the Company. Contractual maturities of the CMBS, which are longer than the maturities of the underlying loans, range from August 2047 to February 2048.

At December 31, 2016, the CMBS, which are classified as AFS, had amortized cost of $24.1 million with $0.7 million of unrealized loss recorded in accumulated other comprehensive income. The CMBS were in unrealized loss position for less than 12 months. It is not more likely than not that the Company would be required to sell the CMBS before recovery of their amortized cost. The Company believes that the CMBS are not other than temporarily impaired at December 31, 2016.

Cost Method Investment

In January 2015, OP funded its equity commitment of $50 million to an investor consortium, alongside $50 million from a passive co-investment partner, for the acquisition of common stock in the Albertsons/Safeway supermarket chain. The Company uses the cost method to account for this non-marketable equity investment as it has neither a controlling interest nor significant influence over the underlying investee.

For the year ended December 31, 2016, a dividend of $0.1 million was received as return of capital and applied to reduce the cost of the investment. No dividend income was received for the year ended December 31, 2015.

9. Goodwill, Deferred Leasing Costs and Intangibles

The following table summarizes goodwill, deferred leasing costs, other intangible assets and intangible liabilities arising from acquisitions of operating real estate and the investment management business:

	December 31, 2016			December 31, 2015		
(In thousands)	Carrying Amount (Net of Impairment) (1)	Accumulated Amortization	Net Carrying Amount	Carrying Amount (Net of Impairment) (1)	Accumulated Amortization	Net Carrying Amount
Goodwill	$ 680,127	NA	$ 680,127	$ 678,267	NA	$ 678,267
Deferred Leasing Costs and Intangible Assets						
Trade name	$ 15,500	NA	$ 15,500	$ 15,500	NA	$ 15,500
In-place lease values	157,719	(54,832)	102,887	144,863	(27,780)	117,083
Above-market lease values	31,561	(15,989)	15,573	32,774	(7,708)	25,066
Below-market ground lease obligations	46,133	(488)	45,645	36,635	(39)	36,596
Deferred leasing costs	91,505	(26,326)	65,179	71,710	(12,647)	59,063
Investment management contracts	39,646	(25,400)	14,246	41,897	(13,985)	27,912
Customer relationships	46,800	(5,850)	40,950	46,800	(2,507)	44,293
Total deferred leasing costs and intangible assets	$ 428,864	$ (128,885)	$ 299,980	$ 390,179	$ (64,666)	$ 325,513
Intangible Liabilities						
Below-market lease values	$ 31,944	$ (11,042)	$ 20,902	$ 28,879	$ (4,523)	$ 24,356
Above-market ground lease obligations	172	(12)	160	171	(5)	166
Total intangible liabilities	$ 32,116	$ (11,054)	$ 21,062	$ 29,050	$ (4,528)	$ 24,522

(1) For intangible assets and intangible liabilities recognized in connection with real estate business combinations, purchase price allocations may be subject to adjustments during the measurement period, not to exceed one year from date of acquisition, based upon new information obtained about facts and circumstances that existed as of the date of acquisition. Carrying amounts at December 31, 2016 and 2015 reflect measurement period adjustments, where applicable (see Notes 3 and 6).

Acquisitions of Operating Real Estate

Goodwill—Goodwill of $20.0 million arising from the acquisition of a light industrial operating platform on December 18, 2014 represents the value of the acquired operating platform, which primarily consists of its work force and business processes. The goodwill amount recognized is not expected to be deductible for income tax purposes. This goodwill is assigned and reported under the light industrial platform segment. As of December 31, 2016, there were no indications of potential impairment to goodwill.

Acquisition of Investment Management Business

Goodwill

Goodwill of $660.1 million was recognized in connection with the acquisition of the investment management business through the Combination. This goodwill reflects, in part, the expected cost savings resulting from the internalization through direct incurrence of operating costs relative to a management fee charge, the ability to raise additional equity without a proportionate increase in the cost of managing the Company and control over key functions critical to the growth of the business. The goodwill amount recognized is not expected to be deductible for income tax purposes. This goodwill is assigned and reported under the investment management segment.

The Company performed its annual impairment assessment as of October 1, 2016 and determined that the goodwill was not impaired. In performing this assessment, the Company considered the continued performance and growth of its real estate investments from which management fees were previously derived by the Manager prior to the Combination. The Company also looked to third party valuations of the investment management business of its private funds, which indicate that the current fair value of this business is in excess of its carrying value. Additionally, the Company believes that as a result of the Merger, operating as a larger, more scalable and diversified combined entity would further benefit its legacy investment management business.

Identifiable Intangible Assets

As a result of the acquisition of the investment management business, the Company recognized identifiable intangible assets which include the Colony trade name as well as contractual rights to earn future fee income from in-place investment management contracts and customer relationships with institutional clients of private funds.

Investment Management Contracts—In-place investment management contracts were valued using the income approach and represent the discounted incremental after tax cash flows or excess earnings attributable to the future management fee income from these contracts over their remaining lives. The discount rate applied at 8% is reflective of returns on fixed income instruments adjusted for the risk associated with a management fee income stream. Contractual rights from investment management contracts are amortized in accordance with their expected future cash flows over the remaining contractual period of the agreements ranging between 3 to 5 years.

In the first quarter of 2016, an impairment of $0.3 million on investment management contracts was recognized in impairment loss resulting from a change in the fee base of a liquidating fund. In the fourth quarter of 2015, an impairment of $4.1 million on investment management contracts was recognized in impairment loss, which arose primarily from earlier realization of investments that reduced the fee base as well as fee concessions on funds in liquidation.

Customer Relationships—Customer relationships were valued using the income approach and represent the discounted incremental after tax cash flows or excess earnings attributable to the potential fee income from repeat customers through future funds to be sponsored by the Company. A customer retention rate of 25% was used based on the Company's historical rate of reinvestments by existing customers. Discount rates of 16% for management fees and 30% for performance fees applied were based on the Company's weighted average cost of capital, adjusted for the relative risk of the respective future income streams. Customer relationships are amortized on a straight-line basis over the estimated life of future funds to be sponsored by the Company ranging between 11 to 14 years.

Trade Name—The value of the trade name was calculated based upon the discounted savings of royalty fees and is derived by applying a hypothetical royalty rate of 1% against expected fee income. The rate reflects the value ascribed to trade names within the investment management industry. As of December 31, 2016, the trade name has not been subject to amortization as the Company has determined that it has an indefinite useful life.

Amortization

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

(In thousands)	Year Ended December 31, 2016	2015	2014
Above-market lease values	$ (8,658)	$ (7,647)	$ (280)
Below-market lease values	7,089	4,427	114
Net decrease to rental income	$ (1,569)	$ (3,220)	$ (166)
Net below-market ground lease obligations			
Increase to rent expense	$ 476	$ 20	$ 13
In-place lease values	$ 30,193	$ 25,865	$ 2,224
Deferred leasing costs	13,777	12,130	751
Investment management contracts	11,446	13,985	—
Customer relationships	3,343	2,507	—
Amortization expense	$ 58,759	$ 54,487	$ 2,975

The following table presents the estimated annual amortization of deferred leasing costs and finite-lived intangible assets and intangible liabilities, excluding those related to real estate held for sale, for each of the next five years and thereafter:

(In thousands) Year Ending December 31,	2017	2018	2019	2020	2021	2022 and after	Total
Above-market lease values	$ (5,163)	$ (2,923)	$ (1,773)	$ (1,333)	$ (849)	$ (1,986)	$ (14,027)
Below-market lease values	5,840	4,476	2,662	1,774	1,136	3,934	19,822
Increase to rental income	$ 677	$ 1,553	$ 889	$ 441	$ 287	$ 1,948	$ 5,795
Net below-market ground lease obligations							
Increase to rent expense	$ 419	$ 419	$ 419	$ 419	$ 415	$ 31,578	$ 33,669
In-place lease values	$ 21,206	$ 15,576	$ 11,568	$ 9,469	$ 6,900	$ 32,093	$ 96,812
Deferred leasing costs	12,896	10,909	8,687	6,827	4,904	18,986	63,209
Investment management contracts	7,037	3,246	1,988	1,318	657	—	14,246
Customer relationships	3,343	3,343	3,343	3,343	3,343	24,235	40,950
Amortization expense	$ 44,482	$ 33,074	$ 25,586	$ 20,957	$ 15,804	$ 75,314	$ 215,217

10. Other Assets and Other Liabilities

Other Assets

The following table summarizes the Company's other assets:

(In thousands)	December 31, 2016	2015
Restricted cash [1]	$ 121,881	$ 187,208
Interest receivable	42,386	34,074
Other receivables, including straight-line rents, net of allowance for doubtful accounts	44,638	43,130
Derivative assets	36,101	21,636
Deferred financing costs, net [2]	10,533	4,083
Investment deposits	66,310	1,256
Other assets	21,234	20,064
Fixed assets, net	45,455	48,463
Total	$ 388,538	$ 359,914

(1) Restricted cash includes borrower escrow accounts, tenant security deposits and escrow accounts for interest, property taxes and capital expenditure reserves required under secured financing agreements.

(2) Deferred financing costs relate to revolving credit arrangements and are shown net of accumulated amortization of $11.6 million and $6.8 million as of December 31, 2016 and 2015, respectively.

Fixed assets consist of the following:

(In thousands)	December 31, 2016	December 31, 2015
Leasehold improvements	$ 4,150	$ 3,870
Furniture, fixtures, equipment and software	3,959	2,542
Aircraft	45,304	45,304
	53,413	51,716
Less: Accumulated depreciation and amortization	(7,958)	(3,253)
Fixed assets, net (1)	$ 45,455	$ 48,463

(1) Depreciation of fixed assets was $4.7 million and $3.3 million for the years ended December 31, 2016 and 2015, respectively.

Accrued and Other Liabilities

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

(In thousands)	December 31, 2016	December 31, 2015
Borrower and tenant reserves	$ 82,291	$ 116,800
Deferred income	29,023	41,671
Interest payable	19,649	18,071
Intangible liabilities, net	21,062	24,522
Derivative liabilities	5,448	507
Current and deferred tax liabilities, net	41,462	44,951
Accrued compensation	39,697	11,495
Accounts payable and other liabilities	82,593	67,572
Total	$ 321,225	$ 325,589

11. Debt

Components of debt are summarized as follows:

(In thousands)	December 31, 2016	December 31, 2015
Credit facility	$ 422,600	$ 315,000
Secured debt	2,728,987	3,313,550
Less: Debt issuance costs	(28,795)	(40,826)
	$ 3,122,792	$ 3,587,724

Credit Facility

On March 31, 2016, the Company entered into an amended and restated credit agreement (the “JPM Credit Agreement”) with several lenders and JPMorgan Chase Bank, N.A. ("JPM") as administrative agent, and Bank of America, N.A. ("BofA") as syndication agent. The JPM Credit Agreement provided a secured revolving credit facility in the maximum principal amount of $850 million and had a maturity date of March 31, 2020. The maximum amount available at any time is limited by a borrowing base of certain investment assets, with the valuation of such investment assets generally determined according to a percentage of adjusted net book value or a multiple of base management fee EBITDA (as defined in the JPM Credit Agreement). As of December 31, 2016, the borrowing base valuation was sufficient to permit borrowings up to the full $850 million commitment.

Advances under the JPM Credit Agreement accrue interest at a per annum rate equal to the sum of one-month LIBOR plus 2.25% or a base rate determined according to a prime rate or federal funds rate plus a margin of 1.25%. At December 31, 2016, the Company had outstanding borrowings bearing weighted average interest at 3.04% per annum. The Company also pays a commitment fee of 0.25% or 0.35% per annum of the unused amount (0.35% at December 31, 2016), depending upon the amount of facility utilization.

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

The JPM Credit Agreement contains various affirmative and negative covenants, including financial covenants that require the Company to maintain minimum tangible net worth and liquidity levels and financial ratios, as defined in the JPM Credit Agreement. At December 31, 2016, the Company was in compliance with all of the financial covenants.

The JPM Credit Agreement also includes customary events of default, in certain cases subject to reasonable and customary periods to cure, including but not limited to: failure to make payments when due; breach of covenants; breach of representations and warranties; insolvency proceedings; cross default to material indebtedness or material judgment defaults; certain judgments and attachments; and certain change of control events. 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.

Amendment

On January 10, 2017, the Company amended and restated its JPM Credit Agreement, which increased the principal amount provided for under its secured revolving credit facility to $1 billion, with an option for additional increase up to $1.5 billion, subject to agreement by the lenders and customary closing conditions. The maturity date on the credit facility was extended to January 11, 2021, with two 6-month extension options, each subject to a fee of 0.10% of the commitment amount upon exercise. There was no change to the existing interest rate and unused commitment fee rates on the credit facility.

Bridge Loan Facility

On June 2, 2016, OP entered into a commitment letter with JPM, BofA and the several lenders pursuant to the JPM Credit Agreement, to which the parties agreed to an amendment to the JPM Credit Agreement that established a new $400 million bridge loan facility. This bridge facility was intended to fund the refinancing of certain specified borrowings of NSAM, NRF and their affiliates and/or transaction and merger integration costs in connection with the consummation of transactions contemplated by the Merger Agreement to the extent cash on hand was insufficient to meet such payment obligations. Borrowings under the bridge facility would have been subject to interest at the prevailing rate under the existing terms of the JPM Credit Agreement but with an increase in margin by 25 basis points 90 days after the Closing Date of the Merger and every 90 days thereafter. The bridge facility was subject to the same covenants as the existing revolving credit facility. Borrowings under the bridge facility was to be made in a single drawing on the Closing Date of the Merger and would have matured 364 days from that date. Prepayments and repayments under the bridge loans could not be reborrowed. Upon closing of the Merger on January 10, 2017, the bridge loan facility was not utilized and the commitment terminated automatically on that date.

Secured Debt

The following table summarizes certain information about the Company's secured debt:

(Amounts in thousands)					Outstanding Principal at December 31,	
Type [1]	Collateral	Interest Rate (per annum)	Maturity Date	Payment Terms [2]	2016	2015
Secured Debt:						
Secured financing [3]	Portfolio of first mortgage loans and subordinated loan	1-month LIBOR+3.75%	Apr-2017	P&I	$ 20,770	$ 23,123
Secured financing [3]	Portfolio of first mortgage loans and subordinated loan	1-month LIBOR+4.0%	Jun-2017	P&I	3,268	5,869
Secured financing [3]	Portfolio of first mortgage loans and subordinated loan	1-month LIBOR+3.75%	Apr-2017	P&I	6,843	10,965
Secured financing [3]	Portfolio of first mortgage loans and subordinated loan	1-month LIBOR+3.75%	Aug-2017	P&I	2,897	8,579
Secured financing [3]	Portfolio of first mortgage loans and subordinated loan	1-month LIBOR+3.25%	Sept-2017	P&I	2,686	4,351
Secured financing [3]	Portfolio of first mortgage loans and subordinated loan	1-month LIBOR+2.85%	Dec-2017	P&I	46,252	73,543
Secured financing [4]	First mortgage loan secured by residential properties	1-month LIBOR+3.75%	NA	P&I	—	10,314
Secured financing [5]	Portfolio of first mortgage loans	[5]	Dec-2020	[5]	35,750	—
Secured financing [6]	[6]	[6]	Oct-2019	I/O	58,183	—

(Amounts in thousands)					Outstanding Principal at December 31,	
Type (1)	Collateral	Interest Rate (per annum)	Maturity Date	Payment Terms (2)	2016	2015
Warehouse facility (7)	Eligible originated first mortgage loans	1-month LIBOR+2.50%	Feb-2017	I/O	17,598	48,198
Warehouse facility (7)	Eligible originated first mortgage loans, including any corresponding mezzanine loans	1-month LIBOR+2.50% to 2.75%	Apr-2018	I/O	27,860	114,433
First mortgage loan (8)	Hotel properties	1-month LIBOR+4.65%	Jan-2019	(8)	34,781	94,000
First mortgage loan (9)	Office property in Phoenix	1-month LIBOR+2.65%	Jul-2018	I/O	15,431	13,500
First mortgage loan	Office property in Minnesota	4.84% fixed	Jan-2024	P&I	86,836	88,000
First mortgage loan (10)	Commercial properties in United Kingdom	3-month GBP LIBOR+2.50%	Aug-2018	I/O	66,874	88,121
First mortgage loan (11)	Office properties throughout Italy	4.02% fixed	Nov-2018	(11)	79,415	79,133
First mortgage loan (12)	Warehouse properties in Spain	3-month Euribor+2.80%	Jun-2022	P&I	24,274	25,540
First mortgage loan (13)	Portfolio of light industrial properties across the U.S.	1-month LIBOR+2.25%	Dec-2019	I/O	413,012	917,469
First mortgage loan	Portfolio of light industrial properties across the U.S	3.80% fixed	Aug-2025	I/O	165,750	165,750
First mortgage loan	Portfolio of light industrial properties across the U.S.	4.04% fixed	Apr-2028	(14)	93,450	—
First mortgage loan	Portfolio of light industrial properties across the U.S.	4.11% fixed	Aug-2029	P&I	43,687	—
First mortgage loan	Portfolio of light industrial properties across the U.S.	3.65% fixed	Oct-2031	(15)	59,000	—
First mortgage loan	Portfolio of light industrial properties across the U.S.	3.60% fixed	Oct-2031	(16)	93,000	—
First mortgage loan	Portfolio of light industrial properties across the U.S.	3.65% fixed	Oct-2031	(17)	25,000	—
First mortgage loan	Portfolio of light industrial properties across the U.S.	3.60% fixed	Nov-2054	(18)	71,460	—
First mortgage loan	Portfolio of light industrial properties across the U.S.	3.60% fixed	Dec-2051	(19)	46,155	
First mortgage loans	Two higher education campuses in Switzerland	2.72% fixed	Dec-2029	P&I	115,368	120,947
First mortgage loan (20)	Office property in United Kingdom	3-month GBP LIBOR+2.35%	Feb-2020	I/O	11,688	—
First mortgage loan	Office property in France	1.89% fixed	Nov-2022	I/O	16,542	17,050
First mortgage loan (21)	Portfolio of office, retail and other commercial properties in United Kingdom	3-month GBP LIBOR+3.28%	Nov-2018	I/O	195,959	236,911
First mortgage loan (22)	Portfolio of industrial properties in Spain	3-month Euribor+3.00%	Jan-2021	P&I	47,195	—
First mortgage loan (23)	Portfolio of office, retail and industrial properties in United Kingdom	3-month GBP LIBOR+2.50%	Jul-2020	I/O	24,975	—
Bond payable	Office property in Norway and shares of borrowing entity	3.91% fixed	Jun-2025	I/O	185,600	180,960
Revolving credit facility (24)	Portfolio of light industrial properties across the U.S	1-month LIBOR+2.25%	Jan-2017	I/O	—	23,730
Credit facility	Partner capital commitments	1-month LIBOR+1.60%	Apr-2017	I/O	52,755	104,400
					2,190,314	2,454,886

(Amounts in thousands)					Outstanding Principal at December 31,	
Type [1]	Collateral	Interest Rate (per annum)	Maturity Date	Payment Terms [2]	2016	2015
CMBS Debt:						
CMBS 2014-FL1 [25]	Portfolio of originated first mortgage loans	1-month LIBOR+1.78%	Apr-2031	I/O	57,626	126,248
CMBS 2014-FL2 [25]	Portfolio of originated first mortgage loans	1-month LIBOR+2.01%	Nov-2031	I/O	145,421	203,734
CMBS 2015-FL3 [25]	Portfolio of originated first mortgage loans	1-month LIBOR+2.36%	Sept-2032	I/O	200,070	340,350
CMBS MF 2014-1 [26]	Portfolio of first mortgage loans secured by multifamily properties	2.54% fixed	Apr-2050	I/O	94,408	145,349
					497,525	815,681
Notes Payable:						
Promissory notes [27]	Corporate aircraft	5.02% fixed	Dec-2025	P&I	41,148	42,983
Total					$ 2,728,987	$ 3,313,550

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(1) All secured debt presented in the table are non-recourse unless otherwise stated as recourse debt.

(2) Payment terms: P&I = Periodic payment of principal and interest; I/O = Periodic payment of interest only with principal at maturity (except for principal repayments to release collateral properties disposed)

(3) These financings in connection with loan portfolio acquisitions require monthly interest payments and principal curtailment based upon the ratio of principal outstanding to collateral cost basis. The current principal curtailment requirement ranges from 65% to 80% of all excess cash flow from the underlying loan portfolios, after payment of certain loan servicing fees and monthly interest, but may increase or decrease in the future. The financing arrangements provide for either a single or multiple 1-year extension options to the initial term. Under certain financing agreements, an interest rate cap is required to be maintained at a maximum strike rate of 2.50% on 1-month LIBOR for at least 50% of outstanding principal.

(4) Paid off in June 2016.

(5) Interest rate is determined based on an adjusted 1-month LIBOR plus a spread of 2.5%, or the greater of (i) federal funds rate plus 3.0% and (ii) prime rate plus 1.0%. Initial term is subject to two 1-year extension options. Payment terms consist of periodic interest, with principal to be paid down to a minimum of $20.0 million after December 31, 2019 and remaining principal due at maturity. An interest rate cap is required to be maintained at a 3.0% strike on 1-month LIBOR.

(6) A mortgage loan originated by the Company was restructured into a senior and junior note, with the senior note assumed by a third party lender. The Company accounted for the transfer of the senior note as a financing transaction. The senior note bears interest at 1-month LIBOR plus 3.5% or at a minimum of 4.0%, and is subject to two 1-year extension options on its initial term exercisable by the borrower.

(7) The Company entered into two warehouse facilities with different commercial banks. The initial term of each facility is subject to a 1-year extension option. The facility with a maturity date of February 2017 has been extended to March 2017, is full recourse to OP and provided up to $150 million in financing. The facility maturing in April 2018 is partial recourse and provided up to $250 million in financing. In October 2016, commitments under these facilities were reduced to $25 million and $100 million, respectively. At December 31, 2016, the total outstanding principal on the facility maturing in April 2018 was related to loans held for sale.

(8) Initial term is subject to two 1-year extensions. Payment terms are interest only through January 2017, followed by periodic principal and interest payments for the remaining term of the loan. An interest rate cap is required to be maintained at a maximum strike rate of 3.0% strike on 1-month LIBOR. Interest rate spread is presented as a weighted average across different tranches of the loan. At December 31, 2016, the total outstanding principal balance was related to the remaining hotel portfolio that was held for sale.

(9) Initial term is subject to two 1-year extensions, during which principal and interest payments are required.

(10) Initial term is subject to two 1-year extensions and an interest rate cap is required to be maintained at a 2.25% strike on 3-month GBP LIBOR.

(11) Seller provided zero-interest financing on acquired portfolio of properties with imputed interest of 4.02%, requiring principal payments of €15,750,000, €35,437,500 and €27,562,000 in November 2016, November 2017 and November 2018, respectively. A discount was established at inception and is being accreted to debt principal as interest expense. As of December 31, 2016, the Company was in negotiations with the seller to restructure the financing arrangement and no principal payment was made in November 2016.

(12) An interest rate cap is required to be maintained at a 1.50% strike on 3-month Euribor.

(13) This debt was obtained in connection with the acquisition of the portfolio of light industrial real estate assets and operating platform in December 2014, has three 1-year extension options, with interest rate increasing to 1-month LIBOR plus 2.5% after the fourth anniversary date, and requires an interest rate cap to be maintained at a 3.0% strike on 1-month LIBOR. At December 31, 2016, $22.9 million of the outstanding principal balance was related to eight properties held for sale.

(14) I/O through April 2021 and P&I thereafter.

(15) I/O through October 2021 and P&I thereafter.

(16) I/O through October 2024 and P&I thereafter.

(17) I/O through November 2021 and P&I thereafter.

(18) I/O through November 2024 and P&I thereafter.

(19) I/O through December 2021 and P&I thereafter.

(20) An interest rate cap is required to be maintained at a maximum strike rate of 2.25% on 3-month GBP LIBOR.

(21) Interest rate spread was 2.75% at inception and amended to a weighted average of 3.28% in January 2016. Initial term is subject to two 1-year extensions. Payment terms changes from interest only to periodic principal and interest if specific loan-to-value threshold is exceeded at any time effective August 2016. An interest rate cap is required to be maintained at a maximum strike rate of 2.25% on 3-month GBP LIBOR. Interest rate spread is presented as a weighted average of the facility amount across two tranches of the loan. At December 31, 2016, $24.4 million of outstanding principal balance was related to three properties held for sale.

(22) An interest rate cap is required to be maintained at a maximum strike rate of 1.50% on 3-month Euribor.

(23) An interest rate cap is required to be maintained at a maximum strike rate of 2.25% on 3-month GBP LIBOR.

(24) In January 2017, the maturity date on the revolving line of credit was extended to April 2017.

(25) The Company, through its indirect Cayman subsidiaries—Colony Mortgage Capital Series 2014-FL1 Ltd., Colony Mortgage Capital Series 2014-FL2 Ltd. and Colony Mortgage Capital Series 2015-FL3 Ltd.—securitized commercial mortgage loans originated within the Company’s Transitional CRE Lending Platform. Senior notes issued by the securitization trusts were generally sold to third parties and subordinated notes retained by the Company. These three securitizations are accounted for as secured financing with the underlying mortgage loans pledged as collateral. Principal repayments from underlying collateral loans must be applied to repay the notes until fully paid off, irrespective of the contractual maturities on the notes. Underlying collateral loans have initial terms of two to three years. Interest rate spreads on these CMBS debt are presented above on a weighted average basis.

(26) The Company transferred acquired loans, secured by multifamily properties, into a securitization trust, Colony Multifamily Mortgage Trust 2014-1, with the most senior certificates issued by the trust sold to third parties and the Company retaining the remaining certificates. The securitization was accounted for as a secured financing with the underlying mortgage loans pledged as collateral. Although the certificates do not have a contractual maturity date, principal repayments from the underlying collateral loans must be applied to repay the debt until the balance is paid in full. The underlying collateral loans have initial remaining terms of 1 to 24 years.

(27) In connection with the Combination, the Company assumed two promissory notes, with full recourse, bearing interest at a fixed weighted-average rate of 5.02%.

The financing agreements require minimum scheduled principal payments or payments that depend upon the net cash flows from the collateral assets and the ratio of principal outstanding to collateral. The following table summarizes such future scheduled minimum principal payments, excluding CMBS debt, as of December 31, 2016.

Year Ending December 31,	(In thousands)
2017	$ 189,888 [1]
2018	383,177 [1]
2019	533,939
2020	49,222
2021	56,058
2022 and after	1,022,737
Total	$ 2,235,021

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[1] Amounts include a combined $3.6 million of discount on seller-provided zero-interest financing being accreted to debt principal.

CMBS debt obligations are estimated to be repaid earlier than the contractual maturity only if proceeds from the underlying loans are repaid by the borrowers. Future principal payments based on contractual maturity or otherwise based on reasonable expectations of cash flows from the underlying loans as of December 31, 2016 are as follows:

(In thousands) Year Ending December 31,	Contractual Maturity	Expectations of Cash Flows
2017	$ —	$ 355,376
2018	—	121,432
2019	—	20,483
2020	—	234
2021	—	—
2022 and after	497,525	—
Total	$ 497,525	$ 497,525

Convertible Senior Notes

Convertible Senior Notes issued and outstanding are as follows:

Description	Issuance Date	Due Date	Interest Rate	Conversion Price (per share of common stock)	Redemption Date	December 31, 2016 Outstanding Principal (in thousands)	December 31, 2016 Carrying Amount (in thousands) (1)	December 31, 2015 Outstanding Principal (in thousands)	December 31, 2015 Carrying Amount (in thousands) (1)
5% Convertible Senior Notes	April 2013	April 15, 2023	5.00% fixed	$ 23.35	On or after April 22, 2020	$ 200,000	$ 195,636	$ 200,000	$ 195,069
3.875% Convertible Senior Notes	January and June 2014	January 15, 2021	3.875% fixed	24.56	On or after January 22, 2019	402,500	397,190	402,500	396,010
						$ 602,500	$ 592,826	$ 602,500	$ 591,079

(1) Carrying amounts include $1.4 million and $1.7 million of premium and are shown net of debt issuance costs of $11.1 million and $13.1 million at December 31, 2016 and 2015, respectively.

The Company may redeem the Convertible Senior Notes at its option at any time on or after the respective redemption dates of the Convertible Notes 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, at a redemption price equal to 100% of the principal amount of the convertible notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date.

Pursuant to the terms of the indenture, the conversion rate for the Convertible Senior Notes are subject to periodic adjustment to reflect the carried-forward adjustments relating to cumulative cash dividends paid on the Company's common stock since the issuance of the convertible debt. The current conversion rate is 42.8183 shares of common stock per $1,000 principal amount for the 5.00% Convertible Senior Notes and 40.7089 for the 3.875% Convertible Senior Notes. As a result of the merger, the conversion rates for both Convertible Senior Notes were adjusted to reflect the exchange ratio (Note 23). The conversion rates are subject to further adjustment as provided in the applicable governing indenture.

12. Derivatives and Hedging

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”).

Gross fair value of derivative assets and derivative liabilities are as follows:

	December 31, 2016			December 31, 2015		
(In thousands)	Designated Hedges	Non-Designated Hedges	Total	Designated Hedges	Non-Designated Hedges	Total
Derivative Assets						
Foreign exchange contracts	$ 34,715	$ 1,103	$ 35,818	$ 19,773	$ 426	$ 20,199
Interest rate contracts	—	283	283	5	1,432	1,437
Included in other assets	$ 34,715	$ 1,386	$ 36,101	$ 19,778	$ 1,858	$ 21,636
Derivative Liabilities						
Foreign exchange contracts	$ (5,011)	$ (437)	$ (5,448)	$ 505	$ —	$ 505
Interest rate contracts	—	—	—	2	—	2
Included in accrued and other liabilities	$ (5,011)	$ (437)	$ (5,448)	$ 507	$ —	$ 507

Certain counterparties to the derivative instruments require the Company to deposit cash or other eligible collateral for derivative financial liabilities exceeding $100,000. At December 31, 2016 and 2015, the Company had no amounts on deposit related to these agreements.

Foreign Exchange Contracts

The following table summarizes the aggregate notional amounts of designated and non-designated foreign exchange contracts in place at December 31, 2016 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	€ 145,876	€ 99	Min $1.06 / Max $1.53	July 2017 to January 2021
GBP	FX Collar	£ 60,203	£ 3,797	Min $1.45 / Max $1.82	September 2017 to December 2019
EUR	FX Forward	€ 182,793	€ 4,007	Range between $1.06 to $1.24	May 2017 to September 2021
GBP	FX Forward	£ 119,327	£ 16,423	Range between $1.23 to $1.27	December 2018 to December 2020
CHF	FX Forward	CHF 55,545	CHF	Range between $1.47 to $1.50	January 2030
NOK	FX Forward	NOK 902,587	NOK 20,413	$0.12	May 2017

Designated Net Investment Hedges

The Company's foreign denominated net investments in subsidiaries or joint ventures totaled approximately €394.4 million, £106.2 million, CHF54.5 million and NOK842.1 million, or a total of $697.4 million, at December 31, 2016, and €311.2 million, £126.4 million, CHF54.4 million and NOK895.5 million or a total of $679.9 million, at December 31, 2015.

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

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

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

Following the liquidation of underlying investments of foreign subsidiaries, net realized gains on net investment hedges were transferred out of accumulated other comprehensive income into other gain (loss), net, amounting to $62,000 and $7.7 million for the years ended December 31, 2016 and 2015, respectively. Additionally, for the year ended December 31, 2015, resulting from the consolidation of foreign equity method investments on April 2, 2015, net realized gains of $39.3 million on net investment hedges were transferred out of accumulated other comprehensive income into gain on remeasurement of consolidated investment entities, net. There were no realized gains or losses transferred from equity into earnings during the year ended December 31, 2014.

Non-Designated Hedges

At the end of each quarter, the Company dedesignates the portion of the derivative notional that is in excess of the beginning balance of its net investments as non-designated hedges. Any unrealized gain or loss on the dedesignated portion of net investment hedges are transferred into other gain (loss), net, which were an unrealized gain of $1.6 million and an unrealized loss of $7,000 for the years ended December 31, 2016 and 2015, respectively. There were no dedesignations during the year ended December 31, 2014.

Interest Rate Contracts

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

At December 31, 2016, the Company held the following interest rate contracts:

	Notional Amount (in thousands)				
Instrument Type		Non-Designated	Index	Strike	Expiration
Interest rate caps	$	524,886	1-Month LIBOR	3.00%	December 2017 to January 2019
Interest rate caps	$	39,999	1-Month LIBOR	2.50%	April 2017 to December 2017
Interest rate caps	€	53,038	3-Month EURIBOR	1.50%	February 2021 to June 2022
Interest rate caps	£	60,945	3-Month GBP LIBOR	2.25%	November 2018 to February 2020
Interest rate caps	£	152,732	3-Month GBP LIBOR	2.00%	December 2018

Unrealized gains or losses recorded in other gain (loss), net, were as follows:

	Year Ended December 31,					
(In thousands)		2016		2015		2014
Unrealized loss:						
Cash flow hedge ineffectiveness	$	(401)	$	(98)	$	—
Non-designated interest rate contracts		(1,455)		(841)		(4)

13. Balance Sheet Offsetting

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

			Gross Amounts Not Offset on Consolidated Balance Sheets					
(In thousands)		Gross Amounts of Assets (Liabilities) Included on Consolidated Balance Sheets		(Assets) Liabilities		Cash Collateral Received (Pledged)		Net Amounts of Assets (Liabilities)
December 31, 2016								
Derivative Assets								
Foreign exchange contracts	$	35,818	$	(180)	$	—	$	35,638
Interest rate contracts		283		—		—		283
	$	36,101	$	(180)	$	—	$	35,921
Derivative Liabilities								
Foreign exchange contracts	$	(5,448)	$	180	$	—	$	(5,268)

(In thousands)	Gross Amounts of Assets (Liabilities) Included on Consolidated Balance Sheets	Gross Amounts Not Offset on Consolidated Balance Sheets: (Assets) Liabilities	Gross Amounts Not Offset on Consolidated Balance Sheets: Cash Collateral Received (Pledged)	Net Amounts of Assets (Liabilities)
December 31, 2015				
Derivative Assets				
Foreign exchange contracts	$ 20,199	$ (124)	$ —	$ 20,075
Interest rate contracts	1,437	—	—	1,437
	$ 21,636	$ (124)	$ —	$ 21,512
Derivative Liabilities				
Foreign exchange contracts	$ (505)	$ 124	$ —	$ (381)
Interest rate contracts	(2)	—	—	(2)
	$ (507)	$ 124	$ —	$ (383)

14. Fair Value Measurements

Recurring Fair Values

Derivatives—Derivative assets and derivative liabilities are carried at fair value on a recurring basis, as presented in Note 12. These interest rate contracts and foreign exchange contracts are traded over-the-counter and valued based on observable inputs such as contractual cash flows, yield curve, foreign currency rates and credit spreads, taking into consideration any credit valuation adjustments, as applicable. Although credit valuation adjustments, such as the risk of default, rely on Level 3 inputs, the Company has determined that these inputs are not significant to the overall valuation of its derivatives. As a result, derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

Real Estate Debt Securities—CMBS, which is included in other investments as presented in Note 8, is classified as AFS and carried at fair value. Fair value of CMBS was determined based on broker quotes and classified as Level 2 in the fair value hierarchy.

Contingent Consideration—Contingent consideration payable in connection with the Combination, included in due to affiliates, is remeasured at fair value each reporting period using a third party valuation service provider and classified in Level 3 of the fair value hierarchy. The contingent consideration is subject to achievement of multi-year performance targets, specifically a contractually-defined funds from operations ("Benchmark FFO") per share metric and capital raising targets in the funds management business. If the minimum 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. 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. The valuation methodology considered the Company's Class A common stock price and related equity volatilities to convert the contingent consideration payout into shares. At December 31, 2016 and 2015, the contingent consideration was estimated at a fair value of $41.3 million and $53.0 million, respectively. The $11.7 million decrease in fair value was recognized in other gain (loss), net.

The following table presents additional information on the significant unobservable inputs used to measure the fair value of contingent consideration:

Significant Input	Input Value at December 31, 2016	Input Value at December 31, 2015	Impact to Fair Value from Increase in Input Value [2]
Class A common stock price	$20.25	$19.48	Increase
Benchmark FFO volatility	16.1%	20.6%	Increase
Equity volatility	32.5%	28.1%	Increase
Correlation [1]	80.0%	80.0%	Increase

[1] Represents the assumed correlation between Benchmark FFO and the Company's Class A common stock price

[2] This is the directional change in fair value of the contingent consideration 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 measure of the contingent consideration.

Nonrecurring Fair Values

The Company holds certain assets carried at fair value on a nonrecurring basis, which comprise loans held for sale and real estate held for sale, including foreclosed properties, carried at the lower of carrying value and fair value less estimated costs to sell.

Nonrecurring fair values at December 31, 2016 and 2015 consisted of real estate held for sale that were written down to fair value less disposal costs, classified under Level 3 hierarchy, as discussed in Note 6.

Fair Value Disclosure of Financial Instruments Reported at Cost

Carrying amounts and estimated fair values of financial instruments reported at amortized cost are presented below:

	Fair Value Measurements				
(In thousands)	Level 1	Level 2	Level 3	Total	Carrying Value
December 31, 2016					
Assets					
Loans held for investment	$ —	$ —	$ 3,471,797	$ 3,471,797	$ 3,432,992
Loans held for sale			29,489	29,489	29,353
Equity and cost method investments	435,600	5,400	908,301	1,349,301	1,052,995
Liabilities					
Line of credit	—	422,600	—	422,600	422,600
Secured debt	—	—	2,121,946	2,121,946	2,164,549
CMBS debt	—	492,481	—	492,481	494,495
Notes payable	—	—	41,148	41,148	41,148
Convertible senior notes	606,698	—	—	606,698	592,826
December 31, 2015					
Assets					
Loans held for investment	$ —	$ —	$ 4,073,075	$ 4,073,075	$ 4,048,477
Loans held for sale	—	—	75,002	75,002	75,002
Equity and cost method investments	—	—	1,087,850	1,087,850	924,465
Liabilities					
Line of credit	—	315,000	—	315,000	315,000
Secured debt	—	—	2,423,013	2,423,013	2,423,013
CMBS debt	—	794,982	—	794,982	806,728
Notes payable	—	—	42,983	42,983	42,983
Convertible senior notes	574,359	—	—	574,359	591,079

Loans Held for Investment—Loans held for investment, consisting of first mortgages and subordinated mortgages, were valued based on discounted cash flow projections of principal and interest expected to be collected, which includes consideration of the financial standing of the borrower or sponsor as well as operating results of the underlying collateral. Carrying values of loans held for investment are presented net of allowances for loan losses, where applicable.

Equity and Cost Method Investments—Fair values of equity and cost method investments were derived by applying the Company's ownership interest to the fair value of underlying assets and liabilities of each investee. The Company's proportionate share of each investee's fair value approximates the Company's fair value of the investment, as the timing of cash flows of the investee does not deviate materially from the timing of cash flows received by the Company from the investee. Beginning in 2016, the fair value of the Company's investment in Colony Starwood Homes is based upon the closing price of its publicly traded common stock (see Note 22).

Debt—Fair value of the line of credit approximated carrying value as its prevailing interest rate and applicable terms were recently renegotiated and agreed upon with the Company's lender at March 31, 2016. Fair values of the secured financing were estimated by discounting expected future cash outlays at current interest rates available for similar instruments, which approximated carrying value for floating rate debt with credit spreads that approximate market rates. Fair value of CMBS debt was based on broker quotes. Fair value of notes payable approximated carrying values based on market rate for debt with similar underlying collateral. Fair value of convertible senior notes was determined using the last trade price in active markets.

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

15. Stockholders' Equity

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

(In thousands)	Number of Shares		
	Preferred Stock	Common Stock	
	Series A, B and C	Class A	Class B
Shares outstanding at December 31, 2013	10,080	76,492	—
Issuance of 7.5% Series B Cumulative Redeemable Perpetual Preferred Stock	3,450	—	—
Class A common stock offerings	—	32,606	—
Issuance of common stock for incentive fees to Manager	—	21	—
Share-based payments, net of forfeitures	—	515	—
Shares outstanding at December 31, 2014	13,530	109,634	—
Issuance of 7.125% Series C Cumulative Redeemable Perpetual Preferred Stock	11,500	—	—
Issuance of Class A common stock	—	1,427	—
Issuance of Class B common stock	—	—	564
Conversion of Class B for Class A common stock	—	18	(18)
Share-based compensation, net of forfeitures	—	615	—
Shares outstanding at December 31, 2015	25,030	111,694	546
Repurchase of preferred stock	(964)	—	—
Reissuance of preferred stock	964	—	—
Issuance of Class A common stock upon redemption of OP units	—	934	—
Conversion of Class B for Class A common stock	—	21	(21)
Share-based compensation, net of forfeitures		1,008	—
Shares canceled for tax withholding on vested stock awards	—	(147)	—
Shares outstanding at December 31, 2016	25,030	113,510	525

Preferred Stock

The table below summarizes the preferred stock outstanding as of December 31, 2016:

Description	Dividend Rate Per Annum	Initial Issuance Date	Shares Outstanding (in thousands)	Par Value (in thousands)	Liquidation Preference (in thousands)	Earliest Redemption Date
Series A 8.5% Cumulative Redeemable Perpetual	8.5%	March 2012	10,080	$ 101	$ 252,000	March 27, 2017
Series B 7.5% Cumulative Redeemable Perpetual	7.5%	June 2014	3,450	34	86,250	June 19, 2019
Series C 7.125% Cumulative Redeemable Perpetual	7.125%	April 2015	11,500	115	287,500	April 13, 2020
			25,030	$ 250	$ 625,750	

In April 2015, the Company issued 11.5 million shares of its 7.125% Series C Cumulative Redeemable Perpetual Preferred Stock through an underwritten public offering and received proceeds of approximately $277.9 million, net of underwriting discounts, commissions and offering costs payable by the Company.

Each series of the Company's preferred stock is redeemable 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). All series of preferred stock are at parity with respect to dividends and distributions, including distributions upon liquidation, dissolution or winding up, and all preferred stock are senior to the Company's common stock. Dividends of each series of preferred stock are payable quarterly in arrears in January, April, July and October.

Each series of 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 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 voting separately as a class for each series of preferred stock.

In January 2016, the Company repurchased 963,718 shares in aggregate of its Series A, B and C preferred stock from institutional shareholders for approximately $20.0 million. In March 2016, the Company reissued the preferred stock at its purchase price to an investment vehicle (the "REIT Securities Venture"), which is a joint venture with a private fund managed by the Company. The Company holds an approximate 4.3% interest in the REIT Securities Venture and accounts for its investment under the equity method, which had a carrying value of $5.4 million at December 31, 2016. The REIT Securities Venture targets for investment purposes the common stock and preferred stock of publicly traded U.S. REITs, including securities of the Company.

Common Stock

At the closing of the Combination on April 2, 2015, all outstanding common stock at that time was reclassified on a one-for-one basis to Class A common stock, with equivalent terms, and a new class of common stock, Class B, was created. As discussed in Note 3, 1.43 million shares of Class A Common Stock and 563,987 shares of Class B Common Stock were issued as part of the upfront consideration for the Combination.

Except with respect to voting rights, Class A 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, which are membership units in the Operating Company) attributable to Class B common stock holders and therefore, does not provide any disproportionate voting rights. Each share of Class B common stock shall convert automatically into one share of Class A common stock if the Executive Chairman or his beneficiaries directly or indirectly transfer beneficial ownership of Class B common stock or OP Units held by them, other than to certain qualified transferees, which generally includes affiliates and employees. In addition, each holder of Class B common stock has the right, at the holder’s option, to convert all or a portion of such holder’s Class B common stock into an equal number of shares of Class A common stock.

At-The-Market Stock Offering Program ("ATM Program")

In May 2015, the Company entered into separate “at-the-market” equity distribution agreements with certain sales agents to offer and sell, from time to time, shares of its common stock having an aggregate offering price of up to $300 million. There were no shares offered through the ATM Program for the year ended December 31, 2016. The ATM Program was terminated concurrent with the closing of the Merger on January 10, 2017.

Dividend Reinvestment and Direct Stock Purchase Plan

The Company’s Dividend Reinvestment and Direct Stock Purchase Plan (the “DRIP Plan”) provided 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 involved acquisition of 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 for the year ended December 31, 2016. The DRIP Plan was terminated concurrent with the closing of the Merger on January 10, 2017.

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

The following tables present the changes in each component of AOCI attributable to stockholders and noncontrolling interests, net of immaterial tax effect. The changes in AOCI attributable to noncontrolling interests in 2014 were immaterial.

Changes in Components of AOCI Attributable to Stockholders

(In thousands)	Equity in AOCI of Unconsolidated Joint Ventures	Unrealized Gain/(Loss) on Beneficial Interests in Debt Securities	Gain (Loss) on Cash Flow Hedges	Foreign Currency Translation Gain (Loss)	Gain (Loss) on Net Investment Hedges	Total
AOCI at December 31, 2013	$ 3,621	$ 325	$ (19)	$ 1,849	$ (3,183)	$ 2,593
Other comprehensive income (loss) before reclassifications	1,511	(2,488)	(82)	(54,266)	26,732	(28,593)
Amounts reclassified from AOCI	(4,681)	2,163	—	(226)	253	(2,491)
Net other comprehensive (loss) income	(3,170)	(325)	(82)	(54,492)	26,985	(31,084)
AOCI at December 31, 2014	$ 451	$ —	$ (101)	$ (52,643)	$ 23,802	$ (28,491)

Changes in Components of AOCI Attributable to Stockholders and Noncontrolling Interests

(In thousands)	Equity in AOCI of Unconsolidated Joint Ventures	Unrealized Gain/(Loss) on Beneficial Interests in Debt Securities	Gain (Loss) on Cash Flow Hedges	Foreign Currency Translation Gain (Loss)	Gain (Loss) on Net Investment Hedges	Total
AOCI at December 31, 2014 attributable to:						
Stockholders	$ 451	$ —	$ (101)	$ (52,643)	$ 23,802	$ (28,491)
Noncontrolling interests in investment entities	—	—	(52)	(3,616)	(1)	(3,669)
	451	—	(153)	(56,259)	23,801	(32,160)
Other comprehensive income (loss) before reclassifications attributable to:						
Stockholders	(612)	—	(199)	(56,676)	39,631	(17,856)
Noncontrolling interests in investment entities	—	—	(137)	(1,516)	—	(1,653)
Noncontrolling interests in Operating Company	—	—	(6)	(1,778)	1,759	(25)
Amounts reclassified from AOCI attributable to:						
Stockholders	161	—	55	67,194	(39,485)	27,925
Noncontrolling interests in investment entities	—	—	40	5,183	—	5,223
Noncontrolling interests in Operating Company	—	—	11	12,880	(7,509)	5,382
Net other comprehensive (loss) income	(451)	—	(236)	25,287	(5,604)	18,996
AOCI at December 31, 2015 attributable to:						
Stockholders	—	—	(245)	(42,125)	23,948	(18,422)
Noncontrolling interests in investment entities	—	—	(149)	51	(1)	(99)
Noncontrolling interests in Operating Company	—	—	5	11,102	(5,750)	5,357
	—	—	(389)	(30,972)	18,197	(13,164)
Other comprehensive income (loss) before reclassifications attributable to:						
Stockholders	131	(112)	7	(34,234)	21,123	(13,085)
Noncontrolling interests in investment entities	—	(527)	—	(56,479)	12,669	(44,337)
Noncontrolling interests in Operating Company	25	(20)	1	(6,101)	3,720	(2,375)
Amounts reclassified from AOCI attributable to:						
Stockholders	(46)	—	197	(67)	(686)	(602)
Noncontrolling interests in investment entities	—	—	149	(785)	(870)	(1,506)
Noncontrolling interests in Operating Company	(9)	—	35	(15)	(123)	(112)
Net other comprehensive income (loss)	101	(659)	389	(97,681)	35,833	(62,017)
AOCI at December 31, 2016 attributable to:						
Stockholders	85	(112)	(41)	(76,426)	44,385	(32,109)
Noncontrolling interests in investment entities	—	(527)	—	(57,213)	11,798	(45,942)
Noncontrolling interests in Operating Company	16	(20)	41	4,986	(2,153)	2,870
	$ 101	$ (659)	$ —	$ (128,653)	$ 54,030	$ (75,181)

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	2016	2015	2014	Affected Line Item in the Consolidated Statements of Operations
Equity in realized (loss) gain on sale of marketable securities of unconsolidated joint ventures	$ 46	$ (161)	$ 4,681	Income from equity method investments
Settlement loss on beneficial interests in debt securities	—	—	(2,163)	Other gain (loss), net
Release of cumulative translation adjustments	—	(45,407)	—	Gain on remeasurement of consolidated investment entities, net
Release of cumulative translation adjustments	67	(21,787)	226	Other gain (loss), net
Realization of net gain on net investment hedges	—	32,965	—	Gain on remeasurement of consolidated investment entities, net
Realization of net gain on net investment hedges	52	6,492	—	Other gain (loss), net
Net settlement loss on derivative instruments designated as net investment hedges	—	—	(253)	Other gain (loss), net
Unrealized gain on dedesignated net investment hedges	634	28	—	Other gain (loss), net
Unrealized loss on ineffective cash flow hedge	(197)	(55)	—	Other gain (loss), net

16. Noncontrolling Interests

Noncontrolling Interests in Investment Entities

In April 2016, the Company acquired the noncontrolling interests in investment entities of three real estate debt investments. The net excess of the carrying value of noncontrolling interests in investment entities acquired over the consideration paid resulted in a $0.7 million increase to additional paid-in capital.

In 2016, contributions from new limited partners diluted the Company's ownership interest in its light industrial joint venture. The new limited partners were admitted at net asset value of the joint venture at the time of each contribution based upon valuations determined by independent third parties. The difference between contributions received and the noncontrolling interests' share of the joint venture resulted in an aggregate increase to additional paid-in capital of $29.0 million.

Noncontrolling Interests in Operating Company

Noncontrolling interests in OP, subject to lock-up agreements, 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, through issuance of shares of Class A common stock (registered or unregistered) on a one-for-one basis.

In June 2015, OP issued an additional 412,865 common OP Units to Cobalt Capital Management, L.P. ("CCM"), in exchange for redemption of a $10.0 million unsecured note that the Company previously issued to CCM in connection with its acquisition of the light industrial portfolio and operating platform in December 2014.

For the year ended December 31, 2016, the Company redeemed 1,087,414 OP Units through the issuance of 934,264 shares of Class A common stock on a one-for-one basis and cash settlement of approximately $2.6 million.

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, 2016	2015	2014
Net income allocated to common stockholders			
Net income	$ 290,726	$ 256,036	$ 159,711
Net income attributable to noncontrolling interests:			
Investment entities	(163,084)	(86,123)	(36,562)
Operating Company	(12,324)	(19,933)	—
Net income attributable to Colony Capital, Inc.	115,318	149,980	123,149
Preferred dividends	(48,159)	(42,569)	(24,870)
Net income attributable to common stockholders	67,159	107,411	98,279
Net income allocated to participating securities (nonvested shares)	(2,293)	(1,237)	(990)
Net income allocated to common stockholders—basic	64,866	106,174	97,289
Interest expense attributable to convertible notes [(1)]	—	—	—
Net income allocated to common stockholders—diluted	$ 64,866	$ 106,174	$ 97,289
Weighted average common shares outstanding			
Weighted average number of common shares outstanding—basic	112,235	110,931	96,694
Weighted average effect of dilutive shares [(2)]	—	—	5
Weighted average number of common shares outstanding—diluted	112,235	110,931	96,699
Earnings per share			
Basic	$ 0.58	$ 0.96	$ 1.01
Diluted	$ 0.58	$ 0.96	$ 1.01

(1) For the years ended December 31, 2016, 2015 and 2014, excluded from the calculation of diluted net income per share is the effect of adding back $27.3 million, $27.3 million and $23.3 million, respectively, of interest expense and 24,949,000, 24,694,700 and 20,784,600 weighted average dilutive common share equivalents, respectively, for the assumed conversion of the Convertible Notes, as their inclusion would be antidilutive. Also excluded from the calculation of diluted income per share for the years ended December 31, 2015 and 2014 is the effect of adding back $280,000 and $25,000, respectively, of interest expense and 187,800 and 14,700 weighted average dilutive common share equivalents, respectively, for the assumed repayment of the $10.0 million unsecured note issued to CCM (see Note 16) in shares of the Company's common stock as its inclusion would be antidilutive.

(2) 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, 2016 and 2015, 20,661,600 and 21,749,000, respectively, of redeemable OP Units were outstanding. The redemption of these OP Units would not be dilutive and were not included in the computation of diluted earnings per share for the years ended December 31, 2016 and 2015. For the year ended December 31, 2014, weighted average dilutive shares include the effect of 4,900 shares of common stock issuable to the former Manager for incentive fees incurred for the period.

18. Related Party Transactions

Affiliates include funds and other investment vehicles managed by the Company, directors, senior executives, and employees, and prior to the Combination, the Manager and its affiliates.

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

(In thousands)	December 31, 2016	2015
Due from Affiliates		
Due from funds and unconsolidated joint ventures:		
Management fees	$ 9,074	$ 5,734
Other	541	3,952
Due from CCLLC	65	1,559
Due from employees and other affiliated entities	291	468
	$ 9,971	$ 11,713
Due to Affiliates		
Contingent consideration (Note 3)	$ 41,250	$ 52,990

Prior to the Combination, the Company was externally managed by an affiliate. Amounts payable to the Manager under this arrangement included:

- Base management fee of 1.5% per annum of stockholders' equity, as defined;
- Incentive fee each quarter, measured based on a core earning metric, as defined in the management agreement, payable in shares of the Company's common stock;
- Reimbursement of certain expenditures incurred by the Manager, including allocation of overhead costs; and
- Cost of employment for the Company's chief financial officer pursuant to a secondment agreement with an affiliate of the Manager.

Amounts incurred and payable to the Manager or its affiliates for periods prior to the Combination were as follows:

	Year Ended December 31,	
(In thousands)	2015	2014
Base management fee expense	$ 9,165	$ 32,285
Incentive fees	—	464
Compensation pursuant to secondment agreement	450	1,778
Direct and allocated investment-related expenses	366	2,846
Direct and allocated administrative expenses	1,922	3,301
	$ 11,903	$ 40,674

Subsequent to the Combination which closed on April 2, 2015, the Company is internally managed and incurs all costs directly. Transaction and integration costs with affiliates post-Combination include the following:

Management Fees—Pursuant to management and advisory agreements, the Company earns base and asset management fee income from managing funds and their respective investments. Base and asset management fees from affiliates, included in fee income, totaled $67.7 million and $64.6 million for the years ended December 31, 2016 and 2015, respectively.

Cost Reimbursements—The Company receives cost reimbursements for asset management services provided to the Company's investment entities (which are eliminated for investment entities consolidated by the Company), as well as administrative services provided to an equity method investee and/or senior executives. These cost reimbursements, included in other income, were $4.3 million and $4.8 million for the years ended December 31, 2016 and 2015, respectively. At December 31, 2016 and 2015, receivable for cost reimbursements were approximately $0.4 million and $0.9 million, respectively.

Recoverable Expenses—In the normal course of business, the Company pays certain expenses on behalf of managed-funds for which the Company recovers from the funds, such as costs incurred in performing due diligence over new investments. Such costs recoverable from the funds were $0.7 million and $1.1 million at December 31, 2016 and 2015, respectively.

Arrangements with Sponsored Funds—The Company co-invests alongside its Sponsored Funds through joint ventures between the Company and the Sponsored Funds. These co-investment joint ventures are consolidated by the Company.

In connection with one of its Sponsored Funds, the Company has capital commitments, as general partner, directly into the Sponsored 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 Sponsored Fund such as financing and administrative costs. At December 31, 2016, the Company has a payable to the Sponsored Fund for its share of costs of approximately $1.5 million. At December 31, 2015, $1.4 million was due from the Sponsored Fund, which included amounts due from the Sponsored Fund to the co-investment joint ventures, net of the Company's share of costs payable to the Sponsored Fund.

Advances—Certain employees are permitted to participate in co-investment vehicles which generally invest in Colony-sponsored funds alongside third party investors. Additionally, the Company grants loans to certain employees in the form of promissory notes bearing interest at the prime rate with varying terms and repayment conditions. Outstanding advances were $0.1 million and $0.2 million at December 31, 2016 and 2015, respectively, with immaterial interest.

Corporate Aircraft—The Company's corporate aircraft may occasionally be used for business purposes by affiliated entities or for personal use by certain senior executives of the Company. Affiliated entities and senior executives reimburse the Company for their usage based on the incremental cost to the Company of making the aircraft available for such use, and includes direct and indirect variable costs of operating the flights. These reimbursements, included in other income, amounted to approximately $0.9 million and $0.4 million for the years ended December 31, 2016 and 2015, respectively, of which $0.1 million was outstanding at December 31, 2016 and 2015.

Consideration for the Combination—Contingent consideration in connection with the Combination is payable to certain senior executives of the Company, as discussed in Notes 3 and 14.

19. Share-Based Compensation

Director Stock Plan

The Company's 2009 Non-Executive Director Stock Plan (the "Director Stock Plan") provides for the grant of restricted stock, restricted stock units and other stock-based awards to its non-executive directors. The maximum number of shares of stock reserved under the Director Stock Plan is 100,000. The individual share awards generally vest one year from the date of grant.

Upon consummation of the Merger on January 10, 2017, all outstanding equity awards granted under the Director Stock Plan vested and the Director Stock Plan was assumed by Colony NorthStar.

Equity Incentive Plan

The 2014 Equity Incentive Plan (the "Equity Incentive Plan"), an amendment and restatement of the Company's 2011 Equity Incentive Plan (the "2011 Plan"), provides for the grant of options to purchase shares of Class A common stock, share awards (including restricted stock and stock units), stock appreciation rights, performance awards and annual incentive awards, dividend equivalent rights, long-term incentive units, cash and other equity-based awards. Certain named executive officers of the Company, along with other eligible employees, directors as well as service providers are eligible to receive awards under the Equity Incentive Plan. The Company has reserved a total of 2,500,000 additional shares of Class A common stock for issuance pursuant to the Equity Incentive Plan, in addition to (i) the number of shares of Class A common stock available for issuance under the 2011 Plan and (ii) the number of shares of Class A common stock subject to outstanding awards under the 2011 Plan that terminate by expiration, forfeiture, cancellation or otherwise without the issuance of such shares of Class A common stock. The Equity Incentive Plan will expire in 2024 unless earlier terminated by the Company. The share awards granted under the Equity Incentive Plan generally vest over a 3-year period from the date of grant.

As of January 2, 2017, all shares reserved under the Equity Incentive Plan have been issued. Upon consummation of the Merger on January 10, 2017, the Equity Incentive Plan was assumed by Colony NorthStar. Each outstanding equity award granted under the Equity Incentive Plan that did not vest by its terms in connection with the consummation of the Merger (and was not forfeited) was assumed by Colony NorthStar and was converted into the right to receive an award in the same form for that number of shares of Colony NorthStar Class A common stock (rounded down to the nearest whole share) equal to the product of: (i) the number of shares of the Company's Class A common stock subject to such unvested equity award multiplied by (ii) 1.4663.

Share-Based Compensation and Activity

Prior to the Combination, stock grants made to the Manager and its employees were considered non-employee awards and were remeasured at fair value at each period end until the awards fully vested, with such costs forming part of management fee expense. Following the Combination, in which the management and investment personnel of the Manager became employed by the Company, these stock grants are treated as equity classified employee awards. The outstanding awards as of the date of closing of the Combination were remeasured at fair value based on the closing price of the Company's Class A common stock on that date and compensation cost recognized on a straight-line basis over the remaining vesting period of the awards, presented within compensation expense. There were no changes to the existing service requirement or any other terms of the awards, nor new conditions attached to the awards in connection with the Combination.

Stock grants made to non-executive directors of the Company continue to be classified as employee awards. Amortization of stock grants to non-executive directors are included in compensation expense subsequent to the Combination, previously in administrative expense.

Share-based compensation expense recognized was as follows:

	Year Ended December 31,		
(In thousands)	2016	2015	2014
Stock grants to the Manager and employees [(1)]	$ 13,193	$ 13,094	$ 10,384
Stock grants to non-executive directors	445	620	417
	$ 13,638	$ 13,714	$ 10,801

(1) All outstanding stock grants made to the Manager prior to the Combination became employee awards effective April 2, 2015.

Changes in the Company's nonvested share awards are summarized below:

	Restricted Stock Grants			
	Non-Executive Directors	Manager and Employees	Total	Weighted Average Grant Date Fair Value
Nonvested shares at December 31, 2015	14,928	780,906	795,834	$ 22.51
Granted	30,324	1,038,312	1,068,636	19.26
Vested	(14,928)	(363,970)	(378,898)	26.01
Forfeited	—	(60,893)	(60,893)	21.14
Nonvested shares at December 31, 2016	30,324	1,394,355	1,424,679	21.17

Fair value of shares vested was $9.9 million, $12.4 million, and $6.9 million for the years ended December 31, 2016, 2015 and 2014, respectively. Fair value of shares vested was determined based on the closing price of the Company's Class A common stock on respective vesting dates for non-employee awards, on April 2, 2015 for employee awards outstanding as of that date of closing of the Combination, and on the respective dates of grant for employee awards subsequent to April 2, 2015. The weighted average grant-date fair value per share was $19.26, $24.42 and $20.32 for the shares granted during the years ended December 31, 2016, 2015 and 2014, respectively.

As of December 31, 2016, aggregate unrecognized compensation cost related to nonvested restricted stock grants was approximately $16.6 million and is expected to be fully recognized over a weighted-average period of approximately 21 months.

20. 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 loan resolutions in some of its loan portfolios, income from interests in asset management companies which manage some of its loan portfolios, hotel operations from its real estate equity portfolio and fee income from its investment management business.

Income Tax (Benefit) Expense

	Year Ended December 31,		
(In thousands)	2016	2015	2014
Current			
Federal	$ 2,720	$ 451	$ 1,339
State and local	1,436	397	369
Foreign	8,244	1,469	—
Total current tax expense	12,400	2,317	1,708
Deferred			
Federal	(6,214)	(10,428)	(3,307)
State and local	713	(1,219)	(800)
Foreign	(2,117)	34	—
Total deferred tax benefit	(7,618)	(11,613)	(4,107)
Total income tax (benefit) expense	$ 4,782	$ (9,296)	$ (2,399)

Deferred Income Tax Assets and Liabilities

Net deferred tax liability is included in accrued and other liabilities. The components of deferred tax assets and deferred tax liabilities arising from temporary differences are as follows:

(In thousands)	December 31, 2016	2015
Deferred tax assets		
Net operating and capital loss carry forwards	$ 2,563	$ 9,814
Stock-based compensation	5,630	2,890
Basis difference—investment in partnerships	4,535	843
Basis difference—real estate assets	3,404	28
Foreign tax credits	1,184	—
Straight-line and prepaid rent expense	693	381
Deferred income	815	—
Other	2,760	1,853
Gross deferred tax assets	21,584	15,809
Valuation allowance	(692)	—
Deferred tax assets, net of valuation allowance	20,892	15,809
Deferred tax liabilities		
Intangible assets from Combination	(25,186)	(28,875)
Gain from remeasurement of consolidated investment entities, net	(2,530)	(3,237)
Assumption of tax basis from real estate acquisition (Note 6)	(27,546)	(26,880)
Other	(1,394)	(1,504)
Gross deferred tax liabilities	(56,656)	(60,496)
Net deferred tax liability	$ (35,764)	$ (44,687)

The table below summarizes the deferred tax assets and related valuation allowance recognized for net operating loss and tax credit carryforwards at December 31, 2016. A valuation allowance was established in 2016 against net operating losses associated with the light industrial segment.

(Amounts in thousands)	Gross Amount	Tax Affected Amount: Deferred Tax Asset, Gross	Valuation Allowance	Deferred Tax Asset, Net	Expiration Periods
Net operating loss—U.S	$ 10,696	$ 2,414	$ (692)	$ 1,722	2030 - 2036
Net operating loss—Foreign	654	149	—	149	None [1]
Tax credit—Foreign		1,184	—	1,184	2025 - 2026

[1] Net operating losses in United Kingdom and Spain may be carried forward indefinitely.

Effective Income Tax

The Company's income tax benefit varied from the amount computed by applying the statutory income tax rate to net income 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,					
	2016		2015		2014	
(Amounts in thousands)	Amount	Tax Rate	Amount	Tax Rate	Amount	Tax Rate
Income before income taxes	$ 295,508		$ 246,740		$ 157,312	
Pre-tax income attributable to pass-through subsidiaries	(306,644)		(277,902)		(163,058)	
Pre-tax loss attributable to taxable subsidiaries	(11,136)		(31,162)		(5,746)	
Federal tax benefit at statutory tax rate	(3,365)	30.2 %	(10,907)	35.0 %	(2,011)	35.0%
State and local income taxes, net of federal income tax benefit	(557)	5.0 %	(884)	2.8 %	(295)	5.1%
Nondeductible expenses	1,128	-10.1 %	—	— %	—	—%
Other	424	-3.8 %	398	-1.3 %	(566)	9.9%
Income tax benefit—taxable REIT subsidiaries	(2,370)	21.3 %	(11,393)	36.5 %	(2,872)	50.0%
Taxes reflected in pre-tax income attributable to pass-through subsidiaries:						
Current and deferred foreign taxes	5,441		1,594		—	
Current excess inclusion income tax	1,311		203		480	
State and local taxes	469		175		(54)	
Other tax expense (benefit)	(69)		125		47	
Total income tax expense (benefit)	$ 4,782		$ (9,296)		$ (2,399)	

21. Commitments and Contingencies

Investment Commitments

Investments in Unconsolidated 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, 2016, the Company’s share of these commitments was $65.9 million. This included an $11.0 million commitment to fund a venture that is partially owned with the Company's sponsored closed-end real estate credit fund.

Consolidated Real Estate Debt Investments—The Company has lending commitments to borrowers and pursuant to certain loan agreements, the borrower may submit a request for funding based on the achievement of 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, 2016, total unfunded lending commitments was $314.9 million, of which the Company's share was $140.9 million, net of amounts attributable to noncontrolling interests. This included commitments of $105.5 million to lend to investment entities partially owned with the Company's sponsored closed-end real estate credit fund, of which the Company's share of the commitment was $21.0 million in its capacity as general partner ("GP") and affiliate of the GP ("GP Affiliate").

At December 31, 2016, the Company had also made a deposit of $50.4 million for a bid on a nonperforming loan portfolio in Europe, which has a total purchase price of $503.0 million.

Additionally, pursuant to the restructuring of a delinquent borrower, the Company has commitment to fund $23.6 million, its share of investment in the borrower, of which $19.1 million was outstanding as of December 31, 2016.

Sponsored Fund Commitments—At December 31, 2016, the Company has unfunded commitments of $62.9 million to certain Sponsored Funds of the Company, through wholly-owned subsidiaries of OP.

Lease Commitments

Ground Leases—In connection with real estate acquisitions, the Company assumed certain noncancelable operating ground leases as lessee or sublessee with expiration dates through 2252. Many ground leases require only nominal annual payments and ground leases associated with real estate held for sale are excluded from the table below. Certain leases require contingent rent payments based on a percentage of gross rental receipts, net of operating expenses, as defined in the lease. Rents paid under the ground leases are recoverable from tenants. For the years ended December 31, 2016, 2015 and 2014, ground rent expense was $0.4 million, $0.3 million and $0.1 million, respectively, including contingent rent.

Office Leases—The Company leases office space under noncancellable operating leases with expiration dates through 2027. The lease agreements provide for payment of various operating expenses, with certain operating costs incurred by the landlord subject to escalation clauses. Rent expense in connection with leases of office space for the year ended December 31, 2016 and 2015, was $5.6 million and $4.3 million, respectively. included in administrative expenses on the consolidated statement of operations. Prior to the Combination on April 2, 2015, such administrative cost was incurred directly by the Manager.

As of December 31, 2016, future minimum rental payments on noncancellable operating ground leases on real estate held for investment and office leases were as follows:

(In thousands) Year Ending December 31,	Ground Leases	Office Leases
2017	$ 201	$ 4,589
2018	201	3,568
2019	201	2,251
2020	212	1,980
2021	214	1,773
2022 and after	17,688	7,601
Total	$ 18,717	$ 21,762

Contingent Consideration

The consideration for the Combination included a contingent portion payable in shares of Class A and Class B common stock as well as OP Units, subject to multi-year performance targets, as discussed in Notes 3 and 14.

Litigation and Other Settlements

In the fourth quarter of 2016, the Company incurred $12.4 million, included in transaction and merger integration costs, for settlement of a foreign administrative tax assessment related to an investment previously held by a legacy fund that has been liquidated.

The Company may be involved in litigation and claims in the ordinary course of business. As of December 31, 2016, the Company was not involved in any material legal proceedings that are expected to have a material adverse effect on the Company's results of operations, financial position or liquidity.

Merger-Related Costs

The Company entered into fee arrangements with service providers and advisors pursuant to which certain fees incurred by the Company in connection with the Merger became payable only upon consummation of the Merger. This includes $23.0 million of fees payable to investment advisors upon closing of the Merger. The Company has incurred and will incur other transaction and merger integration costs related to the Merger. For the year ended December 31, 2016, the Company recorded approximately $19.4 million in Merger-related transaction and merger integration costs in the consolidated statements of operations.

22. Segment Information

The Company conducts its business through the following reportable segments:

Real Estate Equity

- Light industrial real estate assets and operating platform;
- Single-family residential rentals through equity method investments Colony Starwood Homes subsequent to the merger described below (formerly Colony American Homes, or "CAH") and in Colony American Finance, LLC (formerly a subsidiary of CAH);
- Other real estate equity investments;

Real Estate Debt

- Loan originations and acquisitions; and

Investment Management

- Investment management of Company-sponsored funds and other investment vehicles.

Following the closing of the Combination on April 2, 2015, the acquired investment management business formed a new segment, *Investment Management*. Additionally, costs previously borne and allocated by its Manager are now incurred directly by the Company and certain assets held by the Manager were transferred to the Company as part of the Combination.

Amounts not allocated to specific segments include corporate level cash and corresponding interest income, fixed assets, corporate level financing and related interest expense, income and expense related to cost reimbursement arrangements with affiliates, costs in connection with unconsummated deals, compensation expense not directly attributable to other segments, corporate level administrative and overhead costs, contingent consideration in connection with the Combination, as well as non-real estate investments and related revenues and expenses.

The chief operating decision maker assesses the performance of the business based on net income (loss) of each of the reportable segments, after attribution to noncontrolling interests at segment level, where applicable. The various real estate equity, real estate debt and investment management segments represent distinct revenue streams to the Company, consisting of property operating income, interest income and fee income, respectively. 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.

On January 5, 2016, CAH and Starwood Waypoint Residential Trust (“SWAY”) completed a merger of the two companies into Colony Starwood Homes (NYSE: SFR) in a stock-for-stock transaction. Upon completion of the merger, based on each company’s net asset value, existing SWAY shareholders and the former owner of the SWAY manager own approximately 41% of the shares of the combined company, while former CAH shareholders own approximately 59%. At closing, the Company received approximately 15.1 million shares of Colony Starwood Homes, representing 13.8% of the combined company. As of December 31, 2016, the Company's interest in Colony Starwood Homes has increased to 14.0% following a stock repurchase by Colony Starwood Homes of approximately 2 million shares in the first quarter of 2016. The Company's holdings of SFR stock were subject to a nine-month lock-up which expired in October 2016. Immediately prior to completion of the merger, CAH effected an internal reorganization to exclude CAH’s residential specialty finance company, Colony American Finance, LLC ("CAF"), from the merger. As a result of the reorganization, the Company retained its 19.0% ownership interest in CAF. In June 2016, CAF received additional capital previously committed by its third party investors, which resulted in a decrease in the Company's interest in CAF to 17.4% as of December 31, 2016. The Company accounts for its investment in Colony Starwood Homes under the equity method as it continues to have a significant influence over operating and financial policies of Colony Starwood Homes through its voting interest and board representation. The Company also continues to account for its investment in CAF under the equity method.

The following tables present the operating results of the Company's reportable segments:

(In thousands) Year Ended December 31, 2016	Real Estate Equity: Light Industrial	Real Estate Equity: Single-Family Residential Rentals	Real Estate Equity: Other	Real Estate Debt	Investment Management	Amounts Not Allocated to Segments	Total
Income:							
Interest income	$ 2	$ —	$ 14	$ 385,744	$ —	$ 91	$ 385,851
Property operating income	194,670	—	170,646	5,766	—	—	371,082
Income (loss) from equity method investments	—	(9,722)	75,962	26,714	2,245	4,176	99,375
Fee income	—	—	—	—	67,731	—	67,731
Other income	1,685	—	611	6,999	600	4,298	14,193
Total income (loss)	196,357	(9,722)	247,233	425,223	70,576	8,565	938,232
Expenses:							
Transaction, merger integration, investment and servicing costs	1,088	—	6,728	17,600	2,226	36,629	64,271
Interest expense	44,834	—	42,440	38,063	—	44,746	170,083
Property operating expenses	55,924	—	55,909	6,628	—	—	118,461
Depreciation and amortization	88,854	—	63,039	441	14,767	4,581	171,682
Provision for loan losses	—	—	—	35,005	—	—	35,005
Impairment loss	407	—	2,642	8,348	320	—	11,717
Compensation expense	7,856	—	3,201	10,696	34,835	55,250	111,838
Administrative expenses	2,699	—	5,305	6,507	3,603	33,585	51,699
Total expenses	201,662	—	179,264	123,288	55,751	174,791	734,756
Gain on sale of real estate assets, net	2,888	—	65,887	4,841	—	—	73,616
Other gain (loss), net	—	—	7,002	(100)	(146)	11,660	18,416
Income tax (expense) benefit	(586)	—	(9,461)	(682)	6,608	(661)	(4,782)
Net income (loss)	(3,003)	(9,722)	131,397	305,994	21,287	(155,227)	290,726
Net income (loss) attributable to noncontrolling interests:							
Investment entities	(1,924)	—	46,016	118,992	—	—	163,084
Operating Company	(168)	(1,533)	13,043	29,183	3,326	(31,527)	12,324
Net income (loss) attributable to Colony Capital, Inc.	$ (911)	$ (8,189)	$ 72,338	$ 157,819	$ 17,961	$ (123,700)	$ 115,318

(In thousands) Year Ended December 31, 2015	Real Estate Equity: Light Industrial	Real Estate Equity: Single-Family Residential Rentals	Real Estate Equity: Other	Real Estate Debt	Investment Management	Amounts Not Allocated to Segments	Total
Income:							
Interest income	$ 7	$ —	$ 16	$ 417,149	$ —	$ 133	$ 417,305
Property operating income	161,863	—	134,043	3,965	—	—	299,871
Income (loss) from equity method investments	—	(14,787)	18,272	46,596	(1,675)	(801)	47,605
Fee income	—	—	—	219	65,594	—	65,813
Other income	670	—	59	5,856	—	4,797	11,382
Total income (loss)	162,540	(14,787)	152,390	473,785	63,919	4,129	841,976
Expenses:							
Management fees	—	—	—	—	—	15,062	15,062
Transaction, merger integration, investment and servicing costs	4,038	—	22,432	19,273	—	16,514	62,257
Interest expense	37,338	—	19,441	31,549	—	44,766	133,094
Property operating expenses	54,581	—	58,035	5,097	—	—	117,713
Depreciation and amortization	82,447	—	38,452	252	16,498	3,328	140,977
Provision for loan losses	—	—	—	37,475	—	—	37,475
Impairment loss	450	—	4,539	2,100	4,103	—	11,192
Compensation expense	3,633	—	2,021	11,582	33,021	34,249	84,506
Administrative expenses	1,631	—	2,008	4,939	1,983	27,677	38,238
Total expenses	184,118	—	146,928	112,267	55,605	141,596	640,514
Gain on sale of real estate assets, net	108	—	6,970	1,876	—	8	8,962
Gain on remeasurement of consolidated investment entities, net	—	—	10,223	31,263	—	—	41,486
Other gain (loss), net	(192)	—	1,613	(23,361)	(19)	16,789	(5,170)
Income tax benefit (expense)	484	—	(3,372)	(424)	12,658	(50)	9,296
Net income (loss)	(21,178)	(14,787)	20,896	370,872	20,953	(120,720)	256,036
Net income (loss) attributable to noncontrolling interests:							
Investment entities	(10,460)	—	(7,384)	103,983	—	(16)	86,123
Operating Company	(1,158)	(1,754)	3,554	34,075	3,378	(18,162)	19,933
Net income (loss) attributable to Colony Capital, Inc.	$ (9,560)	$ (13,033)	$ 24,726	$ 232,814	$ 17,575	$ (102,542)	$ 149,980

(In thousands) Year Ended December 31, 2014	Real Estate Equity: Light Industrial	Real Estate Equity: Single-Family Residential Rentals	Real Estate Equity: Other	Real Estate Debt	Amounts Not Allocated to Segments	Total
Income:						
Interest income	$ —	$ —	$ —	$ 204,054	$ 307	$ 204,361
Property operating income	5,365	—	15,597	—	—	20,962
Income (loss) from equity method investments	—	(15,901)	3,235	86,495	—	73,829
Other income	—	—	—	908	589	1,497
Total income (loss)	5,365	(15,901)	18,832	291,457	896	300,649
Expenses:						
Management fees	—	—	—	—	43,133	43,133
Transaction, merger integration, investment and servicing costs	7,754	—	245	8,430	10,478	26,907
Interest expense	1,321	—	4,355	14,002	28,490	48,168
Property operating expenses	1,544	—	4,019	—	—	5,563
Depreciation and amortization	3,391	—	5,786	—	—	9,177
Provision for loan losses	—		—	197	—	197
Compensation expense	—	—	—	—	2,468	2,468
Administrative expenses	—	—	—	577	8,363	8,940
Total expenses	14,010	—	14,405	23,206	92,932	144,553
Other gain (loss), net	(22)	—	—	165	1,073	1,216
Income tax benefit (expense) (1)	—	—	3,435	(698)	(338)	2,399
Net income (loss)	(8,667)	(15,901)	7,862	267,718	(91,301)	159,711
Net income (loss) attributable to noncontrolling interests —Investment entities	(3,143)	—	2,022	37,683	—	36,562
Net income (loss) attributable to Colony Capital, Inc.	$ (5,524)	$ (15,901)	$ 5,840	$ 230,035	$ (91,301)	$ 123,149

(1) Income tax benefit (expense) related to specific investments within each segment has been allocated to the respective segments in 2014 (previously unallocated).

Total assets and equity method investments of each of segment are summarized as follows.

(In thousands)	December 31, 2016: Segment Assets	December 31, 2016: Equity Method Investments	December 31, 2015: Segment Assets	December 31, 2015: Equity Method Investments
Light industrial	$ 2,267,672	$ —	$ 1,926,002	$ —
Single-family residential rentals	373,867	373,867	394,783	394,783
Other real estate equity	2,002,834	241,987	2,094,794	195,353
Real estate debt	4,246,363	305,878	4,734,547	214,218
Investment management	781,852	13,187	798,213	9,794
Amounts not allocated to segments	88,404	18,340	90,971	10,449
Total	$ 9,760,992	$ 953,259	$ 10,039,310	$ 824,597

Geography

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

(In thousands)	Year Ended December 31, 2016	2015	2014
Total income by geography:			
United States	$ 732,928	$ 660,864	$ 261,697
Europe	194,923	166,948	33,175
Other	6,083	9,367	4,965
Total (1)	$ 933,934	$ 837,179	$ 299,837

(In thousands)	December 31, 2016	December 31, 2015	December 31, 2014
Long-lived assets by geography:			
United States	$ 2,951,290	$ 2,887,893	$ 1,770,057
Europe	1,242,272	1,224,363	—
Total [(2)]	$ 4,193,562	$ 4,112,256	$ 1,770,057

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(1) Total income excludes cost reimbursement income from affiliates.
(2) Long-lived assets exclude financial instruments, investment management contract and customer relationship intangible assets, as well as real estate held for sale.

23. Subsequent Events

Merger

On January 10, 2017, the Merger between the Company, NSAM and NRF was completed in an all-stock exchange after remaining customary conditions were satisfied and all relevant regulatory approvals were received.

The Merger was accomplished through a series of transactions. NSAM redomesticated to Maryland and elected to be treated as a REIT beginning January 2017, and Colony and NRF merged with and into the redomesticated NSAM, which was renamed Colony NorthStar, Inc.

Pursuant to the terms and conditions set forth in the Merger Agreement (as amended), each share of NSAM common stock and performance common stock issued and outstanding immediately prior to the effective time of the Merger was canceled and converted into one share of Colony NorthStar class A common stock and performance common stock, respectively. Each share of common stock of the Company and NRF issued and outstanding immediately prior to the effective time of the Merger was canceled and converted into common stock of Colony NorthStar based on the exchange ratios of 1.4663 shares of Colony NorthStar class A and class B common stock for each share of the Company's class A and class B common stock, respectively, and 1.0996 shares of Colony NorthStar Class A common stock for each share of NRF common stock. Each share of each series of the preferred stock of the Company and of NRF issued and outstanding immediately prior to the effective time of the Merger was canceled and converted into one share of a corresponding series of Colony NorthStar preferred stock with substantially identical preferences, conversion and other rights, voting powers, restrictions, limitations as to dividend, qualification and terms and conditions of redemption. Concurrently, OP issued additional partnership units to equal the number of operating partnership units outstanding on the day prior to the closing of the Merger multiplied by the exchange ratio of 1.4663.

As of the consummation of the Merger, the former stockholders of the Company, NSAM and NRF own, or have the right to own, approximately 33.25%, 32.85% and 33.90%, respectively, of Colony NorthStar, on a fully diluted basis, excluding the effect of certain equity-based awards issued in 2017 in connection with the Merger. Taking into account the voting rights of each share of Colony NorthStar Class B Common Stock, which is equal to 36.5 votes per share of Colony NorthStar Class B Common Stock, following the Merger, the former stockholders of the Company, NSAM and NRF own, or have the right to own, approximately 33%, 34% and 33%, respectively, of the voting power of Colony NorthStar common stock.

The Merger is accounted for as a reverse acquisition with NSAM as the legal acquirer for certain legal and regulatory matters and the Company as the accounting acquirer for purposes of financial reporting.

As the Merger is accounted for as a reverse acquisition, the consideration transferred in common stock is measured based upon the number of shares of common stock the Company, as the accounting acquirer, would theoretically have to issue to the shareholders of NSAM and NRF to achieve the same ratio of ownership in Colony NorthStar upon completion of the Merger, which was computed as the number of shares of NSAM and NRF common stock outstanding immediately prior to the closing of the Merger divided by the exchange ratios of 1.4663 and 1.3335, respectively. Consideration transferred in preferred stock comprises Colony NorthStar preferred stock issued in exchange for NRF preferred stock, converted on a one-for-one basis. Total consideration transferred, comprising the implied shares of the Company's common stock issued and actual Colony NorthStar preferred stock issued, was valued at approximately $6.8 billion.

The Company is in the process of assessing the fair value of assets acquired and liabilities assumed and completing the allocation of purchase price for the Merger.

FORWARD-LOOKING STATEMENTS

Some of the statements contained in the following discussion 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 the following discussion 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. Statements regarding the following subjects, among others, may be forward-looking:

- the market, economic and environmental conditions in the industrial real estate, single-family rental, and lodging sectors;
- our business and investment strategy, including the ability of Colony Starwood Homes, in which we have a significant investment, to execute its single-family home rental strategy;
- our ability to generate revenue from the single-family homes in which we own an interest;
- our ability to dispose of our real estate investments quickly;
- the performance of the hotels in which we own an interest;
- market trends in our industry, interest rates, real estate values, the debt securities markets or the general economy or the demand for commercial real estate loans;
- our projected operating results;
- actions, initiatives and policies of the U.S. government and changes to U.S. government policies and the execution and impact of these actions, initiatives and policies;
- the state of the U.S. and global economy generally or in specific geographic regions;
- our ability to obtain and maintain financing arrangements, including securitizations;
- the amount and value of commercial mortgage loans requiring refinancing in future periods;
- the availability of attractive investment opportunities;
- the availability and cost of debt financing from traditional lenders;
- the volume of short-term loan extensions;
- the demand for new capital to replace maturing loans;
- our expected leverage;
- the general volatility of the securities markets in which we participate;
- changes in the value of our assets;
- interest rate mismatches between our target assets and any borrowings used to fund such assets;
- changes in interest rates and the market value of our target assets;
- changes in prepayment rates on our target assets;
- effects of hedging instruments on our target assets;
- rates of default or decreased recovery rates on our target assets;
- the impact of and changes in governmental regulations, tax law and rates, accounting guidance and similar matters;
- our ability to maintain our qualification as a real estate investment trust ("REIT") 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”);

- the availability of opportunities to acquire commercial mortgage-related, real estate-related and other securities;
- the availability of qualified personnel;
- estimates relating to our ability to make distributions to our stockholders in the future; 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. 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 the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations."

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

We refer to Colony Capital, Inc. as "we," "us," "Company," or "our," unless we specifically state otherwise or the context indicates otherwise. We refer to our manager, Colony Financial Manager, LLC, as the "Manager," and the former parent company of the Manager, Colony Capital, LLC, together with its consolidated subsidiaries (other than us), as "CCLLC."

Overview

As of December 31, 2016, we are a leading global real estate and investment management firm headquartered in Los Angeles, California with more than 300 employees. Through our global investment management business, which has operated under the Colony Capital brand for more than 25 years, we have $16.8 billion of assets under management and $6.9 billion of fee-earning equity under management as of December 31, 2016. We rely on the experience and relationships cultivated over this period to target attractive risk-adjusted returns for our investors by investing primarily in real estate and real estate-related assets. We manage capital on behalf of both Company shareholders and limited partners in private investment funds under our management where the Company may earn management fees and carried interests. Our investment portfolio is primarily composed of: (i) real estate equity; (ii) real estate and real estate-related debt; and (iii) investment management of Company-sponsored private equity funds and vehicles.

We were organized on June 23, 2009 as a Maryland corporation. We operate 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.

Merger with NorthStar

On June 2, 2016, the Company entered into a definitive Agreement and Plans of Merger (the "Merger Agreement") with NorthStar Asset Management Group Inc. ("NSAM") and NorthStar Realty Finance Corp. ("NRF") under which the companies intended to combine in an all-stock merger transaction (the "Merger") to form Colony NorthStar, Inc. ("Colony NorthStar"), the publicly-traded company of the combined organization.

On December 20, 2016, the Merger was approved by the shareholders of the Company, NSAM and NRF. The Merger closed on January 10, 2017, after remaining customary conditions were satisfied and all relevant regulatory approvals were received.

The former stockholders of the Company, NSAM and NRF own, or have the right to own, approximately 33.25%, 32.85% and 33.90%, respectively, of Colony NorthStar, on a fully diluted basis, excluding the effect of certain equity-based awards issued in 2017 in connection with the Merger. Taking into account the voting rights of each share of Colony NorthStar Class B Common Stock, which is equal to 36.5 votes per share of Colony NorthStar Class B Common Stock, following the Merger, the former stockholders of the Company, NSAM and NRF own, or have the right to own, approximately 33%, 34% and 33%, respectively, of the voting power of Colony NorthStar common stock.

The Merger creates a significantly larger, more scalable and diversified, internally-managed REIT that includes an established institutional and retail investment management platform.

The senior executives of the Company make up predominantly the senior management of Colony NorthStar with Thomas J. Barrack Jr. as the Executive Chairman and Richard B. Saltzman as the Chief Executive Officer. The board of directors of Colony NorthStar will consist of 10 members, of whom five will be designated by the Company, and five by NSAM and NRF collectively.

Refer to Note 23 to the Consolidated Financial Statements for further details. Additional information about the Merger and the Merger Agreement are set forth in the Company's Current Reports on Form 8-K filed with the SEC on June 8, 2016 and October 17, 2016, the joint proxy statement/prospectus on Form S-4 initially filed by Colony NorthStar with the SEC on July 29, 2016, as amended from time to time (collectively, the "Form S-4") and the Current Report on Form 8-K12B filed by Colony NorthStar on January 10, 2017.

Combination Transaction

Prior to April 2, 2015, we were externally managed and advised by the Manager, which was a wholly-owned subsidiary of CCLLC, a privately held global real estate investment firm founded in 1991 by Thomas J. Barrack, Jr., our Executive Chairman.

On March 31, 2015, our shareholders approved the acquisition by our operating subsidiary Colony Capital Operating Company, LLC ("Operating Company" or "OP") of substantially all of CCLLC's real estate and investment management businesses and operations, which closed on April 2, 2015 (the "Combination").

Prior to the Combination, CCLLC sponsored approximately $24 billion of equity across a variety of distinct funds and investment vehicles that collectively invested over $60 billion of total capital. Our acquisition of CCLLC's investment management business provided us with approximately $9 billion of third party fee-paying equity under management at the time of closing. Following the Combination, we became a self-managed REIT and employ the full management and investment team of CCLLC. Pursuant to the Combination, CCLLC's management contracts for its existing real estate and non-real estate funds and investment vehicles, other than CCLLC's interests in then Colony American Homes ("CAH," renamed Colony Starwood Homes, subsequent to a merger with Starwood Waypoint Residential Trust ("SWAY") in January 2016), were contributed to the Company. As a result of the Combination, we now have the right to conduct all future Colony-branded investment activities, including the formation of real estate and non-real estate private investment funds, and own the Colony name and related intellectual property. The consideration for the Combination was paid primarily in the form of the Company's Class A common stock, Class B common stock and membership units in OP ("OP Units," exchangeable for cash based upon the market value of an equivalent number of shares of Class A common stock, or at the Company's election, shares of Class A common stock on a one-for-one basis).

Upon consummation of the Combination, all of CCLLC's senior executives became employed by the Company. In order to further demonstrate their collective long term commitment to the Company's business, Messrs. Barrack and Saltzman entered into five-year employment agreements, certain other key senior executives entered into three-year employment agreements, and all such executives entered into or are subject to lock-up arrangements with the Company, which, subject to certain exceptions for estate planning, partial share pledges and tax-related sales, generally restrict them from transferring their respective interests in OP Units and/or shares received in the Combination on a ratable basis over the same period as their respective employment agreement terms.

Our Business

Our business objective is to provide attractive risk-adjusted returns to our investors through (i) a diversified portfolio of direct and indirect real estate-related equity and real estate debt investments and (ii) fee bearing management contracts on investment funds that we manage. We expect that these returns will be delivered to our investors through both current yield in the form of regular-way and special dividends and potential capital appreciation.

Our investments are diversified across a wide spectrum of commercial real estate property types (including but not limited to, office, industrial, retail, hospitality, education, single-family and multifamily residential), and geographies, primarily within North America and Europe. These investments and our business are organized in five reportable segments as described in "—*Segments"* below.

Highlights

Significant developments in our business include:

- On June 2, 2016, entered into a definitive Merger Agreement with NSAM and NRF to combine in an all-stock merger to form Colony NorthStar. The Merger was approved by the shareholders of the Company, NSAM and NRF on December 20, 2016 and closed on January 10, 2017;
- In January 2016, closed the merger between our equity method investee, CAH, and SWAY;
- In February 2016, realized a gain of $49.3 million from the sale of a foreclosed property in Germany, of which $35.1 million was attributable to noncontrolling interests in investment entities;
- On March 31, 2016, amended our credit facility which increased our borrowing capacity by $50 million to $850 million and at a lower interest rate of one-month LIBOR plus 2.25% per annum (from 2.75% per annum) for a four year term with two six-month extensions. Subsequently, on January 10, 2017, under Colony NorthStar, the borrowing capacity of our credit facility was further increased to $1 billion, and maturity date extended to January 11, 2021, with two six-month extension options;
- In June 2016, realized a gain of $45.0 million from a redemption of our profit participation interest in an equity method investee by our joint venture partner, of which $7.5 million was attributable to noncontrolling interests in investment entities;
- In September 2016, held a closing of our sponsored open-end industrial fund. Total committed capital of $312 million has been called as of December 31, 2016;

- Significant acquisitions in our other real estate equity segment in 2016 include a portfolio of 23 industrial properties in Spain and an office property in France for total purchase price of $112.6 million. Additionally, our light industrial portfolio in the U.S. acquired 30 additional buildings for an aggregate purchase price of $314.1 million; and
- In 2016, $551.5 million of loans were originated or acquired, including additional advances under existing commitments, collateralized by commercial real estate and land development.

Segments

We operate our business in the following reportable segments:

Real Estate Equity

- Light industrial real estate assets and associated operating platform, held through a co-investment partnership formed and managed by us acting as general partner, which represented a new segment upon acquisition in December 2014;
- Single-family residential rentals through equity method investments in Colony Starwood Homes (SFR), subsequent to the merger of CAH and SWAY in January 2016, and Colony American Finance, LLC ("CAF," formerly a subsidiary of CAH);
- Other real estate equity investments, which include real estate acquired in settlement of loans or from acquisition of operating properties, common equity in real estate or related companies, and certain preferred equity investments with profit participation meeting certain risk or return profiles;

Real Estate Debt

- Originations including senior and subordinated loans, commercial mortgage backed securities and preferred equity, as well as secondary loan acquisitions including performing and non-performing commercial real estate debt; and

Investment Management

- Investment management of Company-sponsored funds and other investment vehicles, which formed a new reportable segment following the Combination on April 2, 2015.

The five reportable segments represent distinct revenue streams to the Company, consisting of rental and property operating income, interest income and fee income, respectively. 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.

Condensed Segment Balance Sheets

($ in thousands)	Real Estate Equity: Light Industrial	Real Estate Equity: Single Family Residential Rentals	Real Estate Equity: Other	Real Estate Debt	Investment Management	Amounts Not Allocated to Segments	Total
December 31, 2016							
Assets							
Cash	$ 132,524	$ —	$ 75,945	$ 145,631	$ 15,704	$ 6,201	$ 376,005
Loans receivable, net							
Held for investment	—	—	—	3,432,992	—	—	3,432,992
Held for sale	—	—	—	29,353	—	—	29,353
Real estate assets, net							
Held for investment	1,969,247	—	1,266,132	8,252	—	—	3,243,631
Held for sale	23,504	—	130,929	69,521	—	—	223,954
Equity method investments	—	373,867	241,987	305,878	13,187	18,340	953,259
Other investments	—	—	99,736	23,446	—	—	123,182
Goodwill	20,000	—	—	—	660,127	—	680,127
Deferred leasing costs and intangible assets, net	86,308	—	142,811	165	70,696	—	299,980
Other assets	36,089	—	45,294	231,125	22,138	63,863	398,509
Total assets	$ 2,267,672	$ 373,867	$ 2,002,834	$ 4,246,363	$ 781,852	$ 88,404	$ 9,760,992
Liabilities							
Debt, net	$ 999,560	$ —	$ 892,604	$ 766,880	$ —	$ 1,056,574	$ 3,715,618
Intangible liabilities, net	12,134	—	8,928	—	—	—	21,062
Other liabilities	51,456	—	72,779	73,511	70,482	139,157	407,385
Total liabilities	1,063,150	—	974,311	840,391	70,482	1,195,731	4,144,065
Equity							
Stockholders' equity	529,424	327,865	544,561	1,719,186	623,839	(971,076)	2,773,799
Noncontrolling interests:							
Investment entities	600,815	—	407,555	1,445,568	—	—	2,453,938
Operating Company	74,283	46,002	76,407	241,218	87,531	(136,251)	389,190
Total equity	1,204,522	373,867	1,028,523	3,405,972	711,370	(1,107,327)	5,616,927
Total liabilities and equity	$ 2,267,672	$ 373,867	$ 2,002,834	$ 4,246,363	$ 781,852	$ 88,404	$ 9,760,992
By Geography: [(1)]							
United States	100%	100%	43%	75%	NA	NA	
Europe	—%	—%	57%	24%	NA	NA	
Other	—%	—%	—%	1%	NA	NA	

($ in thousands)	Real Estate Equity: Light Industrial	Real Estate Equity: Single Family Residential Rentals	Real Estate Equity: Other	Real Estate Debt	Investment Management	Amounts Not Allocated to Segments	Total
December 31, 2015							
Assets							
Cash	$ 12,129	$ —	$ 61,548	$ 70,086	$ 28,499	$ 13,592	$ 185,854
Loans receivable, net							
Held for investment	—	—	—	4,048,477	—	—	4,048,477
Held for sale	—	—	—	75,002	—	—	75,002
Real estate assets, net							
Held for investment	1,765,159	—	1,347,099	19,960	—	—	3,132,218
Held for sale	6,110	—	197,860	93,917	—	—	297,887
Equity method investments	—	394,783	195,353	214,218	9,794	10,449	824,597
Other investments	—	—	99,868	—	—	—	99,868
Goodwill	20,000	—	—	—	658,267	—	678,267
Deferred leasing costs and intangible assets, net	81,861	—	155,808	140	87,704	—	325,513
Other assets	40,743	—	37,258	212,747	13,949	66,930	371,627
Total assets	$ 1,926,002	$ 394,783	$ 2,094,794	$ 4,734,547	$ 798,213	$ 90,971	$ 10,039,310
Liabilities							
Debt, net	$ 1,092,277	$ —	$ 994,160	$ 1,143,304	$ —	$ 949,062	$ 4,178,803
Intangible liabilities, net	12,339	—	12,183	—	—	—	24,522
Other liabilities	43,717	—	71,819	126,939	45,406	131,864	419,745
Total liabilities	1,148,333	—	1,078,162	1,270,243	45,406	1,080,926	4,623,070
Equity							
Stockholders' equity	430,140	342,938	513,124	1,766,719	653,941	(859,946)	2,846,916
Noncontrolling interests:							
Investment entities	282,500	—	425,934	1,430,491	—	—	2,138,925
Operating Company	65,029	51,845	77,574	267,094	98,866	(130,009)	430,399
Total equity	777,669	394,783	1,016,632	3,464,304	752,807	(989,955)	5,416,240
Total liabilities and equity	$ 1,926,002	$ 394,783	$ 2,094,794	$ 4,734,547	$ 798,213	$ 90,971	$ 10,039,310
By Geography: [1]							
United States	100%	100%	42%	81%	NA	NA	
Europe	—%	—%	58%	18%	NA	NA	
Other	—%	—%	—%	1%	NA	NA	

[1] Geographic breakdown was based on net assets of the underlying investments held by the respective segments at December 31, 2016 and 2015.

Results of Operations

Effects of the Combination

Effective April 2, 2015, with the closing of the Combination, our business has expanded to include investment management, which provides a new source of revenue in the form of fee income. Following the internalization of our Manager, we have replaced management fees with directly incurred costs such as compensation, overhead costs and other administrative expenses.

Additionally, as a result of the Combination in which we became the investment manager of Colony-sponsored funds, we are now deemed to hold a controlling financial interest in 52 real estate investment entities that have participating interests from these funds. We previously accounted for these investment entities under the equity method, reflecting only our proportionate interests in these entities. We did not acquire any additional interests nor dispose any existing interests in these investment entities in conjunction with the Combination. Beginning April 2, 2015, we now consolidate these 52 investments entities. Consequently, our results for the periods before and after the Combination are not directly comparable. Upon consolidation, we remeasured the assets and liabilities of these consolidated investment entities at fair value and recognized a total gain of $41.5 million, net of cumulative translation adjustment reclassified to earnings, and a related deferred income tax expense of $3.5

million. The consolidation of these investment entities resulted in a gross-up of total income, before the effect of lower equity in income of unconsolidated joint ventures, as well as total expenses, with a corresponding increase in net income attributable to noncontrolling interests in investment entities.

The following table summarizes our segment results:

Year Ended December 31,	Total Income (Loss)			Net (Loss) Income			Net (Loss) Income Attributable to Colony Capital, Inc.		
(In thousands)	2016	2015	2014	2016	2015	2014	2016	2015	2014
Real Estate Equity:									
Light Industrial [1]	$ 196,357	$ 162,540	$ 5,365	$ (3,003)	$ (21,178)	$ (8,667)	$ (911)	$ (9,560)	$ (5,524)
Single Family Residential Rentals	(9,722)	(14,787)	(15,901)	(9,722)	(14,787)	(15,901)	(8,189)	(13,033)	(15,901)
Other Real Estate Equity	247,233	152,390	18,832	131,397	20,896	7,862	72,338	24,726	5,840
Real Estate Debt	425,223	473,785	291,457	305,994	370,872	267,718	157,819	232,814	230,035
Investment Management [2]	70,576	63,919	NA	21,287	20,953	NA	17,961	17,575	NA

(1) Results of the light industrial segment in 2014 is for the period from December 18, 2014 to December 31, 2014.

(2) Results of the investment management segment in 2015 is for the period from April 2, 2015 to December 31, 2015.

Equity—Light Industrial

(In thousands)	Year Ended December 31, 2016	Year Ended December 31, 2015	Period From December 18, 2014 to December 31, 2014 [1]	Change 2016 vs. 2015	Change 2015 vs. 2014 [1]
Income					
Interest income	$ 2	$ 7	$ —	$ (5)	$ 7
Property operating income	194,670	161,863	5,365	32,807	156,498
Other income	1,685	670	—	1,015	670
Total income	196,357	162,540	5,365	33,817	157,175
Expenses					
Transaction, merger integration, investment and servicing costs	1,088	4,038	7,754	(2,950)	(3,716)
Interest expense	44,834	37,338	1,321	7,496	36,017
Property operating expenses	55,924	54,581	1,544	1,343	53,037
Depreciation and amortization	88,854	82,447	3,391	6,407	79,056
Impairment loss	407	450	—	(43)	450
Compensation expense	7,856	3,633	—	4,223	3,633
Administrative expenses	2,699	1,631	—	1,068	1,631
Total expenses	201,662	184,118	14,010	17,544	170,108
Gain on sale of real estate assets, net	2,888	108	—	2,780	108
Other loss, net	—	(192)	(22)	192	(170)
Income tax benefit (expense)	(586)	484	—	(1,070)	484
Net loss	(3,003)	(21,178)	(8,667)	18,175	(12,511)
Net loss attributable to noncontrolling interests:					
Investment entities	(1,924)	(10,460)	(3,143)	8,536	(7,317)
Operating Company	(168)	(1,158)	—	990	(1,158)
Net loss income attributable to Colony Capital, Inc.	$ (911)	$ (9,560)	$ (5,524)	$ 8,649	$ (4,036)

(1) Results for the period from acquisition date of December 18, 2014 through December 31, 2014 are not comparable to results for a full year in 2015 and 2016.

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

Light industrial buildings are (i) multi-tenant industrial assets with up to 500,000 leasable square feet or (ii) single tenant industrial assets with up to 250,000 leasable square feet, and contain 20% or less office space. These buildings are typically located in supply-constrained, in-fill locations. They are designed to meet the local and regional distribution needs of businesses of every size, from large international to local and regional firms, by providing smaller industrial distribution spaces located closer to a company's customer base.

Our investment in the light industrial portfolio, initially acquired in December 2014, is made alongside third party limited partners through a joint venture, composed of two sponsored and managed partnerships (including our recently closed open-end industrial fund, as discussed below). We had also acquired, in December 2014, full ownership of the associated operating platform, which provides for vertical integration from acquisition and development to asset management and property management of the light industrial assets.

In September 2016, we held a closing of our sponsored open-end industrial fund, which allowed us to bring in new investors into the light industrial portfolio through an open-end fund platform. At December 31, 2016, we have contributed $618.5 million of capital and have a 49% interest in the light industrial portfolio based on net asset value, while third party limited partners have made capital contributions of $668.5 million.

Operating Metrics

The light industrial portfolio has a diversified tenant base of 852 tenants, of which 73% are international and national companies. The top ten tenants made up only 8% of the portfolio based on annualized gross rent as of December 31, 2016.

See "—*Information About Our Real Estate Portfolios*" for additional information on the real estate assets held within our light industrial portfolio at December 31, 2016, summarized below.

	Number of Properties	Number of Buildings	Rentable Square Feet (in thousands)	Annualized Base Rent (in thousands) [1]	Percentage Leased
December 31, 2016	296	346	37,613	$161,102	96%
December 31, 2015	278	325	34,738	135,936	93%

(1) Represents annualized fixed base rental amount using rental revenue computed on a straight-line basis in accordance with GAAP and excludes the impact of amortization of above- and below-market lease values.

2016 Activity

- Total portfolio leased percentage increased from 93% at December 31, 2015 to 96% at December 31, 2016, adding 2,875,000 rentable square feet, net of dispositions.
- Leasing activity continued at a steady pace with 106 new leases totaling 2.7 million square feet and 107 lease renewals totaling approximately 4.4 million square feet. Tenant retention based on square footage was 68% for the year. At December 31, 2016, no more than 16% of existing leases are scheduled to expire in any single year over the next ten years.
- Acquisitions and dispositions in 2016 are summarized below:

Acquisitions

Date	Market	Number of Buildings	Rentable Square Feet (in thousands)	Occupancy % At Acquisition	Purchase Price (in thousands)
February	Baltimore	2	201	96%	$ 17,625
April	Orlando	4	669	95%	55,650
July	Phoenix	1	60	100%	4,250
August	Minneapolis	4	899	100%	62,585
September	Dallas	7	568	97%	61,525
October	Dallas	3	230	88%	20,950
October	Orlando	3	479	84%	47,900
December	Dallas	2	250	100%	19,300
December	Orlando	4	382	100%	24,325
		30	3,738		$ 314,110

Through February 2017, we have closed on the acquisition of three buildings in Austin and four buildings in Orlando, all of which were fully occupied at time of acquisition, aggregating to 1.4 million square feet.

Dispositions

Dispositions reflect the recycling of capital into newer assets to continually improve the overall quality of our portfolio.

Date	Market	Number of Properties	Number of Buildings	Rentable Square Feet (in thousands)	Proceeds from Sale (in thousands)	Realized Gain (in thousands)
January	Atlanta	1	1	69	$ 1,736	$ 384
March	Houston	1	1	96	6,385	397
May	Phoenix	1	1	57	1,800	19
July	Atlanta	1	1	100	2,178	169
September	Memphis	3	3	383	9,563	1,780
November	Atlanta	1	1	80	2,237	—
November	Minneapolis	1	1	79	2,350	139
		9	9	864	$ 26,249	$ 2,888

At December 31, 2016, there were eight properties in the Chicago market totaling 1.2 million square feet that were held for sale.

Segment Balance Sheets

At December 31, 2016, our real estate carrying value was approximately $2.0 billion, financed by $1.0 billion of outstanding debt principal, of which $0.6 billion was fixed rate debt and $0.4 billion floating rate debt. This included real estate held for sale with total carrying value of $23.5 million and accompanying debt principal of $22.9 million.

Over time, we have been replacing the short-term floating rate bridge debt used to finance the initial acquisition of the light industrial portfolio in December 2014 with longer term, fixed rate debt. Between July 2015 and December 2016, we have obtained $0.6 billion of fixed rate debt from five different lenders. Proceeds from the fixed rate debt were used to refinance the floating rate acquisition debt, pay down amounts outstanding under our $100.0 million revolving credit facility, finance new acquisitions and applied as working capital. As of December 31, 2016, we have paid down approximately $0.7 billion of the floating rate acquisition debt through a combination of refinancing, property sales and additional capital contributions received from new investors in 2016.

Segment Results of Operations

2016 compared to 2015

In 2015, we owned 62% of the light industrial portfolio. Beginning in September 2016, through our first sponsored open-end industrial fund, we were able to inject additional capital into the platform from the new fund investors and our interest in the light industrial portfolio was diluted to 49% based on net asset value as of December 31, 2016.

2016 recorded a lower net loss attributable to stockholders of $0.9 million compared to a net loss of $9.6 million in 2015.

Property Operating Income and Property Operating Expenses—Total property operating income increased 20% to $194.7 million, while total property operating expenses recorded a minimal increase of 2% to $55.9 million.

Overall improvements in operating results stem from continued growth and scalability of the portfolio with increased leasing activity and rental rates across the portfolio. Most markets continue to lean in favor of the landlord, providing for rising rental rates on renewals, and the ability to minimize incentives such as tenant improvements and rental abatements.

Same Store Analysis

	Year Ended December 31,		
(In thousands)	2016	2015	Change %
Same Store: [(1)]			
Property operating income	$ 152,465	$ 146,197	4%
Property operating expenses	45,582	49,554	-8%

(1) Our same store portfolio comprises 245 properties, which includes the same properties that were owned in 2016 and 2015, and excludes properties that were acquired or sold at any time during the year in 2016 and 2015.

Same store property operating income increased 4%, while property operating expenses decreased 8%.

- The increase in same store property operating income resulted from a combination of increased occupancy, higher negotiated market rental rates on new and renewal lease transactions, and contractual rental rate increases within existing leases.
- Lower same store property operating expenses can be attributed in part to cost savings from bundling of insurance policies in 2016.

Other Income—This pertains to fee income under a property management contract that was assigned by an affiliate to the Company subsequent to June 2015.

Transaction, Merger Integration, Investment and Servicing Costs—2016 recorded $1.1 million of costs, a decrease of $3.0 million from 2015.

This is because 2015 included fees paid to an affiliate for property management services. Beginning in May 2015, employees of the affiliate became employees of the Company and compensation costs were incurred directly in lieu of fee expense.

Additionally, the decrease was driven by the volume of acquisitions where transaction costs were expensed, with 34 buildings acquired in 2015 compared to 18 buildings through the third quarter of 2016. The 12 buildings acquired in the fourth quarter of 2016 were treated as asset acquisitions and $0.7 million of associated transaction costs were capitalized following our adoption of a new accounting guidance. There were no capitalized transaction costs in 2015.

Interest Expense—Interest expense was $7.5 million higher due to a higher effective interest rate in 2016 and accelerated recognition of debt financing costs resulting from debt refinancing in 2016.

Depreciation and Amortization—Increases in depreciation and amortization in 2016 were consistent with the overall net growth in assets within our portfolio.

Impairment Loss—Impairment loss incurred in both years were associated with properties sold, reflecting primarily selling costs.

Compensation Expense—Compensation cost was higher in 2016, largely due to employees of the acquired operating platform who became employees of the Company beginning in May 2015.

Administrative Expense—Higher administrative expenses can be attributed in part to the outsourcing of quarterly property valuations to a third party service provider beginning in 2016.

Gain on Sale of Real Estate Assets—There were nine buildings disposed in 2016 compared to seven in 2015. Dispositions in 2016 recorded higher gains, in particular, a $1.8 million gain on three properties in Memphis.

Income Tax Expense—In 2015, the Company had recognized deferred tax benefits arising from net operating losses in its taxable REIT subsidiaries. In December 2016, the Company assessed that it is not more likely than not that all of the deferred tax benefits will be realized and therefore established a valuation allowance.

Equity—Single Family Residential Rentals

	Year Ended December 31,			Change	
(In thousands)	2016	2015	2014	2016 vs. 2015	2015 vs. 2014
Loss from equity method investments	$ (9,722)	$ (14,787)	$ (15,901)	$ 5,065	$ 1,114
Net loss attributable to noncontrolling interests in Operating Company	(1,533)	(1,754)	—	221	(1,754)
Net loss attributable to Colony Capital, Inc.	$ (8,189)	$ (13,033)	$ (15,901)	$ 4,844	$ 2,868

At December 31, 2016, our investment in single-family residential rental homes represents a 14.0% interest in SFR and a 17.4% interest in CAF, reported under the equity method. SFR is in the business of acquiring single family residential properties either directly or indirectly through joint venture investments, renovating and managing these properties to hold for investment and generating rental income through operating leases. CAF is a specialty finance company that lends to owners of single family homes for rent.

Significant Development in 2016

On January 5, 2016, CAH and SWAY completed a merger of the two companies into Colony Starwood Homes (NYSE: SFR), in a stock-for-stock transaction. The combined internally-managed company has total assets of $6.6 billion at December 31, 2016 and has already achieved significant cost synergies.

Upon completion of the merger, based on each company's net asset value, existing SWAY shareholders and the former owner of the SWAY manager owned approximately 41% of the shares of the combined company, while former CAH shareholders owned approximately 59%. At closing, we received approximately 15.1 million SFR shares, representing 13.8% of the combined company. Following a stock repurchase by SFR of approximately 2 million shares in the first quarter of 2016, our interest in SFR increased to 14.0%. Our interest in SFR is valued at approximately $492 million based on the closing price of its common stock on February 24, 2017. Our holdings of SFR stock were subject to a nine-month lock-up which expired in October 2016.

Immediately prior to completion of the merger, CAH effected an internal reorganization to exclude its subsidiary, CAF, from the merger. As a result of the reorganization, the Company retained its 19.0% ownership interest in CAF. In June 2016, CAF received additional capital previously committed by its third party investors, which resulted in a decrease in the Company's interest in CAF to 17.4 %.

Operating Metrics

Post-merger, SFR owns and manages more than 35,000 homes with an overall portfolio occupancy of 94% as of December 31, 2016.

	Number of Homes	Occupancy Rate
December 31, 2016	35,000+ homes	94%
December 31, 2015	18,800+ homes	95%

Segment Results of Operations

2016 compared to 2015

At December 31, 2016, our interests in SFR and CAF had carrying values of $315.1 million and $58.8 million, respectively. In 2016, we received total distributions of $11.2 million from legacy CAH, SFR and CAF, with SFR dividends at $0.22 per share, received in arrears each quarter.

2016 reflects our share of results from the single family residential rentals business post SWAY merger. Our combined share of net loss for year ended December 31, 2016 comprised $11.3 million of net loss from SFR and $1.6 million of net income from CAF.

Our share of net loss from SFR in 2016 included real estate depreciation and amortization expense of $24.9 million, transaction and integration costs of $4.2 million, as well as $2.5 million of net loss from the legacy SWAY nonperforming loans business. SFR intends to exit the nonperforming loans business in the near term and has classified it as a discontinued operation.

Our share of results in 2015 comprises net losses of $0.4 million and $14.4 million from CAF and the legacy CAH business, respectively, in which the latter included real estate depreciation and amortization of $25.3 million.

2015 compared to 2014

At December 31, 2015, our 23.3% interest in CAH had a carrying value of $394.8 million, including $57 million of our share of CAF's book value. We received total distributions of $85.0 million from CAH in 2015, which included a special distribution from proceeds received by CAH through its third securitization transaction in the second quarter of 2015.

In 2015, our share of results from CAH improved to a lower net loss of $13.0 million compared to a net loss of $15.9 million in 2014. These results include our share of real estate depreciation and amortization of $25.3 million in 2015 and $18.5 million in 2014. The lower net loss reflects improvements in the operating results of CAH as occupancy increased from 87% to 95% between December 31, 2014 and 2015 following higher renovation and leasing productivity.

Equity—Other Real Estate Equity

(In thousands)	Year Ended December 31, 2016	2015	2014	Change 2016 vs. 2015	2015 vs. 2014
Income					
Interest income	$ 14	$ 16	$ —	$ (2)	$ 16
Property operating income	170,646	134,043	15,597	36,603	118,446
Income from equity method investments	75,962	18,272	3,235	57,690	15,037
Other income	611	59	—	552	59
Total income	247,233	152,390	18,832	94,843	133,558
Expenses					
Transaction, merger integration, investment and servicing costs	6,728	22,432	245	(15,704)	22,187
Interest expense	42,440	19,441	4,355	22,999	15,086
Property operating expenses	55,909	58,035	4,019	(2,126)	54,016
Depreciation and amortization	63,039	38,452	5,786	24,587	32,666
Impairment loss	2,642	4,539	—	(1,897)	4,539
Compensation expense	3,201	2,021	—	1,180	2,021
Administrative expenses	5,305	2,008	—	3,297	2,008
Total expenses	179,264	146,928	14,405	32,336	132,523
Gain on sale of real estate assets, net	65,887	6,970	—	58,917	6,970
Gain on remeasurement of consolidated investment entities, net	—	10,223	—	(10,223)	10,223
Other gain, net	7,002	1,613	—	5,389	1,613
Income tax benefit (expense)	(9,461)	(3,372)	3,435	(6,089)	(6,807)
Net income	131,397	20,896	7,862	110,501	13,034
Net income (loss) attributable to noncontrolling interests:					
Investment entities	46,016	(7,384)	2,022	53,400	(9,406)
Operating Company	13,043	3,554	—	9,489	3,554
Net income attributable to Colony Capital, Inc.	$ 72,338	$ 24,726	$ 5,840	$ 47,612	$ 18,886

Our investments in other real estate equity comprise interests in a diverse portfolio of real estate assets that includes multifamily, office, retail, hotel, industrial, educational institutions and other commercial properties, held directly or indirectly through unconsolidated joint venture investments. Certain of our equity interests were obtained through foreclosures or deed-in-lieu of foreclosure on collateral assets from originated or acquired debt.

Operating Metrics

See "—*Information About Our Real Estate Portfolios*" for additional information on the properties wholly-owned or partially-owned by us that were consolidated within our other real estate equity segment at December 31, 2016.

Investments

Activities in the other real estate equity segment in 2016 is summarized below:

Acquisitions of real estate

Date	Location	Type	Number of Properties	Number of Buildings	Rentable Square Feet (in thousands)	Purchase Price (in thousands)
January	Spain	Industrial	23	23	1,625	$ 94,403
April	Massachusetts, U.S.	Industrial—Net lease [(1)]	1	1	450	34,900
April	United Kingdom	Mixed use [(2)]	11	15	734	—
May	France	Office	1	5	171	18,204
			36	44	2,980	$ 147,507

[(1)] Sold in August 2016.

[(2)] Twelve properties were acquired through foreclosure in April 2016, and one property was sold in June 2016. As of December 31, 2016, an additional three properties have been sold and two properties remained as held for sale.

Dispositions of real estate

Date	Location	Type	Number of Properties	Realized Gain (in thousands)
February	Germany	Office	1	$ 49,330
August	Massachusetts, U.S.	Industrial—Net lease	1	3,596
Various	United Kingdom	Office	3	1,310
Various	United Kingdom	Mixed Use	6	1,907
Various	Italy	Office	9	1,664
Various	Various in U.S	Hotels	27	8,080
			47	$ 65,887

Commitments

At December 31, 2016, the Company has commitments for additional funding totaling $38.8 million in its equity method investments, to satisfy future investments, operating costs, guaranties or other commitments of the venture entities.

Segment Balance Sheets

Real Estate and Debt—At December 31, 2016, real estate balance was approximately $1.4 billion, financed by outstanding debt principal of $0.9 billion, comprising $0.5 billion fixed rate debt and $0.4 billion floating rate debt. Real estate held for sale made up $130.9 million of this balance, with $59.2 million of associated debt principal outstanding at December 31, 2016.

Equity Method Investments—Significant new investments in 2016 include $68.0 million preferred equity in a real estate holding company and $14.8 million in a real estate development joint venture. Additionally, the Company, through an equity method joint venture with a private fund managed by the Company, formed a vehicle that invests in the common stock and preferred stock of publicly traded U.S. REITs, including securities of the Company. The Company holds an approximate 4.3% interest in the vehicle, which had a carrying value of $5.4 million at December 31, 2016.

In June 2016, we redeemed our preferred equity investment, including profit participation, in a joint venture financing a multifamily portfolio. Our investment had a carrying value of $117.2 million and we realized a gain of $45.0 million upon redemption.

Segment Results of Operations

2016 compared to 2015

Net income attributable to stockholders increased $47.6 million.

Property Operating Income—The increase of $36.6 million or 27% was due largely to the following: (i) approximately $61.0 million from new investments, including foreclosures; (ii) an additional quarter of income in 2016 totaling $19.1 million from consolidation of investments post-Combination; partially offset by (iii) $41.7 million decrease from dispositions in 2016, primarily from our hotel portfolio.

Income from Equity Method Investments—The significant increase of $57.7 million in 2016 was due to the following: (i) $45.0 million gain from redemption of a preferred equity investment, including profit participation, of which $7.5 million was attributable to noncontrolling interest in investment entities; (ii) $2.1 million gain from sale of land by an investee; (iii) approximately $14.0 million gain from sale of a hotel property by an investee; (iv) $2.1 million net income from two new investments; partially offset by (v) net decrease in income from other investments.

Transaction, Merger Integration, Investment and Servicing Costs—The significant cost in 2015 can be attributed to $20.0 million of transaction cost incurred in the acquisition of a large portfolio of commercial properties in the United Kingdom.

Interest Expense—Interest expense was $23.0 million higher as 2016 included a full year of interest for various investment level financing obtained during the year in 2015 and financing on new acquisitions in 2016.

Property Operating Expenses—The 4% net decrease of $2.1 million was largely attributed to (i) $28.8 million decrease resulting from dispositions in 2016, primarily in our hotel portfolio, partially offset by (ii) approximately $15.0 million associated with new investments and (iii) an additional quarter of expenses in 2016 of $9.9 million from investments consolidated post-Combination.

Depreciation and Amortization—The increase was due to new acquisitions and previous equity method investments consolidated post-Combination in April 2015, partially offset by properties classified as held for sale or sold in 2016.

Impairment Loss—Impairment loss in 2016 comprised $1.5 million and $1.1 million in connection with our office portfolio in Italy and remaining held for sale properties in our hotel portfolio, respectively. In 2015, the impairment loss of $4.5 million related to our portfolio in Italy.

Compensation Expense—2015 reflected three months less of expenses which were borne directly by us subsequent to the Combination in April 2015. Additionally, higher compensation costs were allocated in 2016 consistent with the increasing acquisition activities and growth in assets in the other real estate equity segment.

Administrative Expenses—These expenses include professional service fees and local taxes incurred directly by our investment entities. Higher expenses reflects an additional quarter of costs in 2016 upon consolidation of these entities post-Combination in April 2015 as well as growth in assets in the other real estate equity segment.

Gain on Sale of Real Estate Assets—Disposition gains of $65.9 million in 2016 were driven by $49.3 million from a foreclosed office property in Germany and $8.1 million from our hotel portfolio. In comparison, disposition gains in 2015 comprised $6.0 million from three portfolios in Europe and $1.0 million from our hotel portfolio for a total gain of $7.0 million.

Gain on Remeasurement of Consolidated Investment Entities, Net—This was a one-time gain recorded upon remeasurement at fair value of previous equity method investments that we were deemed to control as a result of the Combination, and consolidated effective April 2015.

Other Gain (Loss), Net—The net gains in both years were due primarily to a foreign exchange derivative. The derivative was previously undesignated in 2015. In 2016, the derivative was designated as an accounting hedge, however a portion of the notional was dedesignated as our net investment in the subsidiary decreased over time due to depreciation of its underlying real estate assets. 2016 also included a $1.2 million legal settlement gain related to our hotel portfolio.

Income Tax Expense—2015 included $2.5 million of deferred tax expense in connection with the remeasurement gain upon consolidation of previous equity method investments. Excluding this impact in 2015, income tax expense would have increased $8.6 million. The increase in income tax expense can be attributed largely to the gain on sale of an office property in Germany and a hotel property held by our equity method investee as well as an increase in net operating income from our real estate investments in the United Kingdom.

2015 compared to 2014

Comparability of 2015 results to 2014 is affected by (i) the growth in our real estate equity portfolio through acquisition of 28 properties in 2015; and (ii) the consolidation of previous equity method investments, which resulted in a gross-up of income and expense items with a larger attribution to noncontrolling interests in investment entities, although this has no net effect to net income attributable to us, other than a remeasurement gain of $10.2 million.

Net income in 2015 was $20.9 million. Due to allocation of net losses to noncontrolling interests in investment entities, primarily due to transaction costs from a recent acquisition, our share of net income in 2015 was $24.7 million. In 2014, net income was $7.9 million with $5.8 million attributable to us after noncontrolling interests.

Upon consolidation of the investment entities that were accounted for as equity method investments prior to the closing of the Combination on April 2, 2015, we remeasured their assets, liabilities and noncontrolling interests at fair value and recognized a net remeasurement gain of $10.2 million, or $7.7 million after deferred tax expense. Excluding the effect of the net remeasurement gain, net income before attribution to noncontrolling interests increased approximately $13.2 million comparing 2015 to 2014. The various components making up this increase are discussed below.

Property operating income increased by $118.4 million from $15.6 million in 2014, of which $88.9 million was contributed by previous equity method investments consolidated in 2015 and $26.6 million from new acquisitions in 2015. Similarly, depreciation and amortization, property operating expenses and interest expense aggregated to $115.9 million in 2015 compared to $14.2 million in 2014, with $78.8 million of the increase resulting from consolidation in 2015 of previous equity method investments and $21.3 million from new acquisitions in 2015.

Income from equity method investments increased from $3.2 million in 2014 to $18.3 million in 2015. This is due to losses from new equity method investments in 2014 that became profitable in 2015.

Corresponding to the growth in our portfolio in 2015, significant transaction costs were incurred for new acquisitions, primarily $20.0 million in connection with an acquisition of a portfolio of commercial properties in the United Kingdom.

In 2015, we recorded impairment losses of $4.5 million related to a portfolio of properties in Italy. In the second half of 2015, we disposed certain properties in our portfolios in Italy and United Kingdom for a gain of $6.0 million as well as properties within our hotel portfolio for a gain of approximately $1.0 million.

The $1.6 million in other gain in 2015 represents unrealized gain on a foreign exchange derivative entered into in December 2015 that was economically hedging our investment in a foreign subsidiary. The derivative was subsequently designated as an accounting hedge in January 2016.

Income tax expense in 2015 was $3.4 million, consisting primarily of $2.5 million of deferred tax expense related to the remeasurement gain upon consolidation of the investment entities, compared to an income tax benefit of $3.4 million, largely due to net operating losses, in 2014.

In 2015, compensation and administrative costs of $4.0 million was directly attributable to the other real estate equity segment. In 2014, we incurred a management fee charge which was not allocated to reportable segments.

Real Estate Debt

	Year Ended December 31,			Change	
(In thousands)	2016	2015	2014	2016 vs. 2015	2015 vs. 2014
Income					
Interest income	$ 385,744	$ 417,149	$ 204,054	$ (31,405)	$ 213,095
Property operating income	5,766	3,965	—	1,801	3,965
Income from equity method investments	26,714	46,596	86,495	(19,882)	(39,899)
Fee income	—	219	—	(219)	219
Other income	6,999	5,856	908	1,143	4,948
Total income	425,223	473,785	291,457	(48,562)	182,328
Expenses					
Transaction, merger integration, investment and servicing costs	17,600	19,273	8,430	(1,673)	10,843
Interest expense	38,063	31,549	14,002	6,514	17,547
Property operating expenses	6,628	5,097	—	1,531	5,097
Depreciation and amortization	441	252	—	189	252
Provision for loan losses	35,005	37,475	197	(2,470)	37,278
Impairment loss	8,348	2,100	—	6,248	2,100
Compensation expense	10,696	11,582	—	(886)	11,582
Administrative expenses	6,507	4,939	577	1,568	4,362
Total expenses	123,288	112,267	23,206	11,021	89,061
Gain on sale of real estate assets, net	4,841	1,876	—	2,965	1,876
Gain on remeasurement of consolidated investment entities, net	—	31,263	—	(31,263)	31,263
Other gain (loss), net	(100)	(23,361)	165	23,261	(23,526)
Income tax expense	(682)	(424)	(698)	(258)	274
Net income	305,994	370,872	267,718	(64,878)	103,154
Net income attributable to noncontrolling interests:					
Investment entities	118,992	103,983	37,683	15,009	66,300
Operating Company	29,183	34,075	—	(4,892)	34,075
Net income attributable to Colony Capital, Inc.	$ 157,819	$ 232,814	$ 230,035	$ (74,995)	$ 2,779

Our real estate debt portfolio includes originations and acquisitions of senior loans and subordinated debt, including purchased credit-impaired ("PCI") loans. We hold our real estate debt investments and generate interest income either directly or indirectly through our investments in unconsolidated investment entities.

Investment Activities in 2016

- New loans originated or acquired and additional advances under existing commitments totaled $551.5 million, with $285.7 million of these new loans invested alongside the Company's sponsored global real estate credit fund, and of which $75.3 million are PCI loans.
- Loans with total carrying value of $221.0 million were sold during the year, with immaterial losses for costs related to dispositions.
- At December 31, 2016, we have unfunded lending commitments to borrowers of $314.9 million or $140.9 million net of amounts attributable to noncontrolling interests, with another $16.5 million commitment under development and construction lending arrangements accounted for as equity method investments. Additionally, pursuant to the restructuring of a delinquent borrower, we committed to fund an investment of $23.6 million in the borrower.

- In December 2016, we had made a deposit of $50.4 million for a bid on a nonperforming loan portfolio in Europe. In January 2017, our bid was successful and we have funded the remaining $452.6 million for the acquisition, with $366.7 million through third party financing.

Segment Balance Sheets

Loans Receivable—The following table summarizes our consolidated loans held for investment, both wholly-owned or partially owned by us.

	December 31, 2016			December 31, 2015		
(In thousands)	Non-PCI	PCI	Total	Non-PCI	PCI	Total
Loans Held For Investment [1]						
Carrying value, gross	$ 2,969,847	$ 528,741	$ 3,498,588	$ 3,382,308	$ 701,356	$ 4,083,664
Allowance for loan losses	(6,287)	(59,309)	(65,596)	(472)	(34,715)	(35,187)
Carrying value, net	$ 2,963,560	$ 469,432	$ 3,432,992	$ 3,381,836	$ 666,641	$ 4,048,477
Provision for loan losses [2]	$ 5,815	$ 29,049	$ 34,864	$ 846	$ 36,629	$ 37,475

(1) Excludes non-PCI loans with carrying values of $29.4 million and $75.0 million that were held for sale at December 31, 2016 and 2015, respectively.

(2) Excludes immaterial provision on interest receivable. For loans not wholly-owned by us, provision for loan losses of $21.2 million and $26.4 million in 2016 and 2015, respectively, were attributed to noncontrolling interests in investments entities.

Debt—Investment level financing in the real estate debt segment was $0.8 billion at December 31, 2016, including two warehouse facilities and four mortgage securitizations which were accounted for as secured financing. At December 31, 2016, $27.9 million of debt principal outstanding on our warehouse financing was related to loans held for sale. In October 2016, we reduced the aggregate size of our warehouse facilities from $400 million to $125 million in light of current and expected near term utilization.

Equity Method Investments—New investments include two loans totaling $97.1 million made to borrowers for the acquisition, development and construction of real estate in Europe, in which we participate in expected residual profits from the projects. These arrangements are accounted for as equity method investments.

Segment Results of Operations

2016 compared to 2015

Net income attributable to stockholders decreased $75.0 million. 2015 had included a one-time remeasurement gain of $31.3 million upon consolidation of previous equity method investments post-Combination in April 2015. Excluding this gain, the decrease in net income attributable to stockholder would be $39.0 million.

Interest Income—Interest income in 2016 was $385.7 million compared to $417.1 million in 2015, a decrease of $31.4 million. The higher interest income in 2015 was due to (i) $59.7 million from payoff of two loans collateralized by real estate in Spain; and (ii) $39.9 million from foreclosure of a loan in which the foreclosed land was sold thereafter. Excluding the approximately $100.0 million impact from the two investments that had resolved in 2015, year over year interest income increased $68.2 million, with higher interest income from new loans, including draws on revolving loans, as well as prepayments on securitized or warehoused loans in 2016.

Property Operating Income—This pertains to rental income on foreclosed properties, mainly from joint venture investments that were consolidated post-Combination in April 2015. Income in 2015 was lower as it included only three quarters of activity and additionally, 2016 included $1.0 million of rental income from foreclosure of two commercial buildings in October 2015.

Income from Equity Method Investments—The decrease in income of $19.9 million resulted from equity method investments that were consolidated post-Combination in April 2015 and investments that have resolved. This was partially offset by $12.8 million net increase in income from new and existing investments.

Other Income—Other income represent expenses, primarily legal costs incurred in administering non-performing loans and foreclosed properties which are subsequently recovered through payments received when these investments are resolved. The net increase of $1.1 million was due largely to $1.3 million of income from legal settlement of a loan in 2016, partially offset by a $0.6 million decrease in income from a loan portfolio that was resolved in 2015.

Transaction, Merger Integration, Investment and Servicing Costs—Overall costs decreased $1.7 million as our loan portfolios continue to be paid down or resolved over time, despite $2.2 million of transaction costs incurred in relation to new acquisitions and restructuring of an investment in 2016.

Interest Expense—The net increase of $6.5 million can be attributed to a new securitization in September 2015 and financing of new investments; partially offset by decreases from payoff of loans and their corresponding financing. Additionally, 2016 included an additional quarter of interest expense on debt consolidated post-Combination in April 2015.

Property Operating Expenses—These expenses related to foreclosed properties were $1.5 million higher as 2016 included an additional quarter of expenses post-Combination in April 2015.

Provision for Loan Losses—Of the $35.0 million and $37.5 million provision in 2016 and 2015, $21.2 million and $26.4 million are attributed to noncontrolling interests in investment entities, respectively. Similar to prior year, the bulk of the provision in 2016 or $29.0 million relates to PCI loans. The provision taken on PCI loans in 2016 reflect decreases in expected cash flows, including a decrease in collateral values, with $16.5 million of the provision concentrated on two loan portfolios. The remaining provision of $6.0 million in 2016 relates to non-PCI loans. Compared to $0.8 million in 2015, the increase in provision on non-PCI loans can be attributed to two loans, and reflects a decrease in collateral value on a loan affected by the decline in oil and gas prices as well as expected losses on a loan modified in a troubled debt restructure in 2016.

Impairment Loss—This relates to subsequent write-down in value of foreclosed properties, including selling costs. Impairment loss increased $6.2 million, of which $5.4 million relates to three portfolios. Higher impairment loss in 2016 reflects additional foreclosures and a longer holding period. In 2015, we started to hold foreclosed properties upon consolidation of previous equity method investments in April 2015.

Compensation Expense—Although 2016 included an additional quarter of costs post-Combination, overall decrease in compensation in 2016 reflects a lower headcount in the real estate debt segment.

Administrative Expense—The increase reflects an additional quarter of expenses post-Combination in April 2015.

Gain on Sale of Real Estate Assets—The increase of $3.0 million reflects higher foreclosure and sale activities in 2016, with $3.0 million contributed by foreclosed assets from three loan portfolios.

Gain on Remeasurement of Consolidated Investment Entities, Net—This was a one-time gain recorded upon remeasurement at fair value of previous equity method investments that we were deemed to control as a result of the Combination, and consolidated effective April 2015.

Other Gain (Loss)—Other loss of $23.4 million in 2015 represents the foreign currency translation loss, net of hedging, on the two Spanish loans that had paid off in 2015.

Income Tax Expense—Income tax expense in 2015 included $0.9 million of net deferred tax expense related to the remeasurement gain upon consolidation of previous equity method investments. Excluding this impact, 2015 would have an income tax benefit of $0.5 million, resulting in an increase of approximately $1.2 million in income tax expense in 2016. The net income tax benefit in 2015 can be attributed to net losses on loan portfolios held in taxable REIT subsidiaries that have continued to wind down through 2016. In comparison, the income tax expense in 2016 can be attributed to excess inclusion income resulting from a securitization that was completed in September 2015.

2015 compared to 2014

Comparability of 2015 results to 2014 is affected by the consolidation of previous equity method investments, which resulted in a gross-up of income and expense items with a larger attribution to noncontrolling interests in investment entities, although this has no net effect to net income attributable to us, other than a remeasurement gain of $31.3 million.

Net income was $370.9 million in 2015 and $267.7 million in 2014, of which our share was $232.8 million in 2015 and $230.0 million in 2014 after attribution to noncontrolling interests. Key changes comparing 2015 to 2014 include the following:

Net gain from remeasurement of assets and liabilities of the 44 consolidated investment entities within the real estate debt segment on April 2, 2015, following the Combination, was $31.3 million, or $30.4 million, after the effect of deferred tax expense.

Other loss of $23.4 million was recognized, primarily resulting from $31.1 million of net foreign currency translation loss on loans that paid off in 2015, partially offset by $7.8 million of net realized gain related to net investment hedges of foreign subsidiaries holding these loans receivable.

Provision for loan losses, primarily on PCI loans from previous equity method investments consolidated in 2015, was $37.5 million, of which our share, net of noncontrolling interests in investment entities, was $11.1 million. By comparison, our PCI loan portfolio was largely held through our joint venture investments which were accounted for under the equity method prior to April 2015; accordingly, provision for loan losses would have been reflected as part of our share of net income from unconsolidated joint ventures in 2014.

Interest income increased $213.1 million in 2015, driven by $59.7 million from a loan portfolio with early payoff, $39.9 million from foreclosure of a loan that was subsequently sold, $125.0 million earned by previous equity method investments consolidated in April 2015, and $48.8 million from new originations or acquisitions of middle market loans secured by transitional real asset assets. These increases were offset by $56.2 million related to loans paid off or with partial prepayments in 2014.

Interest expense increased $17.4 million, as we incurred a full year of interest expense from three loan securitizations completed in April, October and November 2014, as well as an additional securitization in September 2015, all of which were accounted for as secured financing.

The consolidation of previous equity method investments contributed largely to the $39.9 million decrease in income from equity method investments, $4.9 million increase in other income, which are mainly expense recoveries from borrowers, and $10.8 million increase in transaction, integration, investment and servicing costs.

Foreclosed properties held by previous equity method investments that were consolidated in 2015 contributed $1.5 million of net loss. There were no foreclosed properties in 2014.

Expenses in 2015 included $16.5 million of compensation and administrative costs that were directly attributable to the real estate debt segment. Prior to the Combination, we incurred a management fee charge and only certain cost reimbursements were allocated to reportable segments in 2014.

Although $0.9 million of deferred tax expense was recognized on the remeasurement gain in 2015, this was partially offset by deferred tax benefit on net operating losses of loan investments held in TRS, resulting in a lower income tax expense in 2015 compared to 2014.

Investment Management

(In thousands)	Year Ended December 31, 2016	For the Period from April 2, 2015 to December 31, 2015	Change
Income			
Income (loss) from equity method investments	$ 2,245	$ (1,675)	$ 3,920
Fee income	67,731	65,594	2,137
Other income	600	—	600
Total income	70,576	63,919	6,657
Expenses			
Transaction, merger integration, investment and servicing costs	2,226	—	2,226
Depreciation and amortization	14,767	16,498	(1,731)
Impairment loss	320	4,103	(3,783)
Compensation expense	34,835	33,021	1,814
Administrative expenses	3,603	1,983	1,620
Total expenses	55,751	55,605	146
Other loss, net	(146)	(19)	(127)
Income tax benefit	6,608	12,658	(6,050)
Net income	21,287	20,953	334
Net income attributable to noncontrolling interests in Operating Company	3,326	3,378	(52)
Net income attributable to Colony Capital, Inc.	$ 17,961	$ 17,575	$ 386

Through the Combination which closed on April 2, 2015, we acquired (i) the investment management business of CCLLC, in which we assumed CCLLC's in-place investment advisory contracts that generate management fee income; and (ii) ownership of the Colony trade name under which we sponsor funds or similar investment vehicles as general partner post-Combination. The acquired investment management business constituted a new segment.

Income

Income from our investment management business is derived primarily from:

- Management fee income as investment advisor, comprising (a) base management fees for the day-to-day operations and administration of our managed funds, generally around 1% per annum of the limited partners' net funded capital; and (b) asset management fees, which are one-time fees received upon closing of each investment made by our managed funds, typically calculated as 0.5% of the limited partners' net funded capital on each investment, with a portion of the fee recognized upon completion of underwriting and remaining fee recognized over the holding period of each investment;

- Investment income from (a) our nominal interests in our sponsored funds as general partner, or (b) our investment in third party asset managers in which we have a significant influence, both of which are accounted for as an equity method investment; and in the future,
- Performance based incentive income as general partner, which is earned when the cumulative returns of our sponsored funds are in excess of preferred returns to limited partners.

Sponsored Funds

At December 31, 2016, we have unfunded commitments of $62.9 million to certain Sponsored Funds.

Operating Metrics

Both AUM and FEEUM decreased in the year ended December 31, 2016.

- The $2.0 billion decrease in AUM can be attributed primarily to disposition of a non-fee-bearing private equity investment and continued realization of investments from liquidating legacy funds.
- FEEUM decreased $2.4 billion, driven by a change in fee basis for two 2006 vintage funds that are in liquidation, and realization of investments by liquidating legacy funds outpacing inflows of managed capital.

(In billions)	December 31, 2016	December 31, 2015
Assets under management ("AUM") (1)	$16.8	$18.8
Fee-earning equity under management ("FEEUM") (2)	$6.9	$9.3

(1) AUM refers to the assets for which the Company provides investment management services and includes assets for which we may or may not charge management fees and/or performance allocations. AUM is the sum of: (a) the gross fair value of investments held directly by the Company or managed by the Company on behalf of its private funds, co-investments, or other investment vehicles; (b) leverage, inclusive of debt held by investments and deferred purchases prices; (c) uncalled limited partner capital commitments that the Company is entitled to call from investors during the given commitment period at its discretion pursuant to the terms of their respective funds; and (d) with respect to majority-owned and substantially controlled investments the Company consolidates gross assets attributable to third-party investors. The Company's calculations of AUM may differ from the calculations of other asset managers, and as a result, these measures may not be comparable to similar measures presented by other asset managers.

(2) FEEUM refers to the equity for which the Company provides investment management services and from which it derives management fees and/or performance allocations. At December 31, 2016, FEEUM includes approximately $0.3 billion of uncalled limited partner capital commitments that does not bear fees until such capital is called at the Company's discretion. Additionally, $0.3 billion pertains to FEEUM of our equity-method investment in a German-based asset management platform. The Company's calculations of FEEUM may differ from the calculations of other asset managers, and as a result, these measures may not be comparable to similar measures presented by other asset managers.

Segment Results of Operations

2016 compared to 2015

Net income from our investment management business attributable to stockholders increased $0.4 million to $18.0 million year over year.

Fee Income—Fee income of $67.7 million was $2.1 million higher, attributed to the following: (i) an additional quarter of fee income in 2016 of $16.6 million; and (ii) $2.7 million increase in fee income from our first sponsored global real estate credit fund; largely offset by (iii) a $15.7 million decrease due to fee concessions on legacy funds from the Combination which are managed but not sponsored by us.

Income from Equity Method Investments—This pertains to our 50% interest in a German-based asset manager. Our share of results for year-to-date 2016 included a one-time gain of approximately $3.3 million from the sale of real estate by the investee. Our share of income from GP investments in Sponsored Funds is immaterial.

At December 31, 2016, our equity-method investments comprise $11.5 million in the third party asset manager and $1.7 million of GP investments in Sponsored Funds.

Other Income—The $0.6 million represents income recovered from liquidation proceeds of an investment previously held by a legacy investment vehicle that has been dissolved.

Transaction, Merger Integration, Investment and Servicing Costs—Transaction and investment costs in 2016 included offering costs expensed in excess of amounts reimbursable based on the level of capital raised for a sponsored fund.

Depreciation and Amortization—This represents amortization on intangible assets acquired from the Combination, consisting of (i) contractual rights to earn future fee income from in-place investment management contracts, and (ii) customer relationships with institutional clients of private funds. Amortization was lower in 2016 due to a $4.4 million impairment on investment management contracts recognized largely in December 2015.

Impairment Loss—An impairment loss of $0.3 million was recognized in the first quarter of 2016 on the investment management contract intangible asset, attributable to a change in fee basis on a liquidating fund.

Compensation Expense—Compensation costs were higher in 2016 as 2015 included one less quarter of costs post-Combination, however, this was partially offset by a decrease in costs in 2016 due to lower headcount.

Administrative Expense—Administrative costs were higher, largely due to an additional quarter of costs post-Combination in 2016.

Income Tax Benefit—The decrease in income tax benefit was primarily due to recognition of a large deferred tax benefit in 2015 arising from net operating losses and utilization of the net operating losses in 2016. In both years, deferred tax benefit was also recognized in connection with amortization of the intangible assets acquired from the Combination.

Amounts Not Allocated to Segments

	Year Ended December 31,			Change	
(In thousands)	2016	2015	2014	2016 vs. 2015	2015 vs. 2014
Income					
Interest income	$ 91	$ 133	$ 307	$ (42)	$ (174)
Income (loss) from equity method investments	4,176	(801)	—	4,977	(801)
Other income	4,298	4,797	589	(499)	4,208
Total income	8,565	4,129	896	4,436	3,233
Expenses					
Management fees	—	15,062	43,133	(15,062)	(28,071)
Transaction, merger integration, investment and servicing costs	36,629	16,514	10,478	20,115	6,036
Interest expense	44,746	44,766	28,490	(20)	16,276
Depreciation and amortization	4,581	3,328	—	1,253	3,328
Compensation expense	55,250	34,249	2,468	21,001	31,781
Administrative expenses	33,585	27,677	8,363	5,908	19,314
Total expenses	174,791	141,596	92,932	33,195	48,664
Gain on sale of real estate assets, net	—	8	—	(8)	8
Other gain, net	11,660	16,789	1,073	(5,129)	15,716
Income tax expense	(661)	(50)	(338)	(611)	288
Net loss	(155,227)	(120,720)	(91,301)	(34,507)	(29,419)
Net loss attributable to noncontrolling interests:					
Investment entities	—	(16)	—	16	(16)
Operating Company	(31,527)	(18,162)	—	(13,365)	(18,162)
Net loss attributable to Colony Capital, Inc.	$ (123,700)	$ (102,542)	$ (91,301)	$ (21,158)	$ (11,241)

Amounts not allocated to segments represent all corporate level assets and liabilities, as well as costs not directly attributable or allocable to other segments but support our overall business activities and operations.

Upon consummation of the Combination on April 2, 2015, costs previously borne and allocated by the Manager through a management fee charge are now incurred directly by us, primarily as compensation, administrative and overhead costs, and certain assets held by CCLLC were transferred to us as part of the Combination. Compensation costs that are directly attributable, or otherwise can be subjected to a reasonable and systematic allocation, have been allocated to each of the reportable segments, with remaining costs unallocated. Administrative expenses and overhead costs that benefit all lines of business as a whole are generally not allocated to reportable segments, and similarly, any reimbursements of such costs by affiliates remain unallocated. Other costs not allocated to reportable segments include interest expense related to corporate level debt, costs associated with unconsummated deals, transaction and integration costs in connection with the Combination in 2015 and the Merger in 2016, as well as depreciation of fixed assets. Assets and liabilities not allocated to reportable segments consist mainly of cash and other assets not directly identifiable with specific real estate investment activities, including fixed assets, corporate level financing consisting of convertible senior notes issued, credit facility and notes payable, contingent consideration liability in connection with the Combination, as well as non-real estate investments.

Equity Method Investment

In September 2015, we committed seed capital of $15.0 million, which has been fully funded as of December 31, 2016, for a 15% interest as a founding member in a newly-formed collateralized loan obligation ("CLO") investment fund alongside an unaffiliated third party co-sponsor. Our investment in the CLO fund reflects our new secured corporate credit strategy and is presented as an equity method investment. As the underlying loans in the CLO are a non-real estate asset class, we have not allocated our investment in the CLO fund to our existing real estate investment segments. We may co-sponsor new CLO investment vehicles with the unaffiliated third party in the future and share in management fees as well as performance-based incentives.

Results of Operations

2016 compared to 2015

Income from Equity Method Investments—This is our proportionate share of results from our co-sponsored CLO fund, which represents primarily interest income and fair value changes on the underlying debt securities in the CLO fund. Our equity method investment in the CLO fund had a carrying value of $18.3 million at December 31, 2016.

Other Income—Based on an arrangement we assumed from CCLLC in the Combination, we provide administrative and investment services to certain of our affiliates and are reimbursed, generally based on expenses incurred that are directly attributable to the affiliates and a portion of overhead costs, as applicable. These reimbursements are presented as other income and related costs included within the respective expense categories. Reimbursements from our consolidated subsidiaries are eliminated.

Decrease in 2016 is due to the absence of CAH reimbursements subsequent to its merger with SWAY in January 2016, partially offset by an additional quarter of other cost reimbursements in 2016 relative to 2015, which reflected only activities post-Combination.

Management Fee Expense—Subsequent to the Combination, we have internalized our Manager and replaced management fee expense with directly incurred costs such as compensation, overhead costs and other administrative expenses. Management fees were payable to our Manager in 2015 through April 1, which included share-based compensation expense for stock grants made to the Manager and employees prior to the Combination.

Transaction, Merger Integration, Investment and Servicing Costs—In 2016, transaction and integration costs of $19.4 million were incurred in connection with the Merger, which consisted primarily of legal, financial advisory, accounting and consulting costs. Additionally, a $12.4 million settlement of a foreign administrative tax assessment was incurred in 2016 pertaining to an investment previously held by a legacy fund that has been liquidated. In 2015, transaction costs of $15.1 million were incurred in connection with the Combination. Other costs incurred in both years include costs absorbed by us for unconsummated deals.

Other Expenses—These include depreciation of fixed assets acquired from our Manager, as well as compensation and administrative costs that we bear directly post-Combination that have not been allocated to our reporting segments. The period in 2015 reflected only three quarters of depreciation, compensation and administrative expenses post-Combination, while 2016 also included higher bonus expense.

Other Gain, Net—This reflects the change in fair value of the contingent consideration liability in connection with the Combination, which decreased $11.7 million and $16.5 million for the year ended December 31, 2016 and 2015, respectively. Decrease in fair value result from a combination of changes in the price of our Class A common stock as the contingent consideration is payable in shares of the Company, equity volatilities, projected performance targets and projected capital raising.

2015 compared to 2014

Income from Equity Method Investments—This represents our proportionate share of results from our co-sponsored CLO fund to which we provided seed capital in September 2015.

Other Income—Based on an arrangement we assumed from CCLLC in the Combination, we provide administrative and investment services to certain of our affiliates and are reimbursed, generally based on expenses incurred that are directly attributable to the affiliates and a portion of overhead costs, as applicable. These reimbursements are presented as other income and related costs included within the respective expenses. Reimbursements from our consolidated subsidiaries are eliminated.

Management Fees—Subsequent to the Combination, we have internalized our Manager and replaced management fee expense with directly incurred costs such as compensation, overhead costs and other administrative expenses. Management fees were payable to our Manager for the full year in 2014 and only through April 1 in 2015. Management fees for 2015 amounted to $15.1 million and included share-based compensation expense for stock grants made to the Manager and employees prior to the Combination.

Transaction, Merger Integration, Investment and Servicing Costs—Transaction costs incurred in connection with the Combination was $15.1 million in 2015 and $8.3 million in 2014. Other amounts comprise costs incurred in connection with unconsummated deals.

Interest Expense—Corporate level interest expense increased by $16.3 million in 2015 due mainly to (i) $11.0 million of higher interest expense from increased usage of our credit facility to temporarily finance our investing and operating activities in 2015; (ii) additional $3.2 million of interest expense from a full year of interest on our convertible debt issued in June 2014; and (iii) $1.5 million of interest expense on notes payable financing the corporate aircraft assumed through the Combination.

Other Expenses—These include depreciation of fixed assets acquired from our Manager, as well as compensation and administrative costs that we bear directly post-Combination and that have not been attributed to our reporting segments.

Other Gain, Net—2015 includes a $16.5 million gain from a decrease in estimated fair value of the contingent consideration since the closing of the Combination on April 2, 2015.

Non-GAAP Supplemental Financial Measures

Funds from Operations

We calculate FFO in accordance with standards established by the National Association of Real Estate Investment Trusts ("NAREIT"), which defines FFO as net income or loss calculated in accordance with GAAP, excluding extraordinary items, as defined by GAAP, gains and losses from sales of depreciable real estate and impairment write-downs associated with depreciable real estate, plus real estate-related depreciation and amortization, and after similar adjustments for unconsolidated partnerships and joint ventures. Included in FFO are gains and losses from sales of assets which are not depreciable real estate such as loans receivable, investments in unconsolidated joint ventures as well as investments in debt and other equity securities, as applicable.

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

FFO should not be considered an alternative 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 may differ from methodologies utilized by other REITs for similar performance measurements, and, accordingly, may not be comparable to those of other REITs.

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)	2016	2015
Net income attributable to common stockholders	$ 67,159	$ 107,411
Adjustments for FFO attributable to common interests in Operating Company and common stockholders:		
Net income attributable to noncontrolling common interests in Operating Company	12,324	19,933
Real estate depreciation and amortization	181,015	153,824
Impairment of real estate	11,491	10,857
Gain on sales of real estate	(92,088)	(9,024)
Less: Adjustments attributable to noncontrolling interests in investment entities [1]	(21,439)	(45,270)
FFO attributable to common interests in Operating Company	$ 158,462	$ 237,731

[1] For the year ended December 31, 2016, adjustments attributable to noncontrolling interests in investment entities include $64.8 million related to real estate depreciation and amortization, $8.7 million related to impairment of real estate, offset by $50.5 million related to gain on sales of real estate. For the year ended December 31, 2015, adjustments attributable to noncontrolling interests in investment entities

include $44.7 million related to real estate depreciation and amortization, $4.9 million related to impairment of real estate, offset by $5.8 million related to gain on sale of real estate. The adjustments attributable to noncontrolling interests also reflect the correction of a $1.5 million over-allocation of loss to noncontrolling interests in 2015 which was recorded in the 2016 consolidated statement of operations. The correction was not material to net income attributable to common stockholders or FFO attributable to common interests in the Operating Company for the periods presented.

Information About Our Real Estate Portfolios

Real Estate Equity Portfolio

The following tables set forth certain information regarding investment properties wholly-owned or partially owned by us that are consolidated and presented as real estate assets, net, on the consolidated balance sheet at December 31, 2016. No single tenant represented a significant portion of in-place leases at December 31, 2016. Certain properties are pledged as security under our secured debt, as described in Note 11 to our Consolidated Financial Statements.

Light Industrial Platform

Location (Markets)	Property Type	Number of Properties	Number of Buildings	Rentable Square Feet (in thousands)	Annualized Base Rent (in thousands)(1)	Percentage Leased	Number of Leases(2)	Lease Expiration (2)	Year Acquired
United States									
Atlanta	Industrial	68	82	8,105	$ 32,998	96%	237	1/2017 to 4/2030	2014-2015
Austin	Industrial	3	4	236	1,614	96%	14	2/2017 to 8/2025	2014
Chicago	Industrial	34	34	3,972	16,744	94%	50	1/2017 to 12/2026	2014
Dallas	Industrial	63	70	7,191	29,643	97%	186	2/2017 to 1/2027	2014-2016
Denver	Industrial	8	8	1,128	4,935	99%	24	1/2017 to 3/2026	2014
Houston	Industrial	10	21	1,713	8,863	96%	51	1/2017 to 8/2026	2014
Kansas City	Industrial	9	9	1,664	5,976	100%	23	4/2017 to 11/2024	2014
Baltimore	Industrial	3	5	431	2,014	89%	8	5/2017 to 5/2027	2015-2016
Minneapolis	Industrial	17	18	2,814	13,186	96%	59	1/2017 to 10/2025	2014-2016
New Jersey South/Philadelphia (3)	Industrial	28	30	3,328	14,081	93%	67	1/2017 to 4/2027	2014-2015
Orlando	Industrial	13	14	2,085	10,009	96%	38	1/2017 to 12/2027	2014-2016
Phoenix	Industrial	13	18	1,705	8,000	97%	53	1/2017 to 8/2024	2014-2016
Salt Lake City	Industrial	15	16	1,269	5,150	93%	33	1/2017 to 11/2023	2014
St. Louis	Industrial	8	8	1,355	4,681	90%	16	6/2017 to 7/2024	2014
Tampa	Industrial	4	9	617	3,208	97%	35	1/2017 to 1/2024	2014
Total (4)		296	346	37,613	$ 161,102	96%	894		

Other Real Estate Equity Held for Investment

Location	Property Type	Number of Properties	Number of Buildings	Rentable Square Feet (in thousands)	Annualized Base Rent (in thousands)(1)	Percentage Leased	Number of Leases(2)	Lease Expiration (2)	Year Acquired(5)
Net Leased (6)									
Minnesota	Office	1	1	502	$ 9,568	100%	1	9/2020	2013
France	Office	1	3	187	2,477	100%	1	11/2027	2015
Norway	Office	1	26	1,291	17,129	100%	1	6/2030	2015
Switzerland	Education	2	20	304	13,266	100%	2	1/2035	2015
		5	50	2,284	42,440				
Others									
Arizona	Office	1	1	458	5,373	64%	20	3/2017 to 6/2022	2013
Italy (7)	Mixed Use	76	77	570	4,522	34%	43	6/2018 to 5/2023	2014
Spain	Industrial	36	36	2,608	11,217	100%	36	12/2017 to12/2029	2014, 2016
United Kingdom	Office	21	33	942	10,157	74%	108	2/2017 to 11/2070	2014, 2015
United Kingdom	Mixed Use	25	55	2,872	28,249	89%	244	1/2017 to 3/2040	2015, 2016
France	Office	1	5	172	140	4%	1	12/2022	2016
		160	207	7,622	59,658				
		165	257	9,906	$ 102,098				

(1) Represents annualized fixed base rental amount in effect as of December 31, 2016 using rental revenue computed on a straight-line basis in accordance with GAAP and excludes the impact of amortization of above- and below-market lease values. Rents denominated in foreign currencies have been translated at the applicable currency exchange rate at December 31, 2016.

(2) Leases exclude renewal options and tenant ground leases.

(3) Properties include one parcel of vacant land.

(4) Includes eight properties with one building each located in Chicago, totaling 1,186,647 rentable square feet and 90% leased in aggregate, that were held for sale at December 31, 2016.

(5) Reflects year of initial acquisition for properties held through joint ventures that were consolidated on April 2, 2015.

(6) These are net leased properties in which tenants are responsible for all operating expenses associated with the properties.

(7) Excludes one building with approximately 218,000 square feet that is subject to development.

Real Estate Debt Portfolio

Our real estate debt investment segment comprises originations and acquisitions of senior and subordinated loans and debt securities, including purchased credit-impaired ("PCI") loans. The following table presents the collateral diversification of our consolidated loan portfolio at December 31, 2016. Carrying value of loans held for investment are presented net of allowance for loan losses.

	Total Portfolio		
(Amounts in thousands)	Unpaid Principal Balance	Carrying Values	Weighted Average Coupon
Loans Held for Investment			
Non-PCI Loans			
Residential	$ 59,574	$ 59,343	12.8%
Multifamily	459,507	453,541	5.8%
Office	523,665	517,287	7.6%
Retail	681,355	678,888	8.7%
Hospitality	875,659	867,231	9.7%
Industrial	9,390	9,397	5.7%
Other commercial	209,633	208,950	9.2%
Land	172,077	168,923	11.2%
	2,990,860	2,963,560	8.6%
PCI Loans			
Residential	48,861	25,934	
Multifamily	191,733	135,319	
Office	85,098	42,192	
Retail	132,940	100,250	
Hospitality	60,169	42,625	
Industrial	82,681	63,893	
Other commercial	85,316	42,854	
Land	70,278	16,365	
	757,076	469,432	
Total loans held for investment, net	$ 3,747,936	$ 3,432,992	

Liquidity and Capital Resources

Our current primary liquidity needs are to fund:

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

Our current primary sources of liquidity are:

- cash on hand;
- our credit facilities;

- fees received from our investment management business;
- cash flow generated from our investments, both from operations and return of capital;
- proceeds from full or partial realization of investments;
- investment-level financing;
- proceeds from public or private equity and debt offerings; and
- capital commitments from limited partners of sponsored funds.

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. We have historically funded investments in our target assets and sustained our growth through third-party sources of capital, including public and private offerings of securities and debt financings, which may or may not be available on favorable terms, or at all. Subsequent to the Combination, we believe we will be able to reduce our reliance on raising incremental public funding as prospectively, we will have third party investor participation in funds and investment vehicles that we will sponsor.

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

Liquidity Needs

Commitments

We have commitments in connection with our investment activities as well as lease commitments, as 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 could 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 2016:

Declaration Date	Record Date	Payment Date	Dividend Per Share
February 25, 2016	March 31, 2016	April 15, 2016	$ 0.40
May 5, 2016	June 30, 2016	July 15, 2016	0.40
August 3, 2016	September 30, 2016	October 14, 2016	0.40
November 3, 2016	December 30, 2016	January 17, 2017	0.40

Preferred Stock—We are required to make quarterly cash distributions on our outstanding preferred stock. Dividends are payable on or about the 15th of each January, April, July and October.

Description	Dividend Rate Per Annum	Shares Outstanding December 31, 2016 (In thousands)	Quarterly Cash Distributions	
			Total (In thousands)	Per Share
Series A 8.5% Cumulative Redeemable Perpetual	8.50%	10,080	$ 5,355	$ 0.53125
Series B 7.5% Cumulative Redeemable Perpetual	7.50%	3,450	1,617	0.46875
Series C 7.125% Cumulative Redeemable Perpetual	7.125%	11,500	5,121	0.44531
		25,030	$ 12,093	

Sources of Liquidity

Cash from Investments

Our investments generate cash, either from operations or as a return of our invested capital. We receive monthly or quarterly distributions from some of our unconsolidated joint ventures from earnings, principal receipts or capital transactions, such as financing transactions or full or partial loan sales. We also receive interest and principal on our loans held for investment and rental income from tenants. As loans reach their maturity, we may receive all or a portion of the outstanding principal balance. Certain loans held for investment require minimum principal payments, including partial paydowns of principal in the event of a sale of the underlying collateral. We may also, from time to time, fully or partially realize our investments through sale and expect to continue to resolve loans in our loan pools to generate cash, particularly those in acquired credit-distressed portfolios. We may also pursue opportunities to sell whole or partial positions in our originated loan investments or obtain financing (see "—*Investment-Level Financing*") to generate cash and improve the return on our investments. Cash from investments may fluctuate significantly depending upon our loan resolution activity, financing opportunities and unanticipated prepayments by borrowers, among other factors.

Cash from Investment Management Business

Following the closing of the Combination, our investment management business generates an additional source of cash flows in the form of management fees as investment advisor of our managed funds, and in the future, potentially performance-based incentive income from funds or similar investment vehicles sponsored by us as general partner.

Management fees comprise (a) base management fees, which are calculated as a percentage of the limited partners' net funded capital and accrues from the date of the first investment of the fund through the last day of the term of the fund and payable to us generally in arrears at the end of each calendar quarter or each month depending on the type of funds; and (b) asset management fees payable to us upon closing of each investment made by our managed funds, calculated as a fixed percentage of the limited partners' net funded capital on each investment. Our management fee basis is not based on fair value of the investments of our funds and is generally a predictable and stable revenue stream.

Performance-based incentive income is typically realized at the end of our sponsored fund's measurement period, when the underlying investments are profitably disposed and the fund's cumulative returns are in excess of preferred returns to limited partners. Performance based incentive income is by nature less predictable in amount and timing.

Additionally, our ability to establish new funds and raise investor capital depends on general market conditions and availability of attractive investment opportunities as well as availability of debt capital.

Investment-Level Financing

We have various forms of investment-level financing from commercial banks on several of our loan and real estate equity investments, described as secured debt in Note 11 to the Consolidated Financial Statements.

This includes two warehouse facilities which provided us with $400 million of available financing. In October 2016, we reduced the aggregate size of our warehouse facilities to $125 million in light of current and expected near term utilization. As of February 24, 2017, a combined $79.5 million was available to be drawn under our warehouse facilities.

In July 2015, we closed on a $100 million revolving credit facility to pursue additional acquisitions under the *Light Industrial Platform* segment. As of February 24, 2017, $77.0 million was available to be drawn on this facility.

We may attempt to secure other investment-level financing in the future, if available, including term loans, securitizations, warehouse facilities, and the issuance of debt and equity securities.

We also expect to continue to invest in a number of our assets through co-investments with our Sponsored Funds, private funds or other investment vehicles managed by CCLLC or its affiliates and/or other third parties. Our ability to raise and access capital from the limited partners of these funds or investment vehicles and/or third parties, would allow us to scale our investment activities by pooling capital to access larger transactions and diversify our investment exposure.

Credit Facility

As described in Note 11 to the Consolidated Financial Statements, the JPM Credit Agreement, which was amended on January 10, 2017, provides a secured revolving credit facility in the maximum principal amount of $1.0 billion, which may be increased up to $1.5 billion, subject to customary conditions. The JPM Credit Agreement matures on January 11, 2021, with two six-month extension options.

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

As of February 24, 2017, the borrowing base valuation was sufficient to permit borrowings of up to the entire $1.0 billion commitment, of which $502.1 million was available to be drawn.

The JPM Credit Agreement contains covenants and restrictions requiring us to meet certain financial ratios. At December 31, 2016, we were in compliance with the financial covenants that were in place at that time.

Convertible Senior Notes

Convertible Senior Notes issued by us and that remain outstanding are described in Note 11 to the Consolidated Financial Statements.

Public Offerings

In April 2015, we issued 11,500,000 shares of our 7.125% Series C Preferred Stock, par value $0.01 per share, pursuant to a public offering under our current registration statement. See additional information included in Note 15 to the Consolidated Financial Statements and in "—*Dividends*" above.

In May 2015, the Company entered into separate "at-the-market" equity distribution agreements with certain sales agents to offer and sell, from time to time, shares of its common stock having an aggregate offering price of up to $300 million. The ATM Program was terminated concurrent with the closing of the Merger on January 10, 2017.

Capital Commitments from Limited Partners of Sponsored Funds

Although capital commitments from limited partners represent noncontrolling interests, ability to raise and access limited partner capital provides us greater scale to pursue and execute our investing activities.

Cash and Cash Flows

Subsequent to the Combination on April 2, 2015, our consolidated cash flows included cash activities from the investment management business acquired through the Combination and from the consolidated investment entities. The following table summarizes our cash flow activities:

	Year Ended December 31,		
(In thousands)	2016	2015	2013
Net cash provided by (used in):			
Operating activities	$ 408,361	$ 373,126	$ 132,759
Investing activities	251,812	(1,458,814)	(2,874,771)
Financing activities	(465,957)	1,060,674	2,841,764

Operating Activities

Cash inflows from operating activities are primarily interest received from our investments in loans, rental payments collected from tenants of our portfolio of operating real estate properties, distributions of earnings from unconsolidated joint ventures, and fee income collected from our managed funds. Cash inflows from operating activities include interest and property operating income from loans and operating properties held by consolidated joint ventures that were previously unconsolidated prior to the Combination. This is partially offset by payment of operating expenses supporting our investments, including loan servicing and property operating costs. Additionally, following the Combination, we have assumed compensation and administrative costs from our Manager in lieu of a management fee expense. The quarter over quarter increase reflects the operating activities of the consolidated investment entities, as well as continued growth in our investment portfolio. The Company believes cash flows from operations, available cash balances and the Company's ability to generate cash through short- and long-term borrowings are sufficient to fund the Company's operating liquidity needs.

Investing Activities

Investing activities include cash outlays for our contributions to unconsolidated joint ventures and for investments in loans and real estate assets during the periods, partially offset by distributions of capital from unconsolidated joint ventures resulting from principal repayments, loan resolutions and financing activities. Cash provided by investing activities also includes principal repayments of loans held for investment and proceeds from sales of real estate assets.

Investing activities in 2016 generated a net cash inflow of $0.3 billion. Cash inflows from sales and repayments of loans of $1.1 billion exceeded disbursements on loan originations and acquisitions of $0.6 billion, while cash outflows for acquisitions of real estate assets was $0.5 billion, with sales of real estate assets generating proceeds of $0.4 billion.

In 2015, cash used in investing was driven by our real estate acquisition activities of $1.4 billion and continued loan originations and acquisitions, net of repayments of $0.4 billion.

Our investing activities were significantly higher in 2014 resulting from $1.6 billion of real estate acquisitions, predominantly the light industrial portfolio, as well as $1.7 billion of new loan acquisitions and originations, net of $0.7 billion of repayments.

Financing Activities

The Company's main financing activities are cash proceeds from borrowings secured by our investments, drawdowns from our credit facility as well as issuance of preferred stock, common stock or convertible senior notes. Our primary uses of cash are for debt repayments as well as dividends and distributions to our stockholders and noncontrolling interests. Subsequent to the Combination in April 2015, as we consolidate most of our joint venture investments, contributions from and distributions to noncontrolling interests in investment entities, primarily our co-investment funds or to a lesser extent, unaffiliated third parties, form a larger part of our financing activities.

In 2016, cash provided by our financing activities were sourced primarily from secured borrowings and drawdowns from our credit facility, while in 2015, this also included proceeds of $0.3 billion from issuance of preferred stock. In 2014, in addition to significant borrowing activities to fund the growth in our investment portfolio, we also issued preferred stock, common stock and convertible senior notes for combined net cash proceeds of $1.2 billion.

Contractual Obligations, Commitments and Contingencies

The following table sets forth our known contractual obligations and contingencies on an undiscounted basis as of December 31, 2016 and the future periods in which we expect to settle such obligations 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, 2016 and exclude obligations that are not fixed and determinable such as amounts due under our derivative contracts.

		Payments Due by Period			
(In thousands)	**Total**	**2017**	**2018-2019**	**2020-2021**	**2022 and after**
Line of credit [1]	$ 469,597	$ 14,464	$ 28,927	$ 426,206	$ —
Convertible senior notes [2]	728,455	25,597	51,194	438,747	212,917
Secured financing [3]	3,245,837	631,144	1,188,936	188,875	1,236,882
Ground lease obligations [4]	18,717	201	402	426	17,688
Office lease obligations [5]	21,762	4,589	5,819	3,753	7,601
	4,484,368	$ 675,995	$ 1,275,278	$ 1,058,007	$ 1,475,088
Contingent consideration [6]	41,250				
Investment commitments [7]	288,725				
Total	$ 4,814,343				

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(1) Future interest payments on our line of credit were estimated based on the applicable index at December 31, 2016 and unused commitment fee of 0.35% per annum, assuming principal is repaid on maturity date of March 31, 2020. See Note 11 to the Consolidated Financial Statements.

(2) Amounts reflect future principal and interest payments through contractual maturity dates of the convertible senior notes. See Note 11 to the Consolidated Financial Statements.

(3) Amounts include minimum principal or principal curtailment based upon cash flows from collateral loans after payment of certain loan servicing fees and monthly interest, as well as fixed or floating rate interest obligations and unused commitment fee on credit facilities, through initial maturity date of the respective secured financing. The timing of future principal payments was in accordance with scheduled principal payments or otherwise estimated based on expected future cash flows of underlying collateral loans such as for CMBS debt. CMBS debt obligations are estimated to be repaid earlier than the contractual maturity only if proceeds from the underlying loans are repaid by the borrowers. Interest on floating rate debt was determined based on the applicable index at December 31, 2016. See Note 11 to the Consolidated Financial Statements.

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

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

(6) Contingent consideration in connection with the Combination is payable to certain senior executives of the Company in shares of Class A and Class B common stock, as well as OP Units, subject to achievement of multi-year performance targets. Although the earnout period expires on June 30, 2018, portions of contingent consideration related to capital raising targets may become due upon achieving those targets. The amount presented reflects the estimated fair value of the contingent consideration at December 31, 2016.

(7) Our investment commitments are in connection with our investments in unconsolidated joint ventures, consolidated investments and general partner commitments to sponsored funds. The amount presented reflects only our share of investment commitments, excluding commitments attributable to noncontrolling interests of consolidated investments. $62.9 million of the commitments represent general partner commitments to our sponsored funds. The majority of the remaining commitments are lending commitments in which the borrower may submit a request for funding based on the achievement of certain criteria, which must be approved by us as lender, such as

leasing, performance of capital expenditures and construction in progress with an approved budget. Potential future commitments that we have approved but are not yet legally binding as of December 31, 2016 are not included. See Note 21 to the Consolidated Financial Statements.

Off-Balance Sheet Arrangements

In connection with financing arrangements for certain unconsolidated joint ventures, the Company provided customary non-recourse carve-out guarantees. The Company believes that the likelihood of making any payments under the guarantees is remote and no liability has been recorded as of December 31, 2016.

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. The following discussion addresses the accounting policies that we believe are critical based on the nature of our operations, and applies to both the Company and our controlled subsidiaries. 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. This discussion supplements the description of our significant accounting policies in Note 2 to our consolidated financial statements.

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

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, and separately, if the loan was credit-impaired at 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 status. Interest receivable is reversed against interest income when loans are placed on nonaccrual status. Interest collection on nonaccruing loans for which ultimate collectability of principal is uncertain is recognized using a cost recovery method by applying interest collected as a reduction to loan principal; otherwise, interest collected is recognized on a cash basis by crediting to income when received. Loans may be restored to accrual status when all principal and interest is current and full repayment of the remaining contractual principal and interest is 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 sponsors 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 consolidated statement of operations. Allowance for loan losses generally exclude interest receivable as accrued interest receivable is reversed when a loan is placed on nonaccrual status. Allowance for loan losses is generally measured as the difference between the carrying value of the loan and either the present value of cash flows expected to be collected, discounted at the original effective interest rate of the loan or an observable market price for the loan. Subsequent changes in impairment are recorded as adjustments to the provision for loan losses. Loans are charged-off against allowance for loan losses when all or a portion of the principal amount is determined to be uncollectible. A loan is considered to be collateral-dependent when repayment of the loan is expected to be provided solely by the underlying collateral. Impaired collateral-dependent loans are written down to the fair value of the collateral less disposal cost, first through a charge-off against allowance for loan losses, if any, then recorded as impairment loss.

Troubled Debt Restructuring ("TDR")—A loan with contractual terms modified in a manner that grants concession to the borrower who is experiencing financial difficulty is classified as a TDR. Concessions could include term extensions, payment deferrals, interest rate reductions, principal forgiveness, forbearance, or other actions designed to maximize the Company's collection on the loan. As a TDR is generally considered to be an impaired loan, it is measured for impairment based on the Company's allowance for loan losses methodology.

Loans Held for Sale

Loans that the Company intends to sell or liquidate in the foreseeable future are classified as held-for-sale. Loans held for sale are carried at the lower of amortized cost or fair value less disposal cost, with valuation changes recognized as impairment loss. Loans held for sale are not subject to allowance for loan losses. Net deferred loan origination fees and purchase premium or discount are capitalized as part of the carrying value of the held-for-sale loan, therefore included in the periodic valuation adjustments based on lower of cost or fair value less disposal cost, and ultimately, in the gain or loss upon sale of the loan.

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") Loan 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.

Real Estate Assets

Real Estate Held for Investment

Real estate held for investment is 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, is depreciated on a straight-line basis over the estimated useful lives of the assets, as follows:

Real Estate Assets	Term
Building (fee interest)	15 to 40 years
Building leasehold interests	Lesser of 40 years or remaining term of the lease
Building improvements	Lesser of the useful life or remaining life of the building
Land improvements	10 to 30 years
Tenant improvements	Lesser of the useful life or remaining term of the lease
Furniture, fixtures and equipment	5 to 15 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 cash flows and determines impairments on an individual property basis. In making this determination, the Company reviews, among other things, current and estimated future cash flows associated with each property, market information for each sub-market, including, where applicable, competition levels, foreclosure levels, leasing trends, occupancy trends, lease or room rates, and the market prices of similar properties recently sold or currently being offered for sale, and other quantitative and qualitative factors. If an impairment indicator exists, the Company evaluates whether the expected future undiscounted cash flows is less than the carrying amount of the asset, and if the Company determines that the carrying value is not recoverable, an impairment loss is recorded for the difference between the estimated fair value and the carrying amount of the asset.

Allowance for Doubtful Accounts—The Company periodically evaluates aged receivables as well as considers the collectability of unbilled receivables for each tenant. 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.

Real Estate Held for Sale

Classification as Held for Sale—Real estate asset 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 subsequent increase in fair value less disposal cost, 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.

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.

Real Estate Sales—The Company evaluates if real estate sale transactions qualify for recognition under the full accrual method, considering whether, among other criteria, the buyer’s initial and continuing investments are adequate to demonstrate a commitment to pay, any receivable due to the Company is not subject to future subordination, the Company has transferred to the buyer the usual risks and rewards of ownership and the Company does not have a substantial continuing involvement with the sold real estate. At the time the sale is consummated, a gain or loss is recognized as the difference between the sale price less disposal cost and the carrying value of the real estate.

Real estate investments classified as held for sale or disposed may be reported in discontinued operations if the disposal represents a strategic shift that has or will have a major effect on the Company's operations and financial results. A discontinued operation may include an asset group, a reporting unit, an operating segment, a reportable segment, a subsidiary, or a business.

Foreclosed Properties

The Company receives foreclosed properties in full or partial settlement of loans receivable by taking legal title or physical possession of the properties. Foreclosed properties are recognized, generally, at the time the real estate is received at foreclosure sale or upon execution of a deed in lieu of foreclosure. Foreclosed properties are initially measured at fair value and amounts less than the carrying value of the loan, after reversing any previously recognized loss provision on the loan, is recorded as impairment loss. The Company periodically evaluates foreclosed properties for subsequent decrease in fair value which is recorded as additional impairment loss. Fair value of foreclosed properties are generally based on third party appraisals, broker price opinions, comparable sales or a combination thereof.

Investments in Unconsolidated Ventures

Where the Company exerts significant influence over the operating and financial policies of an entity, but does not have a controlling financial interest, the Company's investment in the entity is accounted for under the equity method. Under the equity method, the Company initially records its investments at cost and subsequently recognizes the Company’s share of net earnings or losses and other comprehensive income or loss, contributions made and distributions received, and other adjustments, as appropriate. The Company's share of net income or loss may differ from the stated ownership percentage interest in such entity as a result of a preferred return and allocation formula, if any, in accordance with the terms of its governing documents. The Company's share of net income or loss from its general partner interests in its sponsored funds reflects fair value changes in the underlying investments of the fund, which are reported at fair value in accordance with investment company guidelines. The Company records its proportionate share of income from certain equity method investments one to three months in arrears. Distributions of operating profits from equity method investments are reported as operating activities in the statement cash flows. Distributions in excess of operating profits or those related to capital transactions, such as a financing transactions or sales, are reported as investing activities.

Investments that do not qualify for equity method accounting are accounted for under the cost method. Dividends from cost-method investments, when received, are recorded as dividend income to the extent they are not considered a return of capital; otherwise such amounts are recorded as a reduction of the cost of investment.

Impairment—The Company performs an evaluation on a quarterly basis, or more frequently as necessary, of its equity method and cost method investments to assess whether the fair value of an investment is less than its carrying value. To the extent the decrease in value is considered to be other-than-temporary and an impairment has occurred, the investment is written down to its estimated fair value, recorded as an impairment loss.

Goodwill

Goodwill is an unidentifiable intangible asset and recognized as a residual, generally measured as the excess of consideration transferred in a business combination over the identifiable assets acquired and liabilities assumed, including any noncontrolling interest 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. 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; and if so, a two-step quantitative assessment is performed to determine if an impairment has occurred and thereafter, measure the impairment loss. In the first step, if the fair value of the reporting unit is less than its carrying value (including goodwill), then the goodwill is considered to be impaired. In the second step, the implied fair value of the goodwill is determined by comparing the fair value of the reporting unit (in step one) to the fair value of the net assets of the reporting unit as if the reporting unit is being acquired in a business combination. If the carrying value of goodwill exceeds the resulting implied fair value of goodwill, then an impairment charge is recognized for the excess. An impairment establishes a new basis for the goodwill and any impairment loss recognized is not subject to subsequent reversal. Goodwill impairment tests require judgment, including the 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.

Property Operating Income

Property operating income includes the following.

Rental Income—Rental income is recognized on a straight-line basis over the non-cancelable term of the related lease which includes the effects of rent steps and rent abatements under the lease. Rents received in advance are deferred. Rental income recognition commences when the tenant takes possession of the leased space and the leased space is substantially ready for its intended use. Residential leases generally have one-year terms while commercial leases generally have longer terms.

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 by the tenants, is capitalized. For Company-owned tenant improvements, the amount funded by or reimbursed by 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. 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, net on the consolidated balance sheets, and amortized as a reduction to rental income on a straight-line basis over the term of the lease.

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

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

Fee Income

Fee income consists of the following.

Base Management Fees—The Company earns base management fees for the day-to-day operations and administration of its managed funds, generally as a percentage of the limited partners' net funded capital. Base management fees are recognized over the period in which the related services are performed in accordance with contractual terms of the underlying management and advisory agreements. Base management fees are generally accrued from the date of the first closing of commitments or the first investment of the fund through the last day of the term of the fund.

Asset Management Fees—The Company may receive a one-time asset management fee upon closing of each investment made by its managed funds. In accordance with contractual terms of the underlying management and advisory agreements, a portion of asset management fees is recognized upon completion of initial underwriting, with remaining fees deferred and recognized over the holding period of each investment in which the related services are performed for each investment. Asset management fees are calculated as a fixed percentage of the limited partners' net funded capital on each investment.

Servicing Fees—Certain subsidiaries of the Company (each an asset management company or "AMC") were established to service and manage loan portfolios, including foreclosed properties, held by the Company's real estate investment entities for a servicing fee equal to a percentage of the outstanding unpaid principal balance of each loan portfolio. Servicing fees earned from investment entities that are consolidated by the Company are eliminated upon consolidation.

Income Taxes

The Company elected to be taxed as a REIT, commencing with the Company’s initial taxable year ended December 31, 2009. 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, as well as certain restrictions in regard to the nature of owned assets and categories of income. If the Company fails to qualify as a REIT in any taxable year, it will be subject to federal and state income taxes at regular corporate rates (including any applicable alternative minimum tax) 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, including investment management, property management including hotel 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.

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 reflects 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 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 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 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.

Recent Accounting Updates

Recent accounting updates are included in Note 2 to our consolidated financial statements.

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. The primary market risks to which the Company is exposed, either directly or indirectly through its investments in unconsolidated joint ventures, are credit risk, interest rate risk, credit curve spread risk and foreign currency risk.

Credit Risk

Our joint venture investments and loans receivable are subject to a high degree of credit risk. Credit risk is the 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 by the joint ventures, as well as external factors that may affect their value. For more information, see “*Business—Risk Management*.”

Interest Rate and Credit Curve Spread Risk

Interest rate risk relates to the risk that the future cash flows 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 commercial real estate 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 loans may increase. Fluctuations in LIBOR may affect the amount of interest income we earn on our floating rate loans and interest expense we incur on borrowings indexed to LIBOR, including those under our credit facility and certain investment-level financing.

The interest rate sensitivity table below illustrates the projected impact of changes in interest rates in 1% increments on our net income for twelve months, assuming no changes in our interest-bearing assets and liabilities mix as it stood at December 31, 2016, and excludes investments accounted for under the equity method. The maximum decrease in the interest rates is assumed to be the actual applicable index at December 31, 2016, predominantly the 1-month LIBOR. All applicable indices were less than 1% at December 31, 2016.

(In thousands)

Affected Line Item in the Consolidated Statement of Operations	+2.00%	+1.00%	Maximum Decrease in Applicable Index
Interest income	33,336	16,668	(8,301)
Interest expense	(38,218)	(19,348)	12,021
Net income (loss)	(4,882)	(2,680)	3,720
Net income (loss) attributable to noncontrolling interests in investment entities	(4,838)	(2,570)	2,139
Net income (loss) attributable to Operating Company	$ (44)	$ (110)	$ 1,581

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

Foreign Currency Risk

We have foreign currency rate exposures related to our foreign currency-denominated investments. Changes in foreign currency rates can adversely affect the fair values and earnings of our non-U.S. holdings. As of December 31, 2016, we had approximately €394.4 million, £106.2 million, CHF54.5 million and NOK 842.1 million or a total of $697.4 million, in European investments. A 1% change in these foreign currency rates would result in a $7.0 million increase or decrease in translation gain or loss on our investments in unconsolidated joint ventures, loan investments and real estate assets. We mitigate this risk by utilizing currency instruments to hedge the capital portion of our foreign currency risk. The types of hedging instruments that we employed on our European investments were 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 were structured with strike prices up to 15% lower than our cost basis in such investments, thereby limiting any foreign exchange fluctuations to up to 15% of the original capital invested in the deal. At December 31, 2016, our share of net tax-effected accumulated foreign exchange loss on the European investments was approximately $32.0 million, net of effect of hedging.

The following table summarizes the aggregate notional amount of the foreign exchange contracts in place, along with various key terms as of December 31, 2016. 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 as of December 31, 2016, we do not expect any counterparty to default on its obligations.

Hedged Currency	Instrument Type	Notional Amount (in thousands)	FX Rates ($ per unit of foreign currency)	Range of Expiration Dates
EUR	FX Collar	€145,975	Min $1.06 / Max $1.53	July 2017 to January 2021
GBP	FX Collar	£64,000	Min $1.45 / Max $1.82	September 2017 to December 2019
EUR	FX Forward	€186,800	Range between $1.06 to $1.24	May 2017 to September 2021
GBP	FX Forward	£135,750	Range between $1.23 to $1.27	December 2018 to December 2020
CHF	FX Forward	CHF55,545	Range between $1.47 to $1.50	January 2030
NOK	FX Forward	NOK923,000	$0.12	May 2017

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 are determined by our board of directors 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 market value without considering inflation.

Exhibit 99.12

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS OF

NORTHSTAR REALTY FINANCE CORP.

Report of Independent Certified Public Accountants

Board of Directors

Colony NorthStar, Inc.

We have audited the accompanying consolidated financial statements of NRF Holdco, LLC (formerly known as NorthStar Realty Finance Corp. prior to January 10, 2017) and subsidiaries, which comprise the consolidated balance sheet as of December 31, 2016, and the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows for the year then ended and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NRF Holdco, LLC (formerly known as NorthStar Realty Finance Corp. prior to January 10, 2017) and subsidiaries as of December 31, 2016, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

We also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of NRF Holdco, LLC (formerly known as NorthStar Realty Finance Corp. prior to January 10, 2017) and subsidiaries as of December 31, 2015 and for the years ended December 31, 2015 and 2014, and our report dated February 29, 2016 expressed an unqualified opinion on those financial statements.

/s/ GRANT THORNTON LLP

New York, New York

February 28, 2017

NORTHSTAR REALTY FINANCE CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in Thousands, Except Per Share Data)

	December 31, 2016	December 31, 2015
Assets		
Cash and cash equivalents	$ 1,104,950	$ 224,101
Restricted cash	166,394	299,288
Operating real estate, net	7,397,231	8,702,259
Real estate debt investments, net (refer to Note 4)	296,544	501,474
Real estate debt investments, held for sale (refer to Note 4)	34,000	224,677
Investments in private equity funds, at fair value (refer to Note 5)	416,919	1,101,650
Investments in unconsolidated ventures (refer to Note 6)	167,778	155,737
Real estate securities, available for sale (refer to Note 7)	445,363	702,110
Receivables, net of allowance of $4,497 and $4,318 as of December 31, 2016 and 2015, respectively	52,548	66,197
Receivables, related parties	1,058	2,850
Intangible assets, net	333,000	527,277
Assets of properties held for sale (refer to Note 3)	1,668,305	2,742,635
Other assets	132,799	154,146
Total assets(1)	$ 12,216,889	$ 15,404,401
Liabilities		
Mortgage and other notes payable	$ 6,290,200	$ 7,164,576
Credit facilities and term borrowings	421,584	654,060
CDO bonds payable, at fair value	256,544	307,601
Exchangeable senior notes	27,410	29,038
Junior subordinated notes, at fair value	194,980	183,893
Accounts payable and accrued expenses	106,120	170,120
Due to related party (refer to Note 10)	874	50,903
Derivative liabilities, at fair value	123,472	103,293
Intangible liabilities, net	110,661	149,642
Liabilities of properties held for sale (refer to Note 3)	1,291,275	2,209,689
Other liabilities	59,934	165,856
Total liabilities(1)	8,883,054	11,188,671
Commitments and contingencies		
Equity		
NorthStar Realty Finance Corp. Stockholders' Equity		
Preferred stock, $986,640 aggregate liquidation preference as of December 31, 2016 and 2015	939,118	939,118
Common stock, $0.01 par value, 500,000,000 shares authorized, 180,620,485 and 183,239,708 shares issued and outstanding as of December 31, 2016 and 2015, respectively	1,806	1,832
Additional paid-in capital	5,120,061	5,149,349
Retained earnings (accumulated deficit)	(2,901,966)	(2,309,564)
Accumulated other comprehensive income (loss)	(77,523)	18,485
Total NorthStar Realty Finance Corp. stockholders' equity	3,081,496	3,799,220
Non-controlling interests	252,339	416,510
Total equity	3,333,835	4,215,730
Total liabilities and equity	$ 12,216,889	$ 15,404,401

(1) Represents the consolidated assets and liabilities of NorthStar Realty Finance Limited Partnership (the "Operating Partnership"). The Operating Partnership is a consolidated variable interest entity ("VIE"), of which the Company is the sole general partner and owns approximately 99%. As of December 31, 2016, the assets and liabilities of the Operating Partnership include $9.0 billion and $6.8 billion of assets and liabilities, respectively, of certain VIEs that are consolidated by the Operating Partnership. Refer to Note 17 for further disclosure.

Refer to accompanying notes to consolidated financial statements.

NORTHSTAR REALTY FINANCE CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in Thousands, Except Per Share Data)

	Years Ended December 31,		
	2016[1]	2015[1]	2014[1]
Property and other revenues			
Rental and escalation income	$ 678,909	$ 732,425	$ 349,951
Hotel related income	826,147	784,151	237,039
Resident fee income	293,006	271,394	77,516
Other revenue	19,727	29,466	14,994
Total property and other revenues	1,817,789	1,817,436	679,500
Net interest income			
Interest income (refer to Note 10)	144,208	227,483	310,116
Interest expense on debt and securities	6,804	8,678	11,977
Net interest income on debt and securities	137,404	218,805	298,139
Expenses			
Management fee, related party (refer to Note 10)	186,765	198,695	82,756
Interest expense—mortgage and corporate borrowings	468,080	486,408	231,894
Real estate properties—operating expenses	935,702	915,701	318,477
Other expenses	24,444	26,607	8,920
Transaction costs	21,475	31,427	172,416
Impairment losses	79,869	31,951	—
Provision for (reversal of) loan losses, net	10,594	4,201	3,769
General and administrative expenses			
Compensation expense[2]	32,508	41,437	47,009
Other general and administrative expenses	18,539	16,658	12,357
Total general and administrative expenses	51,047	58,095	59,366
Depreciation and amortization	337,935	456,916	184,689
Total expenses	2,115,911	2,210,001	1,062,287
Other income (loss)			
Unrealized gain (loss) on investments and other	(183,570)	(204,112)	(231,697)
Realized gain (loss) on investments and other	10,689	14,407	(77,064)
Gain (loss) from deconsolidation of N-Star CDOs (refer to Note 17)	—	—	(31,423)
Income (loss) before equity in earnings (losses) of unconsolidated ventures and income tax benefit (expense)	(333,599)	(363,465)	(424,832)
Equity in earnings (losses) of unconsolidated ventures	124,718	219,077	165,053
Income tax benefit (expense)	(13,835)	(14,325)	(16,606)
Income (loss) from continuing operations	(222,716)	(158,713)	(276,385)
Income (loss) from discontinued operations (refer to Note 9)[3]	—	(108,554)	(44,701)
Net income (loss)	(222,716)	(267,267)	(321,086)
Net (income) loss attributable to non-controlling interests	7,426	24,008	22,879
Preferred stock dividends	(84,238)	(84,238)	(73,300)
Net income (loss) attributable to NorthStar Realty Finance Corp. common stockholders	$ (299,528)	$ (327,497)	$ (371,507)
Earnings (loss) per share:[4]			
Income (loss) per share from continuing operations	$ (1.66)	$ (1.25)	$ (3.33)
Income (loss) per share from discontinued operations	—	(0.62)	(0.46)
Basic	$ (1.66)	$ (1.87)	$ (3.79)
Diluted	$ (1.66)	$ (1.87)	$ (3.79)
Weighted average number of shares:[4]			
Basic	180,590,010	174,873,074	98,035,886
Diluted	182,449,426	176,345,121	98,995,229

(1) The consolidated financial statements for the year ended December 31, 2016 represent the Company's results of operations following the NRE Spin-off on October 31, 2015. The years ended December 31, 2015 and 2014 include a carve-out of revenues and expenses attributable to NorthStar Europe recorded in discontinued operations.
(2) The years ended December 31, 2016, 2015 and 2014 includes $24.2 million, $27.7 million and $24.9 million of equity-based compensation expense, respectively. Refer to Note 11 for further disclosure.
(3) The six months ended June 30, 2014 includes $13.7 million of equity-based compensation recorded in discontinued operations.
(4) The years ended December 31, 2015 and 2014 is adjusted for the one-for-two reverse stock split completed on November 1, 2015. Refer to Note 12. "Stockholders' Equity" for additional disclosure.

Refer to accompanying notes to consolidated financial statements.

NORTHSTAR REALTY FINANCE CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Dollars in Thousands)

	Years Ended December 31,		
	2016	**2015**	**2014**
Net income (loss)	$ (222,716)	$ (267,267)	$ (321,086)
Other comprehensive income (loss):			
Unrealized gain (loss) on real estate securities, available for sale, net	(92,264)	(35,218)	58,872
Amortization of swap (gain) loss into interest expense—mortgage and corporate borrowings (refer to Note 15)	775	934	915
Foreign currency translation adjustment, net	(6,443)	17,042	(5,155)
Total other comprehensive income (loss)	(97,932)	(17,242)	54,632
Comprehensive income (loss)	(320,648)	(284,509)	(266,454)
Comprehensive (income) loss attributable to non-controlling interests	9,350	24,537	22,121
Comprehensive income (loss) attributable to NorthStar Realty Finance Corp.	$ (311,298)	$ (259,972)	$ (244,333)

Refer to accompanying notes to consolidated financial statements.

NORTHSTAR REALTY FINANCE CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY

(Dollars and Shares in Thousands)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total NorthStar Stockholders' Equity	Non-controlling Interests	Total Equity
	Shares	Amount	Shares	Amount						
Balance as of December 31, 2013	29,466	$ 697,352	77,202	$ 772	$ 2,650,222	$ (685,936)	$ (4,334)	$ 2,658,076	$ 39,387	$ 2,697,463
Net proceeds from offering of common stock	—	—	27,625	276	1,191,031	—	—	1,191,307	—	1,191,307
Net proceeds from offering of preferred stock	10,000	241,766	—	—	—	—	—	241,766	—	241,766
Common stock related to transactions	—	—	30,854	308	1,082,423	—	—	1,082,731	—	1,082,731
Issuance of common stock in connection with exercise of warrants	—	—	399	4	12	—	—	16	—	16
Non-controlling interests—contributions	—	—	—	—	—	—	—	—	321,455	321,455
Non-controlling interests—distributions	—	—	—	—	—	—	—	—	(13,593)	(13,593)
Dividend reinvestment plan	—	—	4	—	239	—	—	239	—	239
Amortization of equity-based compensation	—	—	—	—	21,053	—	—	21,053	16,322	37,375
Equity component of exchangeable senior notes	—	—	—	—	(296,382)	—	—	(296,382)	—	(296,382)
Conversion of exchangeable senior notes	—	—	12,454	125	320,179	—	—	320,304	—	320,304
Other comprehensive income (loss)	—	—	—	—	—	—	53,874	53,874	758	54,632
Conversion of LTIP Units	—	—	2,304	23	18,588	—	—	18,611	(18,611)	—
Spin-off of NSAM	—	—	—	—	(158,437)	—	—	(158,437)	—	(158,437)
Dividends on common stock and equity-based awards (refer to Note 11)	—	—	—	—	—	(364,956)	—	(364,956)	(5,878)	(370,834)
Dividends on preferred stock	—	—	—	—	—	(73,300)	—	(73,300)	—	(73,300)
Net income (loss)	—	—	—	—	—	(298,207)	—	(298,207)	(22,879)	(321,086)
Balance as of December 31, 2014	39,466	$ 939,118	150,842	$ 1,508	$ 4,828,928	$ (1,422,399)	$ 49,540	$ 4,396,695	$ 316,961	$ 4,713,656
Net proceeds from offering of common stock	—	—	38,000	380	1,325,860	—	—	1,326,240	—	1,326,240
Non-controlling interests—contributions	—	—	—	—	—	—	—	—	126,484	126,484
Non-controlling interests—distributions	—	—	—	—	—	—	—	—	(36,661)	(36,661)
Non-controlling interests—reallocation of interest in Operating Partnership (refer to Note 13)	—	—	—	—	(14,548)	—	—	(14,548)	14,548	—
Dividend reinvestment plan	—	—	7	—	194	—	—	194	—	194
Amortization of equity-based compensation	—	—	—	—	13,757	—	—	13,757	11,935	25,692
Conversion of exchangeable senior notes	—	—	829	8	13,582	—	—	13,590	—	13,590
Other comprehensive income (loss)	—	—	—	—	—	—	(16,713)	(16,713)	(529)	(17,242)
Conversion of Deferred LTIP Units to LTIP Units	—	—	—	—	(18,730)	—	—	(18,730)	18,730	—
Retirement of shares of common stock	—	—	(6,470)	(64)	(117,983)	—	—	(118,047)	—	(118,047)
Issuance of restricted stock, net of tax withholding	—	—	32	—	(3,602)	—	—	(3,602)	—	(3,602)
Spin-off of NorthStar Europe (refer to Note 9)	—	—	—	—	(878,109)	—	(14,342)	(892,451)	(7,450)	(899,901)
Dividends on common stock and equity-based awards (refer to Note 11)	—	—	—	—	—	(559,668)	—	(559,668)	(3,500)	(563,168)
Dividends on preferred stock	—	—	—	—	—	(84,238)	—	(84,238)	—	(84,238)
Net income (loss)	—	—	—	—	—	(243,259)	—	(243,259)	(24,008)	(267,267)
Balance as of December 31, 2015	39,466	$ 939,118	183,240	$ 1,832	$ 5,149,349	$ (2,309,564)	$ 18,485	$ 3,799,220	$ 416,510	$ 4,215,730
Non-controlling interests—contributions	—	—	—	—	—	—	—	—	2,116	2,116
Non-controlling interests—distributions	—	—	—	—	—	—	—	—	(49,219)	(49,219)
Non-controlling interest – sale or deconsolidation of subsidiary	—	—	—	—	—	—	—	—	(104,906)	(104,906)
Non-controlling interests—reallocation of interest in Operating Partnership (refer to Note 13)	—	—	—	—	8,760	—	—	8,760	(8,760)	—
Dividend reinvestment plan	—	—	16	—	221	—	—	221	—	221
Amortization of equity-based compensation	—	—	—	—	14,412	—	—	14,412	8,520	22,932
Conversion of exchangeable senior notes	—	—	200	2	1,869	—	—	1,871	—	1,871
Other comprehensive income (loss)	—	—	—	—	—	—	(96,008)	(96,008)	(1,924)	(97,932)
Retirement of shares of common stock	—	—	(3,890)	(39)	(49,994)	—	—	(50,033)	—	(50,033)
Issuance of restricted stock, net of tax withholding	—	—	1,054	11	(4,556)	—	—	(4,545)	—	(4,545)
Dividends on common stock and equity-based awards (refer to Note 11)	—	—	—	—	—	(292,874)	—	(292,874)	(2,572)	(295,446)
Dividends on preferred stock	—	—	—	—	—	(84,238)	—	(84,238)	—	(84,238)
Net income (loss)	—	—	—	—	—	(215,290)	—	(215,290)	(7,426)	(222,716)
Balance as of December 31, 2016	39,466	$ 939,118	180,620	$ 1,806	$ 5,120,061	$ (2,901,966)	$ (77,523)	$ 3,081,496	$ 252,339	$ 3,333,835

Refer to accompanying notes to consolidated financial statements.

NORTHSTAR REALTY FINANCE CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)

	Years Ended December 31,		
	2016	2015	2014
Cash flows from operating activities:			
Net income (loss)	$ (222,716)	$ (267,267)	$ (321,086)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Equity in (earnings) losses of PE Investments	(93,568)	(198,159)	(150,801)
Equity in (earnings) losses of unconsolidated ventures	(31,150)	(20,918)	(14,252)
Depreciation and amortization	337,935	499,347	185,222
Amortization of premium/accretion of discount on investments	(55,997)	(51,247)	(76,040)
Interest accretion on investments	(3,009)	(13,841)	(22,064)
Amortization of deferred financing costs	53,232	48,411	18,400
Amortization of equity-based compensation	22,932	25,692	37,375
Unrealized (gain) loss on investments and other	175,801	202,832	214,815
Realized (gain) loss on investments and other	(10,689)	(14,407)	77,234
(Gain) loss on deconsolidation of N-Star CDOs	—	—	31,423
Impairment from discontinued operations	—	—	555
Impairment losses	79,869	31,951	—
Distributions from PE Investments (refer to Note 5)	91,692	198,159	150,801
Distributions from unconsolidated ventures	9,914	7,531	3,514
Distributions from equity investments	10,932	26,469	19,453
Amortization of capitalized above/below market leases	6,534	14,015	1,189
Straight line rental income, net	(26,794)	(34,676)	(9,263)
Deferred income taxes, net	(17,647)	(27,742)	—
Provision for (reversal of) loan losses, net	10,594	4,201	3,769
Allowance for uncollectible accounts	4,737	5,457	10,858
Other	—	912	502
Discount received	—	—	3,223
Changes in assets and liabilities:			
Restricted cash	(16,371)	(11,313)	(83,159)
Receivables	9,584	29,632	(34,997)
Receivables, related parties	1,888	(657)	6,323
Other assets	12,679	7,147	(37,169)
Accounts payable and accrued expenses	(22,202)	26,931	56,284
Due to related party	(50,525)	1,973	47,430
Other liabilities	(7,620)	30,225	25,317
Net cash provided by operating activities	270,035	520,658	144,856
Cash flows from investing activities:			
Acquisition of operating real estate	—	(3,367,580)	(3,466,610)
Acquisition of Griffin-American, net of cash	—	—	(2,947,856)
Acquisition of manufactured homes, held for sale	(13,384)	—	—
Improvements of real estate	(144,325)	(150,197)	(37,955)
Improvements of real estate, held for sale	(13,404)	—	—
Proceeds from sale of real estate	1,171,940	22,487	27,630
Origination of or fundings for real estate debt investments	(20,054)	(72,596)	(282,181)
Acquisition of real estate debt investments	—	(72,950)	(997)
Proceeds from sale of real estate debt investments	312,585	—	28,500
Repayment of real estate debt investments	82,707	589,694	196,034
Investment in PE Investments (refer to Note 5)	(7,069)	(609,616)	(557,719)
Distributions from PE Investments (refer to Note 5)	156,032	455,207	230,598
Proceeds from sale of PE Investments (refer to Note 5)	422,642	—	—
Investment in unconsolidated ventures	(5,236)	(4,005)	(73,254)
Distributions from unconsolidated ventures	6,410	23,403	11,873
Acquisition of real estate securities, available for sale	(1,150)	(38,822)	(36,519)
Proceeds from sale of real estate securities, available for sale	53,886	95,664	94,763
Repayment of real estate securities, available for sale	51,853	116,410	63,902
Change in restricted cash	81,683	35,849	(201,135)

Payment of leasing costs	(4,743)	(4,809)	(21,597)
Investment deposits and pending deal costs	(4,864)	(13,226)	—
Other assets	(12,921)	(11,487)	(81,704)
Net cash provided by (used in) investing activities	2,112,588	(3,006,574)	(7,054,227)

Refer to accompanying notes to consolidated financial statements.

NORTHSTAR REALTY FINANCE CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(Dollars in Thousands)

	Years Ended December 31,		
	2016	2015	2014
Cash flows from financing activities:			
Borrowings from mortgage and other notes payable	$ 215,941	$ 2,201,141	$ 5,932,208
Repayment of mortgage and other notes payable	(924,526)	(56,711)	(383,018)
Repayment of CDO bonds	(77,277)	(90,069)	(87,859)
Repurchase of CDO bonds	—	(25,531)	(15,320)
Repayment of securitization bonds payable	—	(41,831)	(40,505)
Borrowings from credit facilities	—	1,141,150	922,540
Repayment of credit facilities	(237,053)	(1,211,877)	(259,798)
Proceeds from senior notes	—	340,000	—
Repayment of 2014 senior notes	—	—	(481,118)
Payment of financing costs	(10,824)	(105,445)	(139,937)
Purchase of derivative instruments	(375)	(29,599)	(4,159)
Settlement of derivative instruments	—	—	2,995
Change in restricted cash	16,877	1,781	22,843
Net proceeds from common stock offering	—	1,326,240	1,191,307
Repurchase of common stock	(52,034)	(116,046)	—
Net proceeds from preferred stock offering	—	—	241,766
Proceeds from dividend reinvestment plan	221	194	239
NSAM Spin-off (refer to Note 9)	—	—	(118,728)
NRE Spin-off (refer to Note 9)	—	(360,410)	—
Dividends (common and preferred)	(379,056)	(643,858)	(438,256)
Repurchase of shares related to equity-based awards and tax withholding	(6,400)	—	—
Contributions from non-controlling interests	2,116	125,023	246,027
Distributions to non-controlling interests	(49,219)	(36,661)	(18,709)
Net cash provided by (used in) financing activities	(1,501,609)	2,417,491	6,572,518
Effect of foreign currency translation on cash and cash equivalents	(165)	(4,438)	(2,173)
Net increase (decrease) in cash and cash equivalents	880,849	(72,863)	(339,026)
Cash and cash equivalents—beginning of period	224,101	296,964	635,990
Cash and cash equivalents—end of period	$ 1,104,950	$ 224,101	$ 296,964

Refer to accompanying notes to consolidated financial statements.

NORTHSTAR REALTY FINANCE CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Business and Organization

NorthStar Realty Finance Corp. was a diversified commercial real estate company (the “Company” or “NorthStar Realty”). The Company invested in multiple asset classes across commercial real estate (“CRE”) in the form of real estate, senior or subordinate loans, as well as opportunistic CRE investments. The Company was a Maryland corporation and completed its initial public offering in October 2004. The Company conducted its operations to qualify as a real estate investment trust (“REIT”) for U.S. federal income tax purposes. The Company was externally managed and advised by an affiliate of NorthStar Asset Management Group Inc. (NYSE: NSAM), which together with its affiliates was referred to as NSAM.

Substantially all of the Company’s assets, directly or indirectly, were held by, and the Company conducted its operations, directly or indirectly, through NorthStar Realty Finance Limited Partnership, a Delaware limited partnership and the operating partnership of the Company (the “Operating Partnership”). All references herein to the Company refer to NorthStar Realty Finance Corp. and its consolidated subsidiaries, including the Operating Partnership, collectively, unless the context otherwise requires.

Mergers of NorthStar Realty Finance Corp. with Colony Capital, Inc. and NorthStar Asset Management Group Inc.

On January 10, 2017, the Company completed the tri-party merger with Colony Capital, Inc. (“Colony”) and NSAM under which the companies combined in an all-stock merger of equals transaction to create an internally-managed, diversified real estate and investment management company (referred to as the “Mergers”). The Mergers create a leading global equity REIT with an embedded investment management platform with increased scale and capabilities.

Under the terms of the merger agreement NSAM redomesticated to Maryland and elected to be treated as a REIT beginning in 2017 and Colony and the Company, through a series of transactions, merged with and into the redomesticated NSAM, which was renamed Colony NorthStar, Inc. (“Colony NorthStar”). The Company’s common stockholders received 1.0996 shares of Colony NorthStar’s common stock for each share of the Company’s common stock they owned. Holders of preferred stock received shares of preferred stock of Colony NorthStar that were substantially similar to the preferred stock held prior to the closing of the transaction. NSAM’s stockholders received approximately 32.85%, Colony stockholders received approximately 33.25% and the Company’s stockholders received approximately 33.90% of the combined company on a fully diluted basis, excluding the effect of certain equity-based awards issued in 2017 in connection with the Mergers.

In addition, pursuant to the terms of the merger agreement and immediately prior to the Mergers, the Company engaged in a series of internal reorganization transactions, which included the merger of the Operating Partnership with and into the Company, with the Company surviving the merger and the merger of one of the Company’s indirect wholly owned subsidiaries with and into the Company, with the Company surviving. Immediately following these mergers, the Company converted to a Delaware limited liability company and changed its name to NRF Holdco, LLC.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying consolidated financial statements and related notes of the Company have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”).

The year ended December 31, 2015 includes: (i) the Company’s results of operations for the two months ended December 31, 2015 which represents the activity following the NRE Spin-off; and (ii) the Company’s results of operations for the ten months ended October 31, 2015 which includes a carve-out of revenues and expenses attributable to NRE recorded in discontinued operations. The year ended December 31, 2014 includes: (i) the Company’s results of operations for the six months ended December 31, 2014 which represents the activity following the NSAM Spin-off; and (ii) the Company’s results of operations for the six months ended June 30, 2014 which includes a carve-out of revenues and expenses attributable to NSAM recorded in discontinued operations.

Periods prior to June 30, 2014 and October 31, 2015 present a carve out of revenues and expenses presented in discontinued operations associated with NSAM and NorthStar Europe, related to the Company’s historical asset management and European real estate business. Expenses also included an allocation of indirect expenses of the Company to NSAM and NRE, including salaries, equity based compensation and other general and administrative expenses (primarily occupancy and other cost) based on an estimate had the asset management and European real estate business been run as an independent entity. This allocation method was principally based on relative headcount and management’s knowledge of the Company’s operations.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, the Operating Partnership and their consolidated subsidiaries. The Company consolidates variable interest entities (“VIE”) where the Company is the primary beneficiary and voting interest entities which are generally majority owned or otherwise controlled by the Company. All significant intercompany balances are eliminated in consolidation.

Variable Interest Entities

A VIE is an entity that lacks one or more of the characteristics of a voting interest entity. A VIE is defined as an entity in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The determination of whether an entity is a VIE includes both a qualitative and quantitative analysis. The Company bases its qualitative analysis on its review of the design of the entity, its organizational structure including decision-making ability and relevant financial agreements and the quantitative analysis on the forecasted cash flow of the entity.

The Company reassesses its initial evaluation of an entity as a VIE upon the occurrence of certain reconsideration events.

A VIE must be consolidated only by its primary beneficiary, which is defined as the party who, along with its affiliates and agents has both the: (i) power to direct the activities that most significantly impact the VIE’s economic performance; and (ii) obligation to absorb the losses of the VIE or the right to receive the benefits from the VIE, which could be significant to the VIE. The Company determines whether it is the primary beneficiary of a VIE by considering qualitative and quantitative factors, including, but not limited to: which activities most significantly impact the VIE’s economic performance and which party controls such activities; the amount and characteristics of its investment; the obligation or likelihood for the Company or other interests to provide financial support; consideration of the VIE’s purpose and design, including the risks the VIE was designed to create and pass through to its variable interest holders and the similarity with and significance to the business activities of the Company and the other interests. The Company reassesses its determination of whether it is the primary beneficiary of a VIE each reporting period. Significant judgments related to these determinations include estimates about the current and future fair value and performance of investments held by these VIEs and general market conditions.

The Company evaluates its CRE debt and securities, investments in unconsolidated ventures and securitization financing transactions, such as its collateralized debt obligations (“CDOs”) and its liabilities to subsidiary trusts issuing preferred securities (“junior subordinated notes”) to determine whether they are a VIE. The Company analyzes new investments and financings, as well as reconsideration events for existing investments and financings, which vary depending on type of investment or financing.

Voting Interest Entities

A voting interest entity is an entity in which the total equity investment at risk is sufficient to enable it to finance its activities independently and the equity holders have the power to direct the activities of the entity that most significantly impact its economic performance, the obligation to absorb the losses of the entity and the right to receive the residual returns of the entity. The usual condition for a controlling financial interest in a voting interest entity is ownership of a majority voting interest. If the Company has a majority voting interest in a voting interest entity, the entity will generally be consolidated. The Company does not consolidate a voting interest entity if there are substantive participating rights by other parties and/or kick-out rights by a single party or through a simple majority vote.

The Company performs on-going reassessments of whether entities previously evaluated under the voting interest framework have become VIEs, based on certain events, and therefore subject to the VIE consolidation framework.

Investments in Unconsolidated Ventures

A non-controlling, unconsolidated ownership interest in an entity may be accounted for using the equity method, at fair value or the cost method.

Under the equity method, the investment is adjusted each period for capital contributions and distributions and its share of the entity’s net income (loss). Capital contributions, distributions and net income (loss) of such entities are recorded in accordance with the terms of the governing documents. An allocation of net income (loss) may differ from the stated ownership percentage interest in such entity as a result of a preferred return and allocation formula, if any, as described in such governing documents.

The Company may account for an investment in an unconsolidated entity at fair value by electing the fair value option. The Company elected the fair value option for its investments (directly or indirectly in joint ventures) that own limited partnership interests in real estate private equity funds (“PE Investments”) and certain investments in unconsolidated ventures (refer to Note 6). The Company records the change in fair value for its share of the projected future cash flow of such investments from one period to another in equity in earnings (losses) from unconsolidated ventures in the consolidated statements of operations. Any change in fair value attributed to market related assumptions is considered unrealized gain (loss).

The Company may account for an investment in an unconsolidated entity that does not qualify for equity method accounting or for which the fair value option was not elected using the cost method if the Company determines that it does not have significant influence. Under the cost method, equity in earnings is recorded as dividends are received to the extent they are not considered a return of capital, which is recorded as a reduction of cost of the investment.

Non-controlling Interests

A non-controlling interest in a consolidated subsidiary is defined as the portion of the equity (net assets) in a subsidiary not attributable, directly or indirectly, to the Company. A non-controlling interest is required to be presented as a separate component of equity on the consolidated balance sheets and presented separately as net income (loss) and other comprehensive income (loss) ("OCI") attributable to non-controlling interests. An allocation to a non-controlling interest may differ from the stated ownership percentage interest in such entity as a result of a preferred return and allocation formula, if any, as described in such governing documents.

Estimates

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

Reclassifications

Certain prior period amounts have been reclassified in the consolidated financial statements to conform to current period presentation including amounts related to discontinued operations (refer to Note 9).

Comprehensive Income (Loss)

The Company reports consolidated comprehensive income (loss) in separate statements following the consolidated statements of operations. Comprehensive income (loss) is defined as the change in equity resulting from net income (loss) and OCI. The components of OCI principally include: (i) unrealized gain (loss) on real estate securities available for sale for which the fair value option is not elected; (ii) the reclassification of unrealized gain (loss) on real estate securities available for sale for which the fair value option was not elected to realized gain (loss) upon sale or realized event; (iii) the amortization of unrealized gain (loss) to interest expense on derivative instruments that are or were deemed to be effective hedges; and (iv) foreign currency translation adjustment.

Cash and Cash Equivalents

The Company considers all highly-liquid investments with an original maturity date of three months or less to be cash equivalents. Cash, including amounts restricted, may at times exceed the Federal Deposit Insurance Corporation deposit insurance limit of $250,000 per institution. The Company mitigates credit risk by placing cash and cash equivalents with major financial institutions. To date, the Company has not experienced any losses on cash and cash equivalents.

Restricted Cash

Restricted cash primarily consists of amounts related to operating real estate. The following table presents a summary of restricted cash as of December 31, 2016 and 2015 (dollars in thousands):

	December 31,	
	2016	2015
Capital expenditures reserves(1)	$ 100,917	$ 196,421
Operating real estate escrow reserves(2)	55,176	82,690
CRE debt escrow deposits	27	8,815
Cash in N-Star CDOs(3)	10,274	11,362
Total	$ 166,394	$ 299,288

(1) Primarily represents capital improvements, furniture, fixtures and equipment, tenant improvements, lease renewal and replacement reserves related to operating real estate.
(2) Primarily represents insurance, real estate tax, repair and maintenance, tenant security deposits and other escrows related to operating real estate.
(3) Represents proceeds from repayments and/or sales pending distribution in consolidated N-Star CDOs.

Fair Value Option

The fair value option provides an election that allows a company to irrevocably elect to record certain financial assets and liabilities at fair value on an instrument-by-instrument basis at initial recognition. The Company may elect to apply the fair value option for certain investments due to the nature of the instrument. Any change in fair value for assets and liabilities for which the election is made is recognized in earnings.

Operating Real Estate

Operating real estate is carried at historical cost less accumulated depreciation. Ordinary repairs and maintenance are expensed as incurred. Major replacements and improvements which improve or extend the life of the asset are capitalized and depreciated over their useful life. Operating real estate is depreciated using the straight-line method over the estimated useful lives of the assets, summarized as follows:

Category:	Term:
Building (fee interest)	15 to 40 years
Building improvements	Lesser of the useful life or remaining life of the building
Building leasehold interests	Lesser of 40 years or remaining term of the lease
Land improvements	10 to 30 years
Tenant improvements	Lesser of the useful life or remaining term of the lease

The Company accounts for purchases of operating real estate that qualify as business combinations using the acquisition method, where the purchase price is allocated to tangible assets such as land, building, tenant and land improvements and other identified intangibles, such as goodwill. Costs directly related to an acquisition deemed to be a business combination are expensed and included in transaction costs in the consolidated statements of operations. The Company evaluates whether real estate acquired in connection with a foreclosure, UCC/deed in lieu of foreclosure or a consensual modification of a loan (herein collectively referred to as taking title to collateral) ("REO") constitutes a business and whether business combination accounting is appropriate. Any excess upon taking title to collateral between the carrying value of a loan over the estimated fair value of the property is charged to provision for loan losses.

Operating real estate, including REO, which has met the criteria to be classified as held for sale, is separately presented on the consolidated balance sheets. Such operating real estate is recorded at the lower of its carrying value or its estimated fair value less the cost to sell. Once a property is determined to be held for sale, depreciation is no longer recorded. The Company records a gain (loss) on sale of real estate when title is conveyed to the buyer and the Company has no substantial economic involvement with the property. If the sales criteria for the full accrual method are not met, the Company defers some or all of the gain (loss) recognition by applying the finance, leasing, profit sharing, deposit, installment or cost recovery method, as appropriate, until the sales criteria are met.

Minimum rental amounts due under leases are generally either subject to scheduled fixed increases or adjustments. The following table presents approximate future minimum rental income under noncancelable operating leases to be received over the next five years and thereafter as of December 31, 2016 (dollars in thousands):

Years Ending December 31:(1)		
2017	$	283,551
2018		264,584
2019		247,029
2020		239,642
2021		215,453
Thereafter		998,416
Total	$	2,248,675

(1) Excludes rental income from healthcare and hotel properties permitted by the REIT Investment Diversification and Empowerment Act of 2007 ("RIDEA") and manufactured housing communities, multifamily and independent living properties that are subject to short-term leases.

Real Estate Debt Investments

CRE debt investments are generally intended to be held to maturity and, accordingly, are carried at cost, net of unamortized loan fees, premium and discount. CRE debt investments that are deemed to be impaired are carried at amortized cost less a loan loss reserve, if deemed appropriate, which approximates fair value. CRE debt investments where the Company does not have the intent to hold the loan for the foreseeable future or until its expected payoff are classified as held for sale and recorded at the lower of cost or estimated value.

The Company may syndicate a portion of the CRE debt investments that it originates or sell the CRE debt investments individually. When a transaction meets the criteria for sale accounting, the Company will derecognize the CRE debt investment sold and recognize gain or loss based on the difference between the sales price and the carrying value of the CRE debt investment sold.

Any related unamortized deferred origination fee, original issue discount, loan origination costs, discount or premium at the time of sale are recognized as an adjustment to the gain (loss) on sale, which is included in interest income on the consolidated statement of operations. Any fees received at the time of sale or syndication are recognized as part of interest income.

Real Estate Securities

The Company classifies its CRE securities investments as available for sale on the acquisition date, which are carried at fair value.

The Company historically elected to apply the fair value option for its CRE securities investments. For those CRE securities for which the fair value option was elected, any unrealized gains (losses) from the change in fair value is recorded in unrealized gains (losses) on investments and other in the consolidated statements of operations.

The Company may decide to not elect the fair value option for certain CRE securities due to the nature of the particular instrument. For those CRE securities for which the fair value option was not elected, any unrealized gain (loss) from the change in fair value is recorded as a component of accumulated OCI in the consolidated statements of equity, to the extent impairment losses are considered temporary.

Deferred Costs

Deferred costs primarily include deferred financing costs and deferred lease costs. Deferred financing costs represent commitment fees, legal and other third-party costs associated with obtaining financing. Costs related to revolving credit facilities are recorded in other assets and are amortized to interest expense using the straight-line basis over the term of the facility. Costs related to other borrowings are recorded net against the carrying value of such borrowings and are amortized to interest expense using the effective interest method. Unamortized deferred financing costs are expensed to realized gain (loss) when the associated facility is repaid before maturity. Costs incurred in seeking financing transactions, which do not close, are expensed in the period in which it is determined that the financing will not occur. Deferred lease costs consist of fees incurred to initiate and renew operating leases, which are amortized on a straight-line basis over the remaining lease term and are recorded to depreciation and amortization in the consolidated statements of operations.

Intangible Assets and Intangible Liabilities

The Company records acquired identified intangibles, which includes intangible assets (such as value of the above-market leases, in-place leases, below-market ground leases, goodwill and other intangibles) and intangible liabilities (such as the value of below-market leases), based on estimated fair value. The value allocated to the identified intangibles are amortized over the remaining lease term. Above/below-market leases are amortized into rental income, below-market ground leases are amortized into real estate properties-operating expense and in-place leases are amortized into depreciation and amortization expense.

Goodwill represents the excess of the purchase price over the fair value of net tangible and intangible assets acquired in a business combination and is not amortized. The Company analyzes goodwill for impairment on an annual basis and whenever events or changes in circumstances indicate that the carrying value of goodwill may not be fully recoverable. The Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit, related to such goodwill, is less than the carrying amount as a basis to determine whether the two-step impairment test is necessary. The first step in the impairment test compares the fair value of the reporting unit with its carrying amount. If the carrying amount exceeds fair value, the second step is required to determine the amount of the impairment loss, if any, by comparing the implied fair value of the reporting unit goodwill with the carrying amount of such goodwill. The implied fair value of goodwill is derived by performing a hypothetical purchase price allocation for the reporting unit as of the measurement date, allocating the reporting unit's estimated fair value to its net assets and identifiable intangible assets. The residual amount represents the implied fair value of goodwill. To the extent this amount is below the carrying value of goodwill, an impairment loss is recorded in the consolidated statements of operations.

Estimates of fair value used in the evaluation of goodwill (if necessary based on the Company's qualitative assessment) are based upon discounted future cash flow projections or other acceptable valuation techniques that are based, in turn, upon all available evidence including level three inputs, such as EBITDAR, EBITDAR margins, revenue growth rates and capital spending requirements, estimates of future cash flows discount rates, general economic conditions and trends or other available market data.

The Company's ability to accurately predict future operating results and cash flows and to estimate and allocate fair values impacts the timing and recognition of impairments. While the Company believes its assumptions are reasonable, changes in these assumptions may have a material impact on its financial results.

For the three months ended March 31, 2016, the Company completed step two of the impairment test related to a healthcare portfolio acquired in May 2014 and finalized its estimated preliminary impairment charge of $25.5 million, which was recorded in impairment losses in the fourth quarter 2015.

Summary

The following table presents identified intangibles as of December 31, 2016 and 2015 (dollars in thousands):

	December 31, 2016			December 31, 2015		
	Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
Intangible assets:						
In-place leases	$ 164,665	$ (64,937)	$ 99,728	$ 289,124	$ (82,089)	$ 207,035
Above-market leases	191,997	(38,851)	153,146	268,426	(35,940)	232,486
Goodwill(1)	43,432	NA	43,432	48,635	NA	48,635
Other(2)	40,390	(3,696)	36,694	41,149	(2,028)	39,121
Total	$ 440,484	$ (107,484)	$ 333,000	$ 647,334	$ (120,057)	$ 527,277
Intangible liabilities:						
Below-market leases	$ 145,330	$ (36,796)	$ 108,534	$ 177,931	$ (30,462)	$ 147,469
Above-market ground leases	2,236	(109)	2,127	2,236	(63)	2,173
Total	$ 147,566	$ (36,905)	$ 110,661	$ 180,167	$ (30,525)	$ 149,642

(1) Represents goodwill associated with an acquisition of a healthcare portfolio that operates through the REIT Investment Diversification and Empowerment Act of 2007 ("RIDEA") structure and goodwill associated with a share-based acquisition of a healthcare portfolio in the United Kingdom. The goodwill and a corresponding deferred tax liability were recorded at acquisition based on a tax basis difference. The change in goodwill for the year ended December 31, 2016 relates to foreign currency translation associated with a healthcare portfolio in the United Kingdom.
(2) Primarily represents the value associated with certificates of need associated with certain healthcare properties, franchise agreements associated with certain hotel properties and other intangible assets.

The following table presents a rollforward of goodwill for the year ended December 31, 2016 (dollars in thousands):

Balance as of December 31, 2015	$ 48,635
Adjustments from foreign currency translation	(5,203)
Balance as of December 31, 2016	$ 43,432

The Company recorded amortization of acquired above-market leases, net of acquired below-market leases of $6.3 million, $(11.3) million and $(1.2) million for the years ended December 31, 2016, 2015 and 2014, respectively. Amortization of other intangible assets was $38.4 million, $74.1 million and $20.3 million for the years ended December 31, 2016, 2015 and 2014, respectively.

The following table presents annual amortization of intangible assets and liabilities (dollars in thousands):

	Intangible Assets(1)			Intangible Liabilities(1)	
Years Ending December 31:	In-place Leases, Net	Above-market Leases, Net	Other, Net(2)	Below-market Leases, Net	Other, Net
2017	$ 19,585	$ 16,925	$ 2,394	$ 11,597	$ 48
2018	15,484	16,107	1,721	10,851	48
2019	12,177	15,349	1,678	10,235	48
2020	10,342	14,674	1,678	9,862	48
2021	8,249	12,940	1,678	9,225	48
Thereafter	33,891	77,151	13,278	56,764	1,887
Total	$ 99,728	$ 153,146	$ 22,427	$ 108,534	$ 2,127

(1) Identified intangibles will be amortized through periods ending December 2026.
(2) Excludes $14.5 million of certificates of need associated with certain healthcare properties that are not amortized.

Other Assets and Other Liabilities

The following tables present a summary of other assets and other liabilities as of December 31, 2016 and 2015 (dollars in thousands):

	December 31,	
	2016	2015
Other assets:		
Unbilled rent receivable, net of allowance of $116 as of December 31, 2016 and 2015	$ 52,603	$ 46,262
Hotel-related reserves	28,502	47,380
Investment-related prepaid expenses	17,062	22,573
Deferred tax assets, net	15,141	24,435
Investment deposits and pending deal costs	8,531	568
Deferred costs	8,393	9,461
Derivative assets (refer to Note 15)	99	116
Other	2,468	3,351
Total	$ 132,799	$ 154,146

	December 31,	
	2016	2015
Other liabilities:		
Deferred tax liabilities	$ 20,201	$ 50,341
Prepaid rent and unearned revenue	16,500	24,697
Tenant security deposits	10,410	30,327
PE Investment deferred purchase price	3,161	44,212
Investment-related escrow deposits payable	2,766	11,753
Other	6,896	4,526
Total	$ 59,934	$ 165,856

Revenue Recognition

Operating Real Estate

Rental and escalation income from operating real estate is derived from leasing of space to various types of tenants and healthcare operators. Rental revenue recognition commences when the tenant takes possession of the leased space and the leased space is substantially ready for its intended use. The leases are for fixed terms of varying length and generally provide for annual rentals and expense reimbursements to be paid in monthly installments. Rental income from leases is recognized on a straight-line basis over the term of the respective leases. The excess of rents recognized over amounts contractually due pursuant to the underlying leases are included in unbilled rent receivable in other assets on the consolidated balance sheets. The Company amortizes any tenant inducements as a reduction of revenue utilizing the straight-line method over the term of the lease. Escalation income represents revenue from tenant/operator leases which provide for the recovery of all or a portion of the operating expenses and real estate taxes paid by the Company on behalf of the respective property. This revenue is accrued in the same period as the expenses are incurred.

The Company generates operating income from healthcare and hotel properties permitted by RIDEA. Revenue related to healthcare properties includes resident room and care charges and other resident charges. Revenue related to operating hotel properties primarily consists of room and food and beverage sales. Revenue is recognized when such services are provided, generally defined as the date upon which a resident or guest occupies a room or uses the healthcare property or hotel services and is recorded in resident fee income for healthcare properties and hotel related income for hotel properties in the consolidated statements of operations.

In a situation in which a lease(s) associated with a significant tenant have been, or are expected to be, terminated early, the Company evaluates the remaining useful life of depreciable or amortizable assets in the asset group related to the lease that will be terminated (i.e., tenant improvements, above- and below-market lease intangibles, in-place lease value and deferred leasing costs). Based upon consideration of the facts and circumstances surrounding the termination, the Company may write-off or accelerate the depreciation and amortization associated with the asset group. Such amounts are included within rental and escalation income for above-and below-market lease intangibles and depreciation and amortization in the consolidated statements of operations.

Real Estate Debt Investments

Interest income is recognized on an accrual basis and any related premium, discount, origination costs and fees are amortized over the life of the investment using the effective interest method. The amortization is reflected as an adjustment to interest income in the consolidated statements of operations. The amortization of a premium or accretion of a discount is discontinued if such loan is reclassified to held for sale.

Real Estate Securities

Interest income is recognized using the effective interest method with any premium or discount amortized or accreted through earnings based on expected cash flow through the expected maturity date of the security. Changes to expected cash flow may result in a change to the yield which is then applied retrospectively for high-credit quality securities that cannot be prepaid or otherwise settled in such a way that the holder would not recover substantially all of the investment or prospectively for all other securities to recognize interest income.

Credit Losses and Impairment on Investments

Operating Real Estate

The Company's real estate portfolio is reviewed on a quarterly basis, or more frequently as necessary, to assess whether there are any indicators that the value of its operating real estate may be impaired or that its carrying value may not be recoverable. A property's value is considered impaired if the Company's estimate of the aggregate expected future undiscounted cash flow to be generated by the property is less than the carrying value of the property. In conducting this review, the Company considers U.S. and global macroeconomic factors and real estate sector conditions together with investment specific and other factors. To the extent an impairment has occurred, the loss is measured as the excess of the carrying value of the property over the estimated fair value of the property and recorded in impairment losses in the consolidated statements of operations.

An allowance for a doubtful account for a receivable is established based on a periodic review of aged receivables resulting from estimated losses due to the inability of such tenant/operator/resident/guest to make required rent and other payments contractually due. Additionally, the Company establishes, on a current basis, an allowance for future lessee credit losses on unbilled rent receivable based on an evaluation of the collectability of such amounts.

Real Estate Debt Investments

Loans are considered impaired when based on current information and events, it is probable that the Company will not be able to collect principal and interest amounts due according to the contractual terms. The Company assesses the credit quality of the portfolio and adequacy of loan loss reserves on a quarterly basis or more frequently as necessary. Significant judgment of the Company is required in this analysis. The Company considers the estimated net recoverable value of the loan as well as other factors, including but not limited to the fair value of any collateral, the amount and the status of any senior debt, the quality and financial condition of the borrower and the competitive situation of the area where the underlying collateral is located. Because this determination is based on projections of future economic events, which are inherently subjective, the amount ultimately realized may differ materially from the carrying value as of the balance sheet date. If upon completion of the assessment, the estimated fair value of the underlying collateral is less than the net carrying value of the loan, a loan loss reserve is recorded with a corresponding charge to provision for loan losses. The loan loss reserve for each loan is maintained at a level that is determined to be adequate by management to absorb probable losses.

Income recognition is suspended for a loan at the earlier of the date at which payments become 90-days past due or when, in the opinion of the Company, a full recovery of income and principal becomes doubtful. When the ultimate collectability of the principal of an impaired loan is in doubt, all payments are applied to principal under the cost recovery method. When the ultimate collectability of the principal of an impaired loan is not in doubt, contractual interest is recorded as interest income when received, under the cash basis method until an accrual is resumed when the loan becomes contractually current and performance is demonstrated to be resumed. A loan is written off when it is no longer realizable and/or legally discharged.

Investments in Unconsolidated Ventures

The Company reviews its investments in unconsolidated ventures for which the Company did not elect the fair value option on a quarterly basis, or more frequently as necessary, to assess whether there are any indicators that the value may be impaired or that its carrying value may not be recoverable. An investment is considered impaired if the projected net recoverable amount over the expected holding period is less than the carrying value. In conducting this review, the Company considers U.S. and global macroeconomic factors, including real estate sector conditions, together with investment specific and other factors. To the extent an impairment has occurred and is considered to be other than temporary, the loss is measured as the excess of the carrying value of the investment over the estimated fair value and recorded in provision for loss on equity investment in the consolidated statements of operations.

Real Estate Securities

CRE securities for which the fair value option is elected are not evaluated for other-than-temporary impairment ("OTTI") as any change in fair value is recorded in the consolidated statements of operations. Realized losses on such securities are reclassified to realized gain (loss) on investments and other as losses occur.

CRE securities for which the fair value option is not elected are evaluated for OTTI quarterly. Impairment of a security is considered to be other-than-temporary when: (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. When a CRE security has been deemed to be other-than-temporarily impaired due to (i) or (ii), the security is written down to its fair value and an OTTI is recognized in the consolidated statements of operations. In the case of (iii), the security is written down to its fair value and the amount of OTTI is then bifurcated into: (a) the amount related to expected credit losses; and (b) the amount related to fair value adjustments in excess of expected credit losses. The portion of OTTI related to expected credit losses is recognized in the consolidated statements of operations. The remaining OTTI related to the valuation adjustment is recognized as a component of accumulated OCI in the consolidated statements of equity. The portion of OTTI recognized through earnings is accreted back to the amortized cost basis of the security through interest income, while amounts recognized through OCI are amortized over the life of the security with no impact on earnings. CRE securities which are not high-credit quality are considered to have an OTTI if the security has an unrealized loss and there has been an adverse change in expected cash flow. The amount of OTTI is then bifurcated as discussed above.

Troubled Debt Restructuring

CRE debt investments modified in a troubled debt restructuring ("TDR") are modifications granting a concession to a borrower experiencing financial difficulties where a lender agrees to terms that are more favorable to the borrower than is otherwise available in the current market. Management judgment is necessary to determine whether a loan modification is considered a TDR. Troubled debt that is fully satisfied via taking title to collateral, repossession or other transfers of assets is generally included in the definition of TDR. Loans acquired as a pool with deteriorated credit quality that have been modified are not considered a TDR.

Equity-Based Compensation

The Company accounts for equity-based compensation awards, including awards granted to co-employees, using the fair value method, which requires an estimate of fair value of the award. Awards may be based on a variety of measures such as time, performance, market or a combination thereof. For time-based awards, fair value is determined based on the stock price on the grant date. The Company recognizes compensation expense over the vesting period on a straight-line basis or the attribution method depending if the grant is to an employee or non-employee. For performance-based awards, fair value is determined based on the stock price at the date of grant and an estimate of the probable achievement of such measure. The Company recognizes compensation expense over the requisite service period, net of estimated forfeitures, using the accelerated attribution expense method. For market-based measures, fair value is determined using a Monte Carlo analysis under a risk-neutral premise using a risk-free interest rate. The Company recognizes compensation expense, over the requisite service period, net of estimated forfeitures, on a straight-line basis. For awards with a combination of performance or market measures, the Company estimates the fair value as if it were two separate awards. First, the Company estimates the probability of achieving the performance measure. If it is not probable the performance condition will be met, the Company records the compensation expense based on the fair value of the market measure, as described above. This expense is recorded even if the market-based measure is never met. If the performance-based measure is subsequently estimated to be achieved, the Company records compensation expense based on the performance-based measure. The Company would then record a cumulative catch-up adjustment for any additional compensation expense.

Equity-based compensation issued to non-employees is accounted for using the fair value of the award at the earlier of the performance commitment date or performance completion date. The awards are remeasured every quarter based on the stock price as of the end of the reporting period until such awards vest, if any.

Foreign Currency

Assets and liabilities denominated in a foreign currency for which the functional currency is a foreign currency are translated using the currency exchange rate in effect at the end of the period presented and the results of operations for such entities are translated into U.S. dollars using the average currency exchange rate in effect during the period. The resulting foreign currency translation adjustment is recorded as a component of accumulated OCI in the consolidated statements of equity.

Assets and liabilities denominated in a foreign currency for which the functional currency is the U.S. dollar are remeasured using the currency exchange rate in effect at the end of the period presented and the results of operations for such entities are remeasured into U.S. dollars using the average currency exchange rate in effect during the period. The resulting foreign currency remeasurement adjustment is recorded in unrealized gain (loss) on investments and other in the consolidated statements of operations.

Earnings Per Share

The Company's basic earnings per share ("EPS") is calculated by dividing net income (loss) attributable to common stockholders by the weighted average number of common stock outstanding. Diluted EPS includes restricted stock and the potential dilution that could occur if outstanding restricted stock units ("RSUs") or other contracts to issue common stock, assuming performance hurdles have been met, were converted to common stock (including limited partnership interests in the Operating Partnership which are structured as profits interests ("LTIP Units") (refer to Note 11), where such exercise or conversion would result in a lower EPS. The dilutive effect of such RSUs and LTIP Units is calculated assuming all units are converted to common stock.

Discontinued Operations

Subsequent to the early adoption of the accounting standards update on the presentation of discontinued operations beginning in April 2014, the Company presents spin-offs of businesses and portfolios of properties that are sold or classified as held for sale as discontinued operations provided that the disposal represents a strategic shift that has (or will have) a major effect on the Company's operations and financial results.

Income Taxes

The Company has elected to be taxed as a REIT and to comply with the related provisions of the Internal Revenue Code of 1986, as amended, the ("Code"). Accordingly, the Company generally will not be subject to U.S. federal income tax to the extent of its distributions to stockholders and as long as certain asset, income and share ownership tests are met. To maintain its qualification as a REIT, the Company must annually distribute at least 90% of its REIT taxable income to its stockholders and meet certain other requirements. The Company may also be subject to certain state, local and franchise taxes. Under certain circumstances, federal income and excise taxes may be due on its undistributed taxable income. If the Company were to fail to meet these requirements, it would be subject to U.S. federal income tax, which could have a material adverse impact on its results of operations and amounts available for distributions to its stockholders. The Company believes that all of the criteria to maintain the Company's REIT qualification have been met for the applicable periods, but there can be no assurance that these criteria will continue to be met in subsequent periods.

The Company may invest through a taxable REIT subsidiary ("TRS") which can be subject to U.S. federal, state and local income taxes and foreign taxes. In general, a TRS of the Company may perform non-customary services for tenants, hold assets that the REIT cannot hold directly and may engage in real estate or non-real estate-related business. The Company has established several TRSs in jurisdictions for which no taxes are assessed on corporate earnings. The Company generally must include in earnings the income from these TRSs even if it has received no cash distributions. Additionally, the Company has invested in certain real estate assets in Europe, for which local country level taxes will be due on earnings (or other measure) and in some cases withholding taxes for the repatriation of earnings back to the REIT. The REIT will not generally be subject to any additional U.S. taxes on the repatriation of its earnings.

Current and deferred taxes are recorded on the portion of earnings (losses) recognized by the Company with respect to its interest in TRSs and taxable foreign subsidiaries. Deferred income tax assets and liabilities are calculated based on temporary differences between the Company's U.S. GAAP consolidated financial statements and the federal, state, local and foreign tax basis of assets and liabilities as of the consolidated balance sheet date. The Company evaluates the realizability of its deferred tax assets (e.g., net operating loss and capital loss carryforwards) and recognizes a valuation allowance if, based on the available evidence, it is more likely than not that some portion or all of its deferred tax assets will not be realized. When evaluating the realizability of its deferred tax assets, the Company considers estimates of expected future taxable income, existing and projected book/tax differences, tax planning strategies available and the general and industry specific economic outlook. This realizability analysis is inherently subjective, as it requires the Company to forecast its business and general economic environment in future periods. Changes in estimate of deferred tax asset realizability, if any, are included in provision for income tax expense included in income tax benefit (expense) in the consolidated statements of operations.

The Company has assessed its tax positions for all open tax years, which includes 2013 to 2016 and concluded there were no material uncertainties to be recognized. The Company's accounting policy with respect to interest and penalties is to classify these amounts as a component of income tax expense, where applicable. The Company has not recognized any such amounts related to uncertain tax positions for the years ended December 31, 2016, 2015 and 2014. As of December 31, 2016, the tax years that remain subject to examination by major tax jurisdictions generally include 2013 through 2016.

The Company recorded an income tax expense of $13.8 million, $14.3 million and $16.6 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Recent Accounting Pronouncements

The below represent the evaluation by Colony NorthStar of the impact of recent accounting pronouncements on its consolidated financial position, results of operations and financial statement disclosures subsequent to the Mergers as it relates to NorthStar Realty's historical business.

In May 2014, the Financial Accounting Standards Board ("FASB") issued an accounting update requiring a company to recognize as revenue the amount of consideration it expects to be entitled to in connection with the transfer of promised goods or services to customers. The accounting standard update will replace most of the existing revenue recognition guidance currently promulgated by U.S. GAAP. In July 2015, the FASB decided to delay the effective date of the new revenue standard by one year. The effective date of the new revenue standard for the Company will be January 1, 2018. Leases are specifically excluded from this guidance and will be governed by the applicable lease codification; however, this update may have implications in certain variable payment terms included in lease agreements and in sale and leaseback transactions. Colony NorthStar is currently assessing the potential effect of the adoption on its consolidated financial statements and related disclosures, as applicable, subsequent to the Mergers as it relates to NorthStar Realty's historical business.

In February 2015, the FASB issued updated guidance that changes the rules regarding consolidation. The pronouncement eliminates specialized guidance for limited partnerships and similar legal entities and removes the indefinite deferral for certain investment funds. The new guidance is effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. NorthStar Realty adopted this guidance in the first quarter 2016 and determined its Operating Partnership is considered a VIE. NorthStar Realty is the primary beneficiary of the VIE, the VIE's assets can be used for purposes other than the settlement of the VIE's obligations and NorthStar Realty's partnership interest is considered a majority voting interest. As such, this standard resulted in the identification of additional VIEs; however it did not have a material impact on NorthStar Realty's historical consolidated financial position or results of operations. Refer to Note 17 for further disclosure.

In January 2016, the FASB issued an accounting update that addressed certain aspects of accounting and disclosure requirements of financial instruments, including the requirement that equity investments with readily determinable fair value be measured at fair value with changes in fair value recognized in results of operations. The new guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. NorthStar Realty does not have any equity investments with readily determinable fair value recorded as available-for-sale. Colony NorthStar does not believe that this guidance will have a material impact on its consolidated financial statements and related disclosures, as applicable, subsequent to the Mergers as it relates to NorthStar Realty's historical business.

In February 2016, the FASB issued an accounting update that sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The update requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase of the leased asset by the lessee. This classification will determine whether the lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The update is expected to result in the recognition of a right-to-use asset and related liability to account for NorthStar Realty's future obligations under its ground lease arrangements for which it is the lessee. As of December 31, 2016, the remaining contractual payments under NorthStar Realty's ground lease agreements are discussed in Note 16. Additionally, the new update will require that lessees and lessors capitalize, as initial direct costs, only those costs that are incurred due to the execution of a lease. Under this guidance, allocated payroll costs and other costs that are incurred regardless of whether the lease is obtained will no longer be capitalized as initial direct costs and instead will be expensed as incurred. Lessors will continue to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The new guidance is to be applied using a modified retrospective approach at the beginning of the earliest comparative period in the financial statements and is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Colony NorthStar continues to assess the potential effect that the adoption of the updated guidance will have on its consolidated financial statements and related disclosures, as applicable, subsequent to the Mergers as it relates to NorthStar Realty's historical business.

In March 2016, the FASB issued guidance clarifying that an assessment of whether an embedded contingent put or call option is clearly and closely related to a borrowing requires only an analysis of the four-step decision sequence. Additionally, entities are not required to separately assess whether the contingency itself is clearly and closely related. Entities are required to apply the guidance to existing instruments in scope using a modified retrospective transition method as of the period of adoption. The guidance is effective for fiscal years beginning after December 15, 2016 and interim periods within those years. Colony NorthStar does not believe that this guidance will have a material impact on its consolidated financial statements and related disclosures, as applicable, subsequent to the Mergers as it relates to NorthStar Realty's historical business.

In March 2016, the FASB issued guidance which eliminates the requirement for an investor to retroactively apply the equity method when its increase in ownership interest (or degree of influence) in an investee triggers equity method accounting. The update requires that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor's previously held interest and adopt the equity method of accounting as of the date the investment become qualified for equity method accounting. The update should be applied prospectively upon their effective date to increases in the level of ownership interests or degree of influence that results in the adoption of the equity method. The guidance is effective for fiscal years beginning after December 15, 2016 and interim periods within those fiscal years. Colony NorthStar will adopt the new guidance prospectively on January 1, 2017 and does not expect the adoption of this standard to have a material impact on its consolidated financial statements and related disclosures, as applicable, subsequent to the Mergers as it relates to NorthStar Realty's historical business.

In March 2016, the FASB issued guidance which amends several aspects of the accounting for equity-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification on the statements of cash flows. The guidance is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2016. Colony NorthStar will adopt the new guidance prospectively on January 1, 2017 and does not expect the adoption of this standard to have a material impact on its consolidated financial statements and related disclosures, as applicable, subsequent to the Mergers as it relates to NorthStar Realty's historical business.

In June 2016, the FASB issued guidance that changes the impairment model for most financial instruments by requiring companies to recognize an allowance for expected losses, rather than incurred losses as required currently by the other-than-temporary impairment model. The guidance will apply to most financial assets measured at amortized cost and certain other instruments, including trade and other receivables, loans, held-to-maturity debt securities, net investments in leases and off-balance-sheet credit exposures (e.g., loan commitments). The new guidance is effective for reporting periods beginning after December 15, 2019 and will be applied as a cumulative adjustment to retained earnings as of the effective date. Colony NorthStar is currently assessing the potential effect the adoption of this guidance will have on its consolidated financial statements and related disclosures, as applicable, subsequent to the Mergers as it relates to NorthStar Realty's historical business.

In August 2016, the FASB issued guidance that makes eight targeted changes to how cash receipts and cash payments are presented and classified in the statement of cash flows. The guidance is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The new guidance requires adoption on a retrospective basis unless it is impracticable to apply, in which case the company would be required to apply the amendments prospectively as of the earliest date practicable. Colony NorthStar does not believe that this guidance will have a material impact on its consolidated financial statements and related disclosures, as applicable, subsequent to the Mergers as it relates to NorthStar Realty's historical business.

In November 2016, the FASB issued guidance which requires entities to show the changes in the total of cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. Entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. The guidance is effective for reporting periods beginning after December 15, 2017 and will be applied retrospectively to all periods presented. Colony NorthStar does not believe that this guidance will have a material impact on its consolidated financial statements and related disclosures, as applicable, subsequent to the Mergers as it relates to NorthStar Realty's historical business.

In January 2017 the FASB issued guidance to clarify the definition of a business under ASC 805. This new standard clarifies the definition of a business and provides a screen to determine when an integrated set of assets and activities is not a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. The guidance is effective for fiscal years, and interim periods within those years, beginning of December 15, 2017. The amendments in this update will be applied on a prospective basis. Colony NorthStar expects that acquisitions of real estate or in-substance real estate will not meet the revised definition of a business because substantially all of the fair value is concentrated in a single identifiable asset or group of similar identifiable assets (i.e. land, buildings, and related intangible assets).

In January 2017, the FASB issued guidance which removes Step 2 from the goodwill impairment test. The guidance is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Colony NorthStar is currently assessing the potential effect the adoption of this guidance will have on its consolidated financial statements and related disclosures, as applicable, subsequent to the Mergers as it relates to NorthStar Realty's historical business.

3. Operating Real Estate

The following table presents operating real estate, net as of December 31, 2016 and 2015 (dollars in thousands):

	December 31, 2016	December 31, 2015
Land and improvements	$ 1,027,994	$ 1,195,915
Buildings and improvements	5,918,463	6,728,957
Building leasehold interests and improvements	723,185	723,573
Furniture, fixtures and equipment	405,966	346,628
Tenant improvements	112,910	165,539
Construction in progress	31,058	57,663
Subtotal	8,219,576	9,218,275
Less: Accumulated depreciation	(747,715)	(511,113)
Less: Operating real estate impairment	(74,630)	(4,903)
Operating real estate, net[(1)]	$ 7,397,231	$ 8,702,259

(1) As of December 31, 2016 and 2015, operating real estate was subject to $6.4 billion and $7.3 billion of mortgage and other notes payable, respectively.

For the years ended December 31, 2016, 2015 and 2014, depreciation expense was $298.7 million, $382.1 million and $164.9 million, respectively.

Real Estate Impairment

For the year ended December 31, 2016, the Company identified an indicator of impairment at 18 of its hotels in one of its hotel portfolios, primarily due to decreased operating performance and continued economic weakness. As required by the impairment guidance, once an indicator of impairment is identified, the Company is required to perform a test of recoverability. This test compares the sum of the estimated future cash flow attributable to the hotel over its remaining anticipated holding period and from its disposition to its carrying value. Assumptions used for the individual hotels were determined by management, based on discussions with NSAM's asset management group and its hotel management company. The Company determined that the estimated undiscounted future cash flow attributable to the hotels did not exceed their carrying value and impairment existed. As a result, the Company recorded a $69.7 million impairment charge in the consolidated statements of operations. Fair value was determined based on a discounted cash flow using third-party market data, considered Level 3 inputs. As the fair value of the properties impaired for the year ended December 31, 2016 was determined in part by management estimates, a reasonable possibility exists that future changes to inputs and assumptions could affect the accuracy of management's estimates and such future changes could lead to recovery of impairment or further possible impairment in the future.

In addition, in connection with properties held for sale, the Company recognized a $10.1 million impairment charge to reduce the carrying value of such properties as compared to its estimated net realizable value. The impairment charges were based upon the sales price of one property and certain disposition costs incurred in connection with such sales. These inputs are classified as Level 3 of the fair value hierarchy.

Real Estate Held for Sale

The following table summarizes the Company's operating real estate held for sale as of December 31, 2016 (dollars in thousands):

		Assets				Liabilities				
Description	Properties	Operating Real Estate, Net	Intangible Assets, Net	Other Assets	Total[(1)]	Mortgage and Other Notes Payable, Net	Intangible Liabilities, Net	Other Liabilities	Total	WA Ownership Interest
Manufactured housing communities[(2)]	135	$ 1,445,681	$ 23,983	$ 131,114	$ 1,600,778	$ 1,252,050	$ —	$ 24,838	$ 1,276,888	94%
Other	6	65,889	1,611	27	67,527	—	14,387	—	14,387	NA
Total	141	$ 1,511,570	$ 25,594	$ 131,141	$ 1,668,305	$ 1,252,050	$ 14,387	$ 24,838	$ 1,291,275	

(1) Represents operating real estate and intangible assets, net of accumulated depreciation and amortization of $182.9 million.

(2) In May 2016, the Company entered into an agreement to sell its manufactured housing portfolio for $2.0 billion with $1.3 billion of related mortgage financing expected to be assumed as part of the transaction. The Company expects to receive $614.8 million of net proceeds, including a $50.0 million deposit made by the buyer. The Company expects the transaction to close in the first quarter 2017. There is no assurance the transaction will close on the terms anticipated, if at all.

In March 2016, the Company sold its 60% interest in the $898.7 million independent living facility portfolio ("Senior Housing Portfolio") for $534.5 million. The Company received $149.4 million of proceeds, net of sales costs. In connection with the sale, the Company recorded a $16.6 million realized gain in the Company's consolidated statements of operations. Refer to Note 10. Related Party Arrangements for further disclosure.

In September 2016, the Company redeemed its interests in a net lease industrial real estate portfolio ("Industrial Portfolio") for $169.6 million of net proceeds, including $3.1 million of acceleration of discount and fees. In connection with the sale, the Company recorded a $13.2 million realized gain in the Company's consolidated statements of operations. Refer to Note 10. Related Party Arrangements for further disclosure.

In December 2016, the Company sold a subset of its portfolio of medical office buildings within the Griffin-American Healthcare REIT II, Inc. portfolio ("Griffin-American Portfolio") for $767.8 million with $658.7 million of related mortgage financing paid off as part of the transaction. The Company received $78.0 million of net proceeds. In connection with the sale, the Company recorded a $12.1 million realized gain in the Company's consolidated statements of operations. Three of the properties that were previously held for sale were not sold and the Company reclassified such properties as held for use as of December 31, 2016.

In 2016, the Company sold ten multifamily properties for $306.9 million with $209.9 million of mortgage financing assumed as part of the transaction. The Company received $84.7 million of net proceeds. In connection with the sales, the Company recorded a $39.9 million realized gain in the Company's consolidated statements of operations. One property that was previously held for sale was not sold and the Company reclassified such property as held for use as of December 31, 2016.

4. Real Estate Debt Investments

The following table presents CRE debt investments as of December 31, 2016 (dollars in thousands):

	Number	Principal Amount	Carrying Value	Allocation by Investment Type(3)	Weighted Average Fixed Rate	Weighted Average Spread Over LIBOR(4)	Weighted Average Yield(5)	Floating Rate as % of Principal Amount(3)
Asset Type:								
First mortgage loans(1)	5	$ 106,888	$ 82,209	30.3%	6.97%	1.00%	6.52%	24.0%
Mezzanine loans	6	19,763	12,186	5.6%	12.16%	3.60%	10.15%	56.6%
Subordinate interests	4	168,106	167,017	47.6%	12.82%	5.76%	8.67%	59.0%
Corporate loans	4	35,968	31,431	10.2%	13.33%	—%	15.26%	—%
Subtotal/Weighted average(2)(6)	19	330,725	292,843	93.7%	10.44%	4.69%	8.83%	41.1%
CRE debt in N-Star CDOs								
First mortgage loans	1	21,273	2,425	6.0%	—%	3.50%	—%	100.0%
Corporate loans	6	1,276	1,276	0.3%	6.75%	—%	6.75%	—%
Subtotal/Weighted average	7	22,549	3,701	6.3%	6.75%	3.50%	2.33%	94.3%
Total	26	$ 353,274	$ 296,544	100.0%	10.42%	4.53%	8.75%	44.5%
Real estate debt, held for sale(7)	1	$ 35,120	$ 34,000	NA	—%	13.75%	—%	100.0%

(1) Includes three loans that pursuant to certain terms and conditions which may or may not be satisfied, where the Company has an option to purchase the properties securing these loans. One of these three loans is a Sterling denominated loan of £66.7 million, of which £22.0 million is available to be funded as of December 31, 2016. This loan has various maturity dates depending upon the timing of advances; however, will be no later than March 2022.
(2) Assuming that all loans that have future fundings meet the terms to qualify for such funding, the Company's cash requirement on future fundings would be $11.1 million.
(3) Based on principal amount.
(4) $25.6 million principal amount (excluding CRE debt in N-Star CDOs) has a weighted average LIBOR floor of 0.50%.
(5) Based on initial maturity and for floating-rate debt, calculated using one-month LIBOR as of December 31, 2016 and for one CRE debt investment with a LIBOR floor greater than LIBOR, using such floor.
(6) All CRE debt investments are unleveraged.
(7) In January 2017, the Company sold the loan for net proceeds of $34.0 million.

In 2016, the Company sold or received repayment for 15 CRE debt investments and a REO with a total principal amount of $388.6 million and used $72.1 million of proceeds to pay down the Company's loan facility in full, resulting in $313.2 million of net proceeds.

The following table presents CRE debt investments as of December 31, 2015 (dollars in thousands):

					Weighted Average			
	Number	Principal Amount	Carrying Value	Allocation by Investment Type(2)	Fixed Rate	Spread Over LIBOR(3)	Yield(4)	Floating Rate as % of Principal Amount(2)
Asset Type:								
First mortgage loans(1)	11	$ 286,628	$ 260,237	51.6%	7.09%	4.95%	3.80%	55.8%
Mezzanine loans	6	22,361	18,630	4.0%	9.04%	4.00%	7.10%	39.9%
Subordinate interests	4	171,044	169,781	30.8%	13.04%	5.65%	8.72%	59.0%
Corporate loans	4	35,215	30,681	6.3%	12.93%	—%	14.84%	—%
Subtotal/Weighted average	25	515,248	479,329	92.7%	10.51%	5.26%	6.38%	52.5%
CRE debt in N-Star CDOs								
First mortgage loans	2	26,957	9,321	4.9%	—%	1.27%	3.78%	100.0%
Mezzanine loans	1	11,000	10,675	2.0%	8.00%	—%	8.24%	—%
Corporate loans	6	2,149	2,149	0.4%	6.74%	—%	6.74%	—%
Subtotal/Weighted average	9	40,106	22,145	7.3%	7.79%	1.27%	6.22%	67.2%
Total	34	$ 555,354	$ 501,474	100.0%	10.33%	4.79%	6.37%	53.5%
Real estate debt, held for sale(5)	7	$ 225,037	$ 224,677	NA	13.65%	7.41%	10.89%	52.5%

(1) Includes three loans that pursuant to certain terms and conditions which may or may not be satisfied, where the Company has an option to purchase the properties securing these loans. One is a Sterling denominated loan of £66.7 million. This loan has various maturity dates depending upon the timing of advances; however, will be no later than March 2022.
(2) Based on principal amount.
(3) $63.9 million principal amount (excluding CRE debt in N-Star CDOs) has a weighted average LIBOR floor of 0.95%. Includes one first mortgage loan with a principal amount of $5.8 million with a spread over the prime rate.
(4) Based on initial maturity and for floating-rate debt, calculated using one-month LIBOR as of December 31, 2015 and for CRE debt with a LIBOR floor, using such floor.
(5) In the first quarter 2016, the Company sold these seven loans and used $46.9 million of proceeds to pay down the Company's loan facility, resulting in net proceeds of $178.2 million.

The following table presents maturities of CRE debt investments based on principal amount as of December 31, 2016 (dollars in thousands):

	Current Maturity	Maturity Including Extensions(1)
Years ending December 31:		
2017	$ 57,706	$ 57,706
2018	1,152	1,152
2019	—	—
2020	—	—
2021	—	—
Thereafter	266,429	266,429
Total(2)	$ 325,287	$ 325,287

(1) Assumes that all debt with extension options will qualify for extension at such maturity according to the conditions stipulated in the governing documents.
(2) Excludes three non-performing loans ("NPLs") with an aggregate principal amount of $28.0 million as of December 31, 2016 due to maturity defaults, of which $21.3 million relates to a loan in an N-Star CDO.

As of December 31, 2016, the weighted average maturity, including extensions, of CRE debt investments was 5.7 years and was 6.0 years excluding CRE debt investments within N-Star CDOs.

Actual maturities may differ from contractual maturities as certain borrowers may have the right to prepay with or without prepayment penalty. The Company may also extend certain contractual maturities in connection with loan modifications.

The principal amount of CRE debt investments differs from the carrying value primarily due to unamortized origination fees and costs, unamortized premium and discount and loan loss reserves recorded as part of the carrying value of the investment. As of December 31, 2016, the Company had $39.5 million of net unamortized discount and $1.8 million of net unamortized origination fees and costs.

Provision for Loan Losses

The following table presents activity in loan loss reserves on CRE debt investments for the years ended December 31, 2016, 2015 and 2014 (dollars in thousands):

	Years Ended December 31,		
	2016	2015	2014
Beginning balance	$ 7,839	$ 5,599	$ 2,880
Provision for (reversal of) loan losses, net[1]	6,781 [2]	2,240 [2]	2,719
Ending balance	$ 14,620	$ 7,839	$ 5,599

(1) Excludes $0.3 million, $0.8 million and $1.0 million provision for loan losses for the years ended December 31, 2016, 2015 and 2014, respectively, relating to manufactured housing notes receivables recorded in assets of properties held for sale.
(2) Excludes $3.5 million and $1.2 million of provision for loan losses primarily relating to exit fees on real estate debt, held for sale for the years ended December 31, 2016 and 2015, respectively.

Credit Quality Monitoring

CRE debt investments are typically loans secured by direct senior priority liens on real estate properties or by interests in entities that directly own real estate properties, which serve as the primary source of cash for the payment of principal and interest. The Company evaluates its debt investments at least quarterly and differentiates the relative credit quality principally based on: (i) whether the borrower is currently paying contractual debt service in accordance with its contractual terms; and (ii) whether the Company believes the borrower will be able to perform under its contractual terms in the future, as well as the Company's expectations as to the ultimate recovery of principal at maturity.

The Company categorizes a debt investment for which it expects to receive full payment of contractual principal and interest payments as a "loan with no loan loss reserve." The Company categorizes a debt investment as an NPL if it is in maturity default and/or past due at least 90 days on its contractual debt service payments. The Company considers the remaining debt investments to be of weaker credit quality and categorizes such loans as "other loans with a loan loss reserve/non-accrual status." These loans are not considered NPLs because such loans are performing in accordance with contractual terms but the loans have a loan loss reserve and/or are on non-accrual status. Even if a borrower is currently paying contractual debt service or debt service is not due in accordance with its contractual terms, the Company may still determine that the borrower may not be able to perform under its contractual terms in the future and make full payment upon maturity. The Company's definition of an NPL may differ from that of other companies that track NPLs.

The following table presents the carrying value of CRE debt investments, by credit quality indicator, as of each applicable balance sheet date (dollars in thousands):

	December 31,	
Credit Quality Indicator:	2016	2015
Loans with no loan loss reserve:		
First mortgage loans[1]	$ 77,528	$ 168,978
Mezzanine loans	8,515	29,305
Subordinate interests	167,017	169,781
Corporate loans	32,707	32,830
Subtotal	285,767	400,894
Other loans with a loan loss reserve/non-accrual status:		
First mortgage loans	—	4,137
Mezzanine loans[2]	3,671	—
Subtotal	3,671	4,137
Non-performing loans[3]	7,106	96,443
Total	$ 296,544	$ 501,474

(1) Includes one first mortgage loan acquired with deteriorated credit quality with a carrying value of $3.0 million and $3.1 million as of December 31, 2016 and 2015, respectively.

(2) Includes one mezzanine loan with a $3.7 million carrying value which was extended in January 2017 and one mezzanine loan with a 100% loan loss reserve with no carrying value as of December 31, 2016 and 2015. The loan with no carrying value is not considered a NPL as debt service is currently being received.

(3) Includes one first mortgage loan with a $2.4 million carrying value in an N-Star CDO.

Impaired Loans

The Company considers impaired loans to generally include NPLs, loans with a loan loss reserve, loans on non-accrual status (excluding loans acquired with deteriorated credit quality) and TDRs. The following table presents impaired loans as of December 31, 2016 and 2015 (dollars in thousands):

	December 31, 2016				December 31, 2015			
	Number	Principal Amount(1)	Carrying Value(1)	Loan Loss Reserve	Number	Principal Amount(1)	Carrying Value(1)	Loan Loss Reserve
Class of Debt:								
First mortgage loans(2)	3	$ 27,987	$ 7,104	$ 5,285	5	$ 119,677	$ 100,580	$ 4,073
Mezzanine loans	2	11,190	3,671	7,520	1	3,766	—	3,766
Total	5	$ 39,177	$ 10,775	$ 12,805	6	$ 123,443	$ 100,580	$ 7,839

(1) Principal amount differs from carrying value primarily due to unamortized origination fees and costs, unamortized premium or discount and loan loss reserves included in the carrying value of the investment. Excludes one first mortgage loan acquired with deteriorated credit quality with a carrying value of $3.0 million and $3.1 million as of December 31, 2016 and 2015, respectively.

(2) Excludes one loan with a carrying value of $34.0 million which was sold in the first quarter 2017. Such loan is considered a TDR as of December 31, 2016.

The following table presents average carrying value of impaired loans by type and the income recorded on such loans subsequent to them being deemed impaired for the years ended December 31, 2016, 2015 and 2014 (dollars in thousands):

	December 31, 2016			December 31, 2015			December 31, 2014		
	Number	Average Carrying Value	Year Ended Income	Number	Average Carrying Value	Year Ended Income	Number	Average Carrying Value	Year Ended Income
Class of Debt:									
First mortgage loans	3	$ 61,433	$ —	5	$ 102,107	$ 2,707	1	$ 1,133	$ —
Mezzanine loans	2	1,859	—	1	—	8	1	377	6
Total/weighted average	5	$ 63,292	$ —	6	$ 102,107	$ 2,715	2	$ 1,510	$ 6

As of December 31, 2016, the Company had three loans past due greater than 90 days. As of December 31, 2015, the Company had two loans past due greater than 90 days.

5. Investments in Private Equity Funds

The following is a description of investments in private equity funds that own PE Investments either through unconsolidated ventures ("PE Investment I" and "PE Investment II") or consolidated ventures and direct investments (collectively "Direct PE Investments") which are recorded as investments in private equity funds at fair value on the consolidated balance sheets. The Company elected the fair value option for PE Investments, of which certain are cost method investments and the remainder are equity method investments. As a result, the Company records equity in earnings (losses) based on the change in fair value for its share of the projected future cash flow from one period to another. All PE Investments are considered variable interest entities, except for PE Investment I and II (refer to Note 17). PE Investment I and II are considered voting interest entities and are not consolidated by the Company due to the substantive participating rights of the partners in joint ventures that own the interests in the real estate private equity funds. The Company does not consolidate any of the underlying real estate private equity funds owned in Direct PE Investments as it does not own a majority voting interest in any such funds or is not the primary beneficiary of such funds. PE Investments are not redeemable by the Company.

The following table summarizes the Company's PE Investments as of December 31, 2016 (dollars in millions):

	PE Investments(2)(3)(6)	PE Investment Sale(4)	Total
Carrying Value			
December 31, 2016	$ 416.9	$ —	$ 416.9
December 31, 2015	$ 580.6	$ 521.1	$ 1,101.7
December 31, 2016			
Income(5)	$ 82.8	$ 10.8	$ 93.6
Distributions	$ 221.8	$ 28.7	$ 250.5
Contributions(1)	$ 3.5	$ 0.5	$ 4.0
December 31, 2015			
Income(5)	$ 120.1	$ 78.0	$ 198.1
Distributions	$ 381.8	$ 258.1	$ 639.9
Contributions	$ 9.0	$ 50.5	$ 59.5
December 31, 2014			
Income(5)	$ 150.8	$ —	$ 150.8
Distributions	$ 339.5	$ —	$ 339.5
Contributions	$ 13.8	$ —	$ 13.8

(1) As of December 31, 2016, the Company's expected future contributions to funds is $1 million with $6 million of remaining deferred purchase price. The actual amount of future contributions underlying the fund interests that may be called and funded by the Company could vary materially from the Company's expectations.
(2) As of December 31, 2016, the Company is invested in 126 funds. The total number of funds includes 12 funds held across multiple PE Investments.
(3) As of December 31, 2016, cash flow is expected through June 30, 2022, with a weighted average expected remaining life of 1.1 years.
(4) In February 2016, the Company sold substantially all of its interest in PE Investment II for proceeds of $184.1 million. In September 2016, the Company sold a portfolio of PE Investments for a gross sales price of $317.6 million with $44.7 million of deferred purchase price assumed as part of the transaction, including $5.6 million of deferred purchase price which was the obligation of an unconsolidated joint venture. The Company received $238.6 million of net proceeds. Refer to Note 10. Related Party Arrangements for further disclosure.
(5) Recorded in equity in earnings in the consolidated statements of operations.
(6) The Company holds a 36% ownership interest in PE Investment I with a subsidiary of NorthStar Real Estate Income Trust, Inc. ("NorthStar Income") (together with the Company, the "NorthStar Entities") and a third party. PE Investment I provides for all cash distributions on a priority basis to the NorthStar Entities until the NorthStar Entities receive a 1.5x multiple on all of their invested capital. The Company guaranteed all of its funding obligations that may be due and owed under PE Investment I agreements directly to PE Investment I entities. The Company and NorthStar Income each agreed to indemnify the other proportionately for any losses that may arise in connection with the funding and other obligations as set forth in the governing documents in the case of a joint default by the Company and NorthStar Income. The Company and NorthStar Income further agreed to indemnify each other for all of the losses that may arise as a result of a default that is solely caused by the Company or NorthStar Income, as the case may be.

6. Investments in Unconsolidated Ventures

The following is a description of investments in unconsolidated ventures. The investments in RXR Realty LLC (“RXR Realty”), Aerium Group (“Aerium”) and SteelWave, LLC (“SteelWave”) are accounted for at fair value due to the election of the fair value option (refer to Note 14). The investments in the NSAM Retail Companies (as defined below) were accounted for under the equity method prior to the spin-off of the Company’s historical asset management business (“NSAM Spin-off”) and are accounted for under the cost method subsequent to the NSAM Spin-off. All other investments in unconsolidated ventures are accounted for under the equity method.

The following table summarizes the Company’s investments in unconsolidated ventures as of December 31, 2016 and 2015 and for the years ended December 31, 2016, 2015 and 2014 (dollars in millions):

		Carrying Value		Equity in Earnings (Losses)		
	Ownership	December 31,		Years Ended December 31,		
Investment	Interest	2016	2015	2016	2015	2014
RXR Realty[1]	27%	$ 105.9	$ 89.3	$ 25.8	$ 16.0	$ 8.0
NSAM Retail Companies[2]	Various	17.3	14.0	0.1	0.3	0.3
Office Joint Venture[3]	10%	8.5	8.5	—	—	2.6
LandCap[4]	49%	7.6	7.7	1.3	0.9	0.7
SteelWave[5]	40%	9.9	6.8	3.1	1.9	0.4
Aerium[6]	15%	5.0	16.5	—	1.3	2.5
CS/Federal[7]	50%	5.4	5.7	(0.3)	0.3	0.1
Multifamily Joint Venture[8]	90%	4.5	3.5	1.1	0.3	(0.3)
NorthStar Realty Finance Trusts[9]	N/A	3.7	3.7	—	—	—
Total		$ 167.8	$ 155.7	$ 31.1	$ 21.0	$ 14.3

(1) In December 2013, the Company entered into a strategic transaction with RXR Realty, a leading real estate owner, developer and investment management company focused on high-quality real estate in the New York Tri-State area.

(2) Represents the Company’s investment in NSAM retail companies: NorthStar Income, NorthStar Healthcare Income, Inc. (“NorthStar Healthcare”), NorthStar Real Estate Income II, Inc. (“NorthStar Income II”), NorthStar Corporate Income Fund (“NorthStar Corporate Fund”) and NorthStar/RXR New York Metro Real Estate, Inc. (“NorthStar/RXR New York Metro”). Affiliates of NSAM manage NorthStar Income, NorthStar Healthcare, NorthStar Income II, NorthStar Corporate Fund, NorthStar/RXR New York Metro, NorthStar Real Estate Capital Income Fund (“NorthStar Capital Fund”) which, together with any new retail company sponsored by NSAM, are collectively referred to as the “NSAM Retail Companies”. The Company’s ownership interest in NorthStar Income, NorthStar Income II and NorthStar Healthcare as of December 31, 2016 is 0.5%, 0.6% and 0.3%, respectively.

(3) In June 2013, in connection with the restructuring of an existing mezzanine loan, the Company acquired a 9.99% equity interest for $8.5 million in a joint venture that owns two office buildings in Chicago.

(4) In October 2007, the Company entered into a joint venture with Whitehall Street Global Real Estate Limited Partnership 2007 (“Whitehall”) to form LandCap Partners and LandCap LoanCo. (collectively referred to as “LandCap”). The joint venture is managed by a third-party management group. The Company and Whitehall agreed to no longer provide additional new investment capital in the LandCap joint venture.

(5) In September 2014, the Company entered into an investment with SteelWave, a real estate investment manager, owner and operator with a portfolio of commercial assets focused in key markets in the western United States.

(6) Aerium is a pan-European real estate investment manager specializing in commercial real estate properties. The Company recorded an unrealized loss on its interest in Aerium of $8.6 million for the year ended December 31, 2016.

(7) CS Federal Drive, LLC (“CS/Federal”) owns three adjacent class A office/flex buildings in Colorado. The properties were acquired for $54.3 million and were financed with two separate non-recourse mortgages totaling $38.0 million and the remainder in cash. The mortgages matured on February 11, 2016. In January 2017, a mortgage of $24 million was repaid on one of the buildings. The joint venture is currently in negotiations with the lender on the remaining mortgage.

(8) In July 2013, the Company through a joint venture with a private investor, acquired a multifamily property with 498 units, located in Philadelphia, Pennsylvania for an aggregate purchase price of $41.0 million, including all costs, escrows and reserves. The property was financed with a non-recourse mortgage note of $29.5 million and the remainder in cash. In April 2015, the property obtained additional non-recourse financing of $7.0 million. Both financings mature on July 1, 2023 and have a weighted average fixed interest rate of 3.87%. The joint venture is exploring the sale of the property.

(9) The Company owns all of the common stock of NorthStar Realty Finance Trusts I through VIII (collectively, the “Trusts”). The Trusts were formed to issue trust preferred securities. Refer to Note 17 for further disclosure.

NSAM Retail Companies

The Company committed to purchase up to $10 million in shares of each of NSAM's Retail Companies' common stock during the period from when each offering was declared effective through the end of their respective offering period, in the event that NSAM Retail Companies' distributions to its stockholders, on a quarterly basis, exceed certain measures of operating performance.

In addition, pursuant to the management agreement with NSAM, the Company committed up to $10 million to invest as distribution support consistent with past practice in each future public non-traded NSAM Retail Company, up to a total of five new companies per year. The following table summarizes the Company's total shares purchased of each NSAM Retail Company as part of its current obligation under the distribution support agreement and the remaining obligations as of December 31, 2016 (dollars in millions):

NSAM Retail Company	Term of Commitment	Ownership Interest	Amount Purchased	Remaining Commitment
NorthStar/RXR New York Metro(1)	February 2015 - February 2017	16.0%	$ 1.5	$ 6.0
NorthStar Corporate Fund(2)	February 2016 - February 2018	50.0%	1.0	4.0
NorthStar Capital Fund(3)	May 2016 - May 2018	100.0%	2.0	8.0
Total			$ 4.5	$ 18.0

(1) NorthStar/RXR New York Metro's registration statement filed with the SEC seeks to offer up to $2 billion in a public offering of multiple classes of common stock. In December 2015, the Company and RXR Realty satisfied NorthStar/RXR New York Metro's minimum offering amount as a result of the purchase of 0.2 million shares of its common stock for an aggregate $2.0 million, of which $1.5 million was invested. The Company is responsible for 75% of the distribution support commitment to NorthStar/RXR New York Metro, with RXR Realty responsible for the remaining 25%. NSAM began raising capital for NorthStar/RXR New York Metro in the second quarter 2016.

(2) NorthStar Corporate Fund's registration statement was declared effective by the SEC in February 2016. OZ Institutional Credit Management LP was initially engaged to serve as its sub-advisor to manage investments pursuant to a sub-advisory agreement, which has been subsequently terminated. NorthStar Corporate Fund is evaluating engaging a new sub-advisor. There is no assurance that Colony NorthStar will be able to engage a new sub-adviser on similar terms, if at all.

(3) NorthStar Capital Fund's registration statement on Form N-2 filed with the SEC seeks to raise up to $3 billion in a public offering of common stock. In March 2016, the Company invested $2.0 million of seed capital into NorthStar Capital Fund. In May 2016, NorthStar Capital Fund was declared effective by the SEC and expects to begin raising capital from third parties in the first half 2017. The Company currently consolidates the company based on its majority voting interest in the entity.

Summarized Financial Information

The combined balance sheets for the unconsolidated ventures, including PE Investments and excluding unconsolidated ventures accounted for under the cost method, as of December 31, 2016 and 2015 are as follows (dollars in thousands):

	As of December 31,	
	2016	2015
Assets		
Total assets	$ 5,821,859	$ 8,821,784
Liabilities and equity		
Total liabilities	$ 2,680,193	$ 3,071,593
Equity	3,141,666	5,750,191
Total liabilities and equity	$ 5,821,859	$ 8,821,784

The combined statements of operations for the unconsolidated ventures, including PE Investments and excluding unconsolidated ventures accounted for under the cost method, from acquisition date through the years ended December 31, 2016, 2015 and 2014 are as follows (dollars in thousands):

	Years Ended December 31,		
	2016(1)	2015	2014
Total revenues(2)	$ 767,677	$ 1,287,014	$ 907,519
Net income	229,309	781,196	443,158

(1) Includes summarized financial information for PE Investments for the nine months ended September 30, 2016, which is the most recent financial information available from the underlying funds.

(2) Includes net investment income and unrealized and realized gains and losses for PE Investments.

NSAM Retail Companies and certain PE Investments, for which the Company has elected the fair value option, are accounted for under the cost method. As of December 31, 2016 and 2015 the aggregate carrying value of such cost method investments was $108.1 million and $233.8 million, respectively.

7. Real Estate Securities, Available for Sale

The following table presents CRE securities as of December 31, 2016 (dollars in thousands):

				Cumulative Unrealized			Allocation by	Weighted	Weighted
	Number	Principal Amount[3]	Amortized Cost	Gains	(Losses)	Fair Value	Investment Type[3]	Average Coupon	Average Yield[4]
Asset Type:									
N-Star CDO bonds[1][8]	23	$ 371,091	$ 158,084	$ 287	$ (70,148)	$ 88,223	34.1%	2.17%	23.03%
N-Star CDO equity[5][8]	4	60,072	60,072	723	(39,841)	20,954	5.5%	NA	5.04%
CMBS and other securities[6]	11	58,688	42,540	16	(21,041)	21,515	5.4%	0.75%	1.38%
Subtotal[2]	38	489,851	260,696	1,026	(131,030)	130,692	45.0%	1.98%	15.36%
CRE securities in N-Star CDOs[5][7]									
CMBS	105	448,063	346,710	10,804	(101,884)	255,630	41.1%	3.50%	8.29%
Third-party CDO notes	6	49,081	47,883	—	(42,082)	5,801	4.6%	—%	—%
Agency debentures	8	87,172	33,249	7,091	(611)	39,729	8.0%	—%	4.57%
Unsecured REIT debt	1	8,000	8,168	450	—	8,618	0.7%	7.50%	5.88%
Trust preferred securities	2	7,225	7,225	—	(2,332)	4,893	0.6%	2.25%	3.40%
Subtotal	122	599,541	443,235	18,345	(146,909)	314,671	55.0%	2.74%	6.99%
Total	160	$ 1,089,392	$ 703,931	$ 19,371	$ (277,939)	$ 445,363	100.0%	2.42%	10.09%

(1) Excludes $141.0 million principal amount of N-Star CDO bonds payable that are eliminated in consolidation and includes $2.0 million of N-Star CDO bonds owned in N-Star CDO IX.
(2) All securities are unleveraged.
(3) Based on amortized cost for N-Star CDO equity and principal amount for remaining securities.
(4) Based on expected maturity and for floating-rate securities, calculated using the applicable LIBOR as of December 31, 2016.
(5) The fair value option was elected for these securities (refer to Note 14).
(6) The fair value option was elected for $16.4 million carrying value of these securities (refer to Note 14).
(7) Investments in the same securitization tranche held in separate CDO financing transactions are reported as separate investments.
(8) As of December 31, 2016, the weighted average remaining life of the N-Star CDO bonds and N-Star CDO equity is 1.1 years and 2.2 years, respectively.

The Company sponsored nine CDOs, three of which were primarily collateralized by CRE debt and six of which were primarily collateralized by CRE securities. The Company acquired equity interests of two CRE debt focused CDOs, the CSE RE 2006-A CDO ("CSE CDO") and the CapLease 2005-1 CDO ("CapLease CDO") sponsored by third parties. These CDOs are collectively referred to as the N-Star CDOs. All N-Star CDOs are considered VIEs (refer to Note 17). At the time of issuance of the sponsored CDOs, the Company retained the below investment grade bonds, which are referred to as subordinate bonds, and preferred shares and equity notes, which are referred to as equity interests. In addition, the Company repurchased CDO bonds originally issued to third parties at discounts to par. These repurchased CDO bonds and retained subordinate bonds are herein collectively referred to as N-Star CDO bonds.

As of December 31, 2016, the Company's CRE securities portfolio is comprised of N-Star CDO bonds and N-Star CDO equity and other securities which are predominantly conduit commercial mortgage-backed securities ("CMBS"), meaning each asset is a pool backed by a large number of commercial real estate loans. As a result, this portfolio is typically well-diversified by collateral type and geography. As of December 31, 2016, contractual maturities of CRE securities investments ranged from one month to 37 years, with a weighted average expected maturity of 3.0 years.

The following table presents CRE securities as of December 31, 2015 (dollars in thousands):

	Number	Principal Amount[3]	Amortized Cost	Cumulative Unrealized Gains	Cumulative Unrealized Losses	Fair Value	Allocation by Investment Type[3]	Weighted Average Coupon	Weighted Average Yield[4]
Asset Type:									
N-Star CDO bonds[1]	26	$ 401,848	$ 194,908	$ 24,332	$ (2,513)	$ 216,727	31.3%	1.98%	22.01%
N-Star CDO equity[5]	4	71,003	71,003	1,290	(27,388)	44,905	5.5%	NA	12.41%
CMBS and other securities[6]	15	116,681	61,520	15,340	(21,295)	55,565	9.1%	2.15%	5.52%
Subtotal[2]	45	589,532	327,431	40,962	(51,196)	317,197	45.9%	2.01%	16.83%
CRE securities in N-Star CDOs[5][7]									
CMBS	123	538,205	398,343	31,244	(103,076)	326,511	41.9%	3.48%	10.13%
Third-party CDO notes	8	55,509	50,047	—	(43,362)	6,685	4.3%	0.01%	—%
Agency debentures	8	87,172	31,774	6,384	(842)	37,316	6.8%	—	4.57%
Unsecured REIT debt	1	8,000	8,285	691	—	8,976	0.6%	7.50%	5.88%
Trust preferred securities	2	7,225	7,225	—	(1,800)	5,425	0.5%	2.25%	2.32%
Subtotal	142	696,111	495,674	38,319	(149,080)	384,913	54.1%	2.80%	8.56%
Total	187	$ 1,285,643	$ 823,105	$ 79,281	$ (200,276)	$ 702,110	100.0%	2.46%	11.85%

(1) Excludes $142.9 million principal amount of N-Star CDO bonds payable that are eliminated in consolidation.
(2) All securities are unleveraged.
(3) Based on amortized cost for N-Star CDO equity and principal amount for remaining securities.
(4) Based on expected maturity and for floating-rate securities, calculated using the applicable LIBOR as of December 31, 2015.
(5) The fair value option was elected for these securities (refer to Note 14).
(6) The fair value option was elected for $48.7 million carrying value of these securities (refer to Note 14).
(7) Investments in the same securitization tranche held in separate CDO financing transactions are reported as separate investments.

For the year ended December 31, 2016, proceeds from the sale of CRE securities was $53.9 million, resulting in a net realized loss of $5.6 million. The Company recognized a $9.7 million net cash gain related to acceleration of discount in connection with these sales. For the year ended December 31, 2015, proceeds from the sale of CRE securities were $95.7 million, resulting in a net realized gain of $14.1 million. For the year ended December 31, 2014, proceeds from the sale of CRE securities was $94.8 million, resulting in a net realized gain of $22.4 million.

CRE securities investments, not held in N-Star CDOs, include 24 securities for which the fair value option was not elected. As of December 31, 2016, the aggregate carrying value of these securities was $93.3 million, representing $70.5 million of accumulated net unrealized losses included in OCI. As of December 31, 2016, the Company held 19 securities with an aggregate carrying value of $93.0 million with an unrealized loss of $70.8 million, eight of which were in an unrealized loss position for a period of greater than 12 months. Based on management’s quarterly evaluation, the Company recorded OTTI of $40.6 million and $4.0 million for the years ended December 31, 2016 and 2015, respectively, which was recorded in realized gain (loss) on investments and other in the consolidated statements of operations. As of December 31, 2016, the Company does not intend to sell these securities and it is more likely than not that the Company will not be required to sell these securities prior to recovery of its amortized cost basis, which may be at maturity.

8. Borrowings

The following table presents borrowings as of December 31, 2016 and 2015 (dollars in thousands):

	Recourse vs. Non-Recourse	Final Maturity	Contractual Interest Rate(1)(2)	December 31, 2016 Principal Amount	December 31, 2016 Carrying Value(3)	December 31, 2015 Principal Amount	December 31, 2015 Carrying Value(3)
Mortgage and other notes payable:(4)							
Healthcare							
East Arlington, TX	Non-recourse	May-17	5.89%	$ 3,043	$ 3,043	$ 3,101	$ 3,097
Formation Portfolio(5)(11)	Non-recourse	May-19(6)/Jan-25/Feb-26	LIBOR + 4.25% (7)/4.54%/4.59%	702,686	696,345	701,819	695,060
Minnesota Portfolio	Non-recourse	Nov-19	LIBOR + 3.50%	37,766	37,310	37,800	37,171
Griffin-American - U.K.(5)	Non-recourse	Dec-19(6)	LIBOR + 4.25%(7)	269,505	267,480	327,890	322,415
Griffin-American - U.S. - Fixed(5)	Non-recourse	Dec-19(6)/ Jun-25 / Dec-35	4.68%(7)	1,762,998	1,710,645	1,763,036	1,692,098
Griffin-American - U.S. - Floating(5)(8)	Non-recourse	Dec-19(6)	LIBOR + 3.05%(7)	169,005	163,987	854,565	820,180
Wakefield Portfolio	Non-recourse	April-20	LIBOR + 4.00%	53,742	53,396	54,694	54,228
SLC Portfolio	Non-recourse	Jul-21	LIBOR + 3.00%	171,900	168,428	176,553	175,674
Healthcare Preferred(9)	Non-recourse	Jul-21	LIBOR + 7.75%	75,000	75,000	75,000	75,000
Indiana Portfolio(10)	Non-recourse	Sept-21	LIBOR + 4.50%	121,130	121,130	121,130	121,130
Subtotal Healthcare				3,366,775	3,296,764	4,115,588	3,996,053
Hotel							
Innkeepers Portfolio(5)	Non-recourse	Jun-19(6)	LIBOR + 3.39%(7)	840,000	839,977	840,000	837,137
K Partners Portfolio(5)(12)	Non-recourse	Aug-19(6)	LIBOR + 3.25%(7)	211,681	211,667	211,681	210,660
Courtyard Portfolio(5)	Non-recourse	Oct-19(6)	LIBOR + 2.90%(7)	512,000	512,000	512,000	509,554
Inland Portfolio(5)	Non-recourse	Dec-19(6)	LIBOR + 3.60%(7)	817,000	816,972	817,000	811,927
NE Portfolio(5)	Non-recourse	Jun-20(6)	LIBOR + 3.85%(7)	132,250	131,809	132,250	130,824
Miami Hotel Portfolio(5)	Non-recourse	Aug-20(6)	LIBOR + 3.90%(7)	115,500	114,873	115,500	113,833
Subtotal Hotel				2,628,431	2,627,298	2,628,431	2,613,935
Net lease							
Indianapolis, IN	Non-recourse	Feb-17	6.06%	25,171	25,167	25,674	25,663
Milpitas, CA	Non-recourse	Mar-17	5.95%	18,159	18,157	18,827	18,807
Fort Mill, SC	Non-recourse	Apr-17	5.63%	27,700	27,696	27,700	27,675
Fort Mill, SC - Mezzanine	Non-recourse	Apr-17	6.21%	174	174	663	663
Salt Lake City, UT	Non-recourse	Sept-17	5.16%	12,084	12,046	12,646	12,555
Green Pond, NJ	Non-recourse	Jun-21	4.00%	13,260	13,012	15,486	15,481
South Portland, ME	Non-recourse	Jul-23	LIBOR + 2.15%(7)	2,869	2,830	3,241	3,190
Aurora, CO	Non-recourse	Aug-26	4.08%	32,600	32,194	30,175	30,169
DSG Portfolio	Non-recourse	Nov-26	4.45%	30,959	29,797	30,481	30,428
Industrial Portfolio	—	—	—	—	—	221,125	224,635
Subtotal Net lease				162,976	161,073	386,018	389,266
Multi-tenant Office							
SteelWave Properties(5)	Non-recourse	Nov-19/Feb-20(6)	LIBOR + 2.15%(7)	114,659	113,695	112,988	111,266
Subtotal Multi-tenant Office				114,659	113,695	112,988	111,266
Multifamily							
Multifamily Property	Non-recourse	Apr-23	4.00%	39,600	39,166	—	—
Subtotal Multifamily				39,600	39,166	—	—
Other							
Secured borrowing(17)	Non-recourse	May-23	LIBOR + 1.60%	52,204	52,204	54,056	54,056
Subtotal Other				52,204	52,204	54,056	54,056
Subtotal Mortgage and other notes payable				6,364,645	6,290,200	7,297,081	7,164,576
Credit facilities and term borrowings:							
Corporate Revolver	Recourse	Aug-17	LIBOR + 3.50%(7)	—	—	165,000	165,000
Corporate Term Borrowing(10)	Recourse	Sept-17	4.60% / 4.55%	425,000	421,584	425,000	417,039
Loan Facility(13)	—	—	—	—	—	72,053	72,021
Subtotal Credit facilities and term borrowings				425,000	421,584	662,053	654,060
CDO bonds payable:							
N-Star I	Non-recourse	Aug-38	7.01%	7,665	7,665	10,869	10,814

N-Star IX	Non-recourse	Aug-52	LIBOR + 0.53%(7)	351,548	248,879	425,622	296,787
Subtotal CDO bonds payable				359,213	256,544	436,491	307,601

NORTHSTAR REALTY FINANCE CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

				December 31, 2016		December 31, 2015	
	Recourse vs. Non-Recourse	Final Maturity	Contractual Interest Rate(1)(2)	Principal Amount	Carrying Value(3)	Principal Amount	Carrying Value(3)
Exchangeable senior notes:							
7.25% Notes	Recourse	Jun-27	7.25%	12,955	12,955	12,955	12,955
5.375% Notes	Recourse	Jun-33	5.375%	16,405	14,455	17,405	15,116
8.875% Notes	—	—	—	—	—	1,000	967
Subtotal Exchangeable senior notes				29,360	27,410	31,360	29,038
Junior subordinated notes:							
Trust I	Recourse	Mar-35	LIBOR + 3.25%(7)	41,240	30,782	41,240	29,033
Trust II	Recourse	Jun-35	LIBOR + 3.25%(7)	25,780	19,245	25,780	18,152
Trust III	Recourse	Jan-36	LIBOR + 2.83%(7)	41,238	28,673	41,238	27,003
Trust IV	Recourse	Jun-36	LIBOR + 2.80%(7)	50,100	34,499	50,100	33,446
Trust V	Recourse	Sept-36	LIBOR + 2.70%(7)	30,100	20,338	30,100	18,978
Trust VI	Recourse	Dec-36	LIBOR + 2.90%(7)	25,100	17,467	25,100	16,348
Trust VII	Recourse	Apr-37	LIBOR + 2.50%(7)	31,459	20,410	31,459	18,960
Trust VIII	Recourse	Jul-37	LIBOR + 2.70%(7)	35,100	23,566	35,100	21,973
Subtotal Junior subordinated notes				280,117	194,980	280,117	183,893
Subtotal				7,458,335	7,190,718	8,707,102	8,339,168
Borrowings of properties, held for sale:(4)							
Manufactured Housing Communities	Non-recourse	Dec-21 / Dec-25	4.32%(7)	1,262,509	1,252,050	1,274,643	1,262,726
Multifamily(14)	—	—	—	—	—	249,709	247,019
Senior Housing Portfolio(15)	—	—	—	—	—	648,211	644,486
Net lease properties(16)	—	—	—	—	—	41,742	41,742
Subtotal Borrowings of properties held for sale				1,262,509	1,252,050	2,214,305	2,195,973
Grand Total				$ 8,720,844	$ 8,442,768	$ 10,921,407	$ 10,535,141

(1) Refer to Note 15 for further disclosure regarding derivative instruments which are used to manage interest rate exposure.
(2) For borrowings with a contractual interest rate based on LIBOR, represents three-month LIBOR for the SLC and Wakefield Portfolio and one-month LIBOR for the other borrowings.
(3) Carrying value represents fair value with respect to CDO bonds payable and junior subordinated notes due to the election of the fair value option (refer to Note 14) and amortized cost, net of deferred financing costs for the other borrowings.
(4) Mortgage and other notes payable are subject to customary non-recourse carveouts.
(5) An aggregate principal amount of $5.6 billion is comprised of 20 senior mortgage notes totaling $4.4 billion and 16 mezzanine mortgage notes totaling $1.2 billion.
(6) Represents final maturity taking into consideration the Company's extension options.
(7) Contractual interest rate represents a weighted average.
(8) In December 2016, the Company sold a subset of its portfolio of medical office buildings within the Griffin-American Portfolio and the Company paid off $658.7 million of such borrowings, a portion of which represents a pay down above the assets aggregate allocated borrowing amount.
(9) Represents borrowings in unconsolidated N-Star CDOs.
(10) In connection with the Mergers, the Corporate Term Borrowing was repaid.
(11) As of December 31, 2016, the borrower was not in compliance with certain operating covenants a result of the tenant's failure to satisfy the portfolio coverage covenant under the master lease. The Company expects to receive a waiver from the lenders for such default.
(12) As of December 31, 2016, as a result of a debt yield test, the Company is currently funding net operating cash of the hotel portfolio collateral related to this borrowing into a lender controlled escrow account to fund debt service. The Company may need to fund additional amounts until the test is satisfied. The Company does not believe the impact will be material.
(13) In November 2016, the Company terminated the Loan Facility.
(14) Refer to Note 3 for further disclosure.
(15) Refer to Note 10 for further disclosure.
(16) In October 2015, the mortgage matured and in 2016, the Company conveyed all properties back to the lender. The Company recorded a realized gain of $41.1 million upon extinguishment related to such borrowing.
(17) Represents a secured borrowing financing transaction in connection with a first mortgage loan recorded in real estate debt investments, net that was transferred in 2013 to a securitization entered into by NorthStar Income.

The following table presents a reconciliation of principal amount to carrying value of the Company's mortgage and other notes payable by asset class as of December 31, 2016 and 2015 (dollars in thousands):

	December 31, 2016				December 31, 2015			
Asset Class:	Principal Amount	Discount (Premium), Net	Deferred Financing Costs, Net	Carrying Value	Principal Amount	Discount (Premium), Net	Deferred Financing Costs, Net	Carrying Value
Healthcare	$ 3,366,775	$ (29,948)	$ (40,063)	$ 3,296,764	$ 4,115,588	$ (55,441)	$ (64,094)	$ 3,996,053
Hotel	2,628,431	—	(1,133)	2,627,298	2,628,431	—	(14,496)	2,613,935
Net lease	162,976	—	(1,903)	161,073	386,018	4,389	(1,141)	389,266
Multi-tenant office	114,659	—	(964)	113,695	112,988	—	(1,722)	111,266
Multifamily	39,600	—	(434)	39,166	—	—	—	—
Other	52,204	—	—	52,204	54,056	—	—	54,056
Total	$ 6,364,645	$ (29,948)	$ (44,497)	$ 6,290,200	$ 7,297,081	$ (51,052)	$ (81,453)	$ 7,164,576

The following table presents scheduled principal maturities on borrowings, based on final maturity as of December 31, 2016 (dollars in thousands):

	Total	Mortgage and Other Notes Payable	Credit Facilities and Term Borrowings	CDO Bonds Payable	Exchangeable Senior Notes[(1)]	Junior Subordinated Notes	Borrowings of Properties, Held for Sale[(2)]
Years ending December 31:							
2017	$ 548,246	$ 94,690	$ 425,000	$ —	$ 12,955	$ —	$ 15,601
2018	30,586	11,718	—	—	—	—	18,868
2019	4,989,359	4,968,584	—	—	—	—	20,775
2020	379,934	357,962	—	—	—	—	21,972
2021	412,417	374,726	—	—	—	—	37,691
Thereafter	2,360,302	556,965	—	359,213	16,405	280,117	1,147,602
Total	$ 8,720,844	$ 6,364,645	$ 425,000	$ 359,213	$ 29,360	$ 280,117	$ 1,262,509

(1) The 7.25% Notes and 5.375% Notes have a final maturity date of June 15, 2027 and June 15, 2033, respectively. The above table reflects the holders' repurchase rights which may require the Company to repurchase the 7.25% Notes and 5.375% Notes on June 15, 2017 and June 15, 2023, respectively.
(2) Borrowings of properties held for sale are expected to be paid off or assumed by buyers of the assets being sold.

As of December 31, 2016, with the exception of the covenants disclosed above, the Company was in compliance with all of its financial covenants.

Credit Facilities and Term Borrowings

Corporate Borrowings

In August 2014, the Company obtained a corporate revolving credit facility (as amended, the "Corporate Revolver") with certain commercial bank lenders, with a three-year term. The Corporate Revolver is secured by collateral relating to a borrowing base and guarantees by certain subsidiaries of the Company. In May 2015, the Company amended and restated the Corporate Revolver to substitute the Operating Partnership as the borrower, with the Company becoming a guarantor. In February 2016, the Company amended the agreement and decreased the aggregate amount of the revolving commitment to $250.0 million, subject to certain conditions. In connection with such amendment, the Company wrote off a proportionate amount of deferred financing costs to realized gain (loss) in the consolidated statements of operations. In February 2016, the Corporate Revolver was repaid and there is currently no outstanding balance.

In September 2014, the Company entered into a corporate term borrowing agreement (as amended, the "Corporate Term Borrowing") with a commercial bank lender to establish term borrowings. In March 2015, the Company amended and restated the Corporate Term Borrowing to substitute the Operating Partnership as the borrower, with the Company becoming a guarantor. Borrowings may be prepaid at any time subject to customary breakage costs. In September and December 2014, the Company entered into a credit agreement providing for a term borrowing under the Corporate Term Borrowing in a principal amount of $275.0 million and $150.0 million, respectively, with a fixed interest rate of 4.60% and 4.55%, respectively, with each maturing on September 19, 2017. In connection with the Mergers in January 2017, the Company paid off the Corporate Term Borrowing in full.

The Corporate Revolver and the Corporate Term Borrowing and related agreements contain representations, warranties, covenants, conditions precedent to funding, events of default and indemnities that are customary for agreements of these types.

Loan Facility

In March 2013, a subsidiary of the Company entered into a master repurchase agreement ("Loan Facility") of $200.0 million to finance first mortgage loans and senior interests secured by commercial real estate. In connection with Loan Facility, the Company entered into a guaranty agreement under which the Company guaranteed certain of the obligations under Loan Facility. Loan Facility and related agreements contain representations, warranties, covenants, conditions precedent to funding, events of default and indemnities that are customary for agreements of these types. In addition, the Company has agreed to guarantee certain customary obligations under Loan Facility if the Company or an affiliate of the Company engage in certain customary bad acts. In April 2016, Loan Facility was repaid in full. In November 2016, the Company terminated the loan facility.

Exchangeable Senior Notes

In 2007, the Company issued $172.5 million of 7.25% exchangeable senior notes ("7.25% Notes") which were offered in accordance with Rule 144A under the Securities Act of 1933, as amended ("Rule 144A"), of which $13.0 million remains outstanding as of December 31, 2016. The 7.25% Notes may be exchangeable upon the occurrence of specified events, and at any time on or after June 15, 2017, and prior to the close of business on the second business day immediately preceding the maturity date, into cash or common stock of the Company, or a combination thereof, if any, at the Company's option. The exchange price as of December 31, 2016 was $24.14 per share.

In 2012, the Company issued $82.0 million of 8.875% exchangeable senior notes ("8.875% Notes") which were offered in accordance with Rule 144A. In July 2016, holders exchanged the remaining $1.0 million of principal outstanding and the Company issued 126,915 shares of common stock in exchange.

In 2013, the Company issued $345.0 million of 5.375% exchangeable senior notes ("5.375% Notes") which were offered in accordance with Rule 144A, of which $16.4 million remains outstanding as of December 31, 2016. The 5.375% Notes may be exchangeable upon the occurrence of specified events, and at any time on or after June 15, 2023, and prior to the close of business on the second business day immediately preceding the maturity date, into cash or common stock of the Company, or a combination thereof, if any, at the Company's option. The exchange price as of December 31, 2016 was $13.23 per share. In 2016, $1.0 million principal amount of 5.375% Notes were exchanged for 0.1 million shares of common stock.

All of the Company's outstanding exchangeable senior notes contain unconditional guarantees by the Company on an unsecured and unsubordinated basis.

The following table presents the components of outstanding exchangeable senior notes as of December 31, 2016 and 2015 (dollars in thousands):

	December 31, 2016			December 31, 2015		
	Principal Amount	Unamortized Discount[(1)]	Carrying Value	Principal Amount	Unamortized Discount	Carrying Value
7.25% Notes	$ 12,955	$ —	$ 12,955	$ 12,955	$ —	$ 12,955
8.875% Notes	—	—	—	1,000	(33)	967
5.375% Notes	16,405	(1,950)	14,455	17,405	(2,289)	15,116
Total	$ 29,360	$ (1,950)	$ 27,410	$ 31,360	$ (2,322)	$ 29,038

(1) The remaining amortization period for the 5.375% Notes is 6.5 years.

As of December 31, 2016 and 2015, the aggregate carrying value of the equity components of the exchangeable senior notes is $1.9 million and $13.5 million, respectively, which is recorded as a component of additional paid-in capital. The following table presents the components of interest expense related to outstanding exchangeable senior notes for the years ended December 31, 2016, 2015 and 2014 (dollars in thousands):

	Interest and Amortization Expense		
Years Ended	Interest Expense	Amortization Expense[(1)]	Total Interest Expense
2016	$ 1,870	$ 223	$ 2,093
2015	1,998	275	2,273
2014	15,812	7,542	23,354

(1) The effective interest rate of the 5.375% Notes was 7.1% for the year ended December 31, 2016.

9. Spin-offs

Spin-off of Asset Management Business

Upon completion of the NSAM Spin-off, the asset management business of the Company was owned and operated by NSAM and the Company was externally managed by an affiliate of NSAM through a management contract with an initial term of 20 years. Subsequent to the NSAM Spin-off, the Company continued to operate its CRE debt origination business. Most of the employees of the Company at the time of the NSAM Spin-off became employees of NSAM and executive officers, employees engaged in the Company's loan origination business at the time of the NSAM Spin-off and certain other employees became co-employees of both the Company and NSAM. In connection with the NSAM Spin-off, the advisory agreements between the Company and each of the NSAM Retail Companies were terminated and affiliates of NSAM entered into new advisory agreements with each of the NSAM Retail Companies on substantially the same terms as those in effect at the time of the NSAM Spin-off.

Spin-off of European Real Estate Business

On October 31, 2015, the Company completed the NRE Spin-off into a separate publicly-traded REIT, NorthStar Europe, in the form of a taxable distribution. In connection with the NRE Spin-off, each of the Company's common stockholders received shares of NorthStar Europe's common stock on a one-for-six basis, before giving effect to a one-for-two reverse stock split of the Company's common stock (the "Reverse Split"). The Company contributed to NorthStar Europe approximately $2.6 billion of European real estate, at cost (excluding the Company's European healthcare properties), comprised of 52 properties spanning across some of Europe's top markets and $250 million of cash. In connection with the NRE Spin-off, $2.8 billion of assets were transferred and $1.9 billion of liabilities were assumed by NorthStar Europe.

Summary

The following table presents a carve-out of revenues and expenses associated with NSAM and NRE and included in discontinued operations in the Company's consolidated statements of operations (dollars in thousands):

	Years Ended December 31,	
NSAM	**2015[(1)]**	**2014[(2)]**
Total revenues[(3)]	$ —	$ 56,013
Total expenses[(4)]	—	63,216
NSAM income (loss) in discontinued operations	—	(7,203)
NorthStar Europe		
Total revenues	89,600	1,647
Total expenses[(5)(6)]	205,406	38,050
Unrealized gain (loss) on investments and other	(10,812)	—
Realized gain (loss) on investments and other	5	(170)
Income (loss) before income tax benefit (expense) provision	(126,613)	(36,573)
Income tax benefit (expense)	18,070	—
NRE income (loss) in discontinued operations	(108,543)	(36,573)
Income (loss) from operating real estate in discontinued operations	(11)	(925)
Total income (loss) from discontinued operations	$ (108,554)	$ (44,701)

(1) Represents ten months of total revenues and expenses of NorthStar Europe included in discontinued operations prior to the NRE Spin-off on October 31, 2015.
(2) Represents six months of total revenues and expenses of NSAM included in discontinued operations prior to the NSAM Spin-off on June 30, 2014.
(3) Includes asset management and other fee income from NSAM Retail Companies earned prior to the NSAM Spin-off and selling commissions and dealer manager fees earned by selling equity in the NSAM Retail Companies through NorthStar Securities. Additionally, revenues exclude the effect of any fees that NSAM began earning in connection with the management agreement with the Company upon completion of the NSAM Spin-off.
(4) Includes an allocation of indirect expenses of the Company to NSAM related to managing the NSAM Retail Companies and owning NorthStar Securities, including salaries, equity-based compensation and other general and administrative expenses (primarily occupancy and other costs) based on an estimate had the asset management business been run as an independent entity.
(5) Includes $109.5 million and $27.5 million of transaction costs related to acquisitions for the years ended December 31, 2015 and 2014, respectively.
(6) Includes $42.4 million and $1.4 million of depreciation and amortization for the years ended December 31, 2015 and 2014, respectively.

The following table presents certain data for operating real estate of discontinued operations related to NorthStar Europe and NSAM (dollars in thousands):

	Years Ended December 31,	
	2015	2014
Depreciation and amortization	$ 42,431	$ 1,378
Amortization of equity-based compensation[(1)]	—	13,745
Unrealized gain (loss) on investments and other	(10,812)	—
Realized gain (loss) on investments and other	5	(170)
Acquisition of operating real estate	1,873,607	94,169
Improvements of operating real estate	1,286	82

(1) Represents an allocation to NSAM prior to the NSAM Spin-off for the six months ended June 30, 2014.

10. Related Party Arrangements

NorthStar Asset Management Group

Management Agreement

Upon completion of the NSAM Spin-off, the Company entered into a management agreement with an affiliate of NSAM for an initial term of 20 years. As asset manager, NSAM was responsible for the Company's day-to-day operations, subject to supervision and management by the Company's board of directors. Through its global network of subsidiaries and branch offices, NSAM performed services and engaged in activities relating to, among other things, investments and financing, portfolio management and other administrative services, such as accounting and investor relations, to the Company and its subsidiaries other than the Company's CRE loan origination business. The management agreement with NSAM provided for a base management fee and incentive fee.

In connection with the NRE Spin-off, NorthStar Europe entered into a management agreement with NSAM with an initial term of 20 years on terms substantially consistent with the terms of the Company's management agreement with NSAM. The Company's management agreement with NSAM was amended and restated in connection with the NRE Spin-off to, among other things, adjust the annual base management fee and incentive fee hurdles for the NRE Spin-off.

Upon completion of the Mergers, the management agreement with NSAM ceased to exist. The following is a summary of the terms of the management agreement that were in place for the year ended December 31, 2016.

Base Management Fee

For the years ended December 31, 2016 and 2015 and the six months ended December 31, 2014, the Company incurred $186.8 million, $190.0 million and $79.4 million, respectively, related to the base management fee.

Incentive Fee

For the year ended December 31, 2016, the Company did not incur an incentive fee. For the year ended December 31, 2015 and six months ended December 31, 2014, the Company incurred $8.7 million and $3.3 million, respectively, related to the incentive fee. The incentive fee was calculated and payable quarterly in arrears in cash, equal to:

- the product of: (a) 15% and (b) the Company's CAD before such incentive fee, divided by the weighted average shares outstanding for the calendar quarter, of any amount in excess of $0.68 per share and up to $0.78 per share, after giving effect to the Reverse Split and the NRE Spin-off ("15% Hurdle"); plus

- the product of: (a) 25% and (b) the Company's CAD before such incentive fee, divided by the weighted average shares outstanding for the calendar quarter, of any amount in excess of $0.78 per share, after giving effect to the Reverse Split and the NRE Spin-off ("25% Hurdle");

- multiplied by the Company's weighted average shares outstanding for the calendar quarter.

Weighted average shares represent the number of shares of the Company's common stock, LTIP Units or other equity-based awards (with some exclusions), outstanding on a daily weighted average basis. With respect to the base management fee, all equity issuances are allocated on a daily weighted average basis during the fiscal quarter of issuance. With respect to the incentive fee, such amounts will be appropriately adjusted from time to time to take into account the effect of any stock split, reverse stock split, stock dividend, reclassification, recapitalization or other similar transaction.

Payment of Costs and Expenses and Expense Allocation

The Company is responsible for all of its direct costs and expenses and reimburses NSAM for costs and expenses incurred by NSAM on the Company's behalf. In addition, NSAM may allocate indirect costs to the Company related to employees, occupancy and other general and administrative costs and expenses in accordance with the terms of, and subject to the limitations contained in, the Company's management agreement with NSAM (the "G&A Allocation"). The Company's management agreement with NSAM provides that the amount of the G&A Allocation will not exceed the following: (i) 20% of the combined total of: (a) the Company's and NorthStar Europe's (the "NorthStar Listed Companies") general and administrative expenses as reported in their consolidated financial statements excluding (1) equity-based compensation expense, (2) non-recurring items, (3) fees payable to NSAM under the terms of the applicable management agreement and (4) any allocation of expenses from NSAM to the NorthStar Listed Companies ("NorthStar Listed Companies' G&A"); and (b) NSAM's general and administrative expenses as reported in its consolidated financial statements, excluding equity-based compensation expense and adding back any costs or expenses allocated to any managed company of NSAM; less (ii) the NorthStar Listed Companies' G&A. The G&A Allocation may include the Company's allocable share of NSAM's compensation and benefit costs associated with dedicated or partially dedicated personnel who spend all or a portion of their time managing the Company's affairs, based upon the percentage of time devoted by such personnel to the Company's affairs. The G&A Allocation may also include rental and occupancy, technology, office supplies, travel and entertainment and other general and administrative costs and expenses, which may be allocated based on various methodologies, such as weighted average employee count or the percentage of time devoted by personnel to the Company's affairs. In addition, the Company will pay directly or reimburse NSAM for an allocable portion of any severance paid pursuant to any employment, consulting or similar service agreements in effect between NSAM and any of its executives, employees or other service providers.

In connection with the NRE Spin-off and the related agreements, the NorthStar Listed Companies' obligations to reimburse NSAM for the G&A Allocation and any severance are shared among the NorthStar Listed Companies, at NSAM's discretion, and the 20% cap on the G&A Allocation, as described above, applies on an aggregate basis to the NorthStar Listed Companies. NSAM currently determined to allocate these amounts based on total investments.

For the year ended December 31, 2016, NSAM allocated $2.0 million to the Company. For the year ended December 31, 2015, NSAM allocated $10.0 million, of which $1.4 million is recorded in discontinued operations related to NorthStar Europe, to the Company. For the six months ended December 31, 2014, NSAM allocated $5.2 million, of which $1.7 million is recorded in discontinued operations related to NorthStar Europe, to the Company. Such amounts are recorded in general and administrative expenses in the consolidated statements of operations.

In addition, the Company, together with NorthStar Europe and any company spun-off from the Company or NorthStar Europe, was obligated to pay directly or reimburse NSAM for up to 50% of any long-term bonus or other compensation that NSAM's compensation committee determines shall be paid and/or settled in the form of equity and/or equity-based compensation to executives, employees and service providers of NSAM during any year. Subject to this limitation and limitations contained in any applicable management agreement between NSAM and NorthStar Europe or any company spun-off from the Company or NorthStar Europe, the amount paid by the Company, NorthStar Europe and any company spun-off from the Company or NorthStar Europe will be determined by NSAM in its discretion. At the discretion of NSAM's compensation committee, this compensation may be granted in shares of the Company's restricted stock, restricted stock units, LTIP Units or other forms of equity compensation or stock-based awards; provided that if at any time a sufficient number of shares of the Company's common stock are not available for issuance under the Company's equity compensation plan, such compensation shall be paid in the form of RSUs, LTIP Units or other securities that may be settled in cash. The Company's equity compensation for each year may be allocated on an individual-by-individual basis at the discretion of the NSAM compensation committee and, as long as the aggregate amount of the equity compensation for such year does not exceed the limits set forth in the management agreement, the proportion of any particular individual's equity compensation may be greater or less than 50%.

In connection with the above obligation, the Company was responsible for paying approximately 50% of the 2016 and 2015, along with NorthStar Europe, and 50% of the 2014 long-term bonuses earned under the NorthStar Asset Management Group Inc. Executive Incentive Bonus Plan ("NSAM Bonus Plan"). Long-term bonuses were paid to executives in the form of equity-based awards of both the Company and NSAM, subject to performance-based and time-based vesting conditions over the four-year performance period ending December 31. The long-term bonuses paid in the form of equity-based awards of the Company were adjusted for the NRE Spin-off and Reverse Split in the same manner as all other equity-based awards of the Company.

Investment Opportunities

Under the management agreement, the Company agreed to make available to NSAM for the benefit of NSAM and its managed companies, including the Company, all investment opportunities sourced by the Company. NSAM agreed to fairly allocate such opportunities among NSAM's managed companies, including the Company and NSAM in accordance with an investment allocation policy. Pursuant to the management agreement, the Company is entitled to fair and reasonable compensation for its services in connection with any loan origination opportunities sourced by the Company, which may include first mortgage loans, subordinate mortgage interests, mezzanine loans and preferred equity interests, in each case relating to commercial real estate. For the years ended December 31, 2016 and 2015 and the six months ended December 31, 2014, the Company earned $1.0 million, $1.4 million and $1.6 million, respectively, from NSAM, recorded in other revenue, for services in connection with loan origination opportunities.

NSAM provided services with regard to such areas as payroll, human resources and employee benefits, financial systems management, treasury and cash management, accounts payable services, telecommunications services, information technology services, property management services, legal and accounting services and various other corporate services to the Company as it related to its loan origination business for CRE debt.

Credit Agreement

In connection with the NSAM Spin-off, the Company entered into a revolving credit agreement with NSAM pursuant to which the Company makes available to NSAM, on an "as available basis," up to $250 million of financing with a maturity of June 30, 2019 at LIBOR plus 3.50%. The revolving credit facility is unsecured. The terms of the revolving credit facility contained various representations, warranties, covenants and conditions, including the condition that the Company's obligation to advance proceeds to NSAM is dependent upon the Company and its affiliates having at least $100 million of either unrestricted cash and cash equivalents or amounts available under committed lines of credit, after taking into account the amount NSAM seeks to draw under the facility. As of December 31, 2016, NSAM had no borrowings outstanding under the credit agreement. In January 2017, NSAM borrowed $40 million under the credit agreement which was eliminated in connection with the Mergers.

Loan Agreements

Separately, in January 2017 and prior to the Mergers, affiliates of NSAM entered into loan agreements with affiliates of the Company in the aggregate amount of $500.9 million with a maturity of January 10, 2027 at 8.0%. Such intercompany loans remain outstanding between subsidiaries of Colony NorthStar subsequent to the Mergers.

Healthcare Strategic Joint Venture

In January 2014, NSAM entered into a long-term strategic partnership with James F. Flaherty III, former Chief Executive Officer of HCP, Inc., focused on expanding the Company's healthcare business into a preeminent healthcare platform ("Healthcare Strategic Partnership"). In connection with the partnership, Mr. Flaherty oversees both the Company's healthcare real estate portfolio and the portfolio of NorthStar Healthcare. In connection with entering into the partnership, the Company granted Mr. Flaherty certain RSUs. The Healthcare Strategic Partnership is entitled to incentive fees ranging from 20% to 25% above certain hurdles for new and existing healthcare real estate investments held by the Company. For the years ended December 31, 2016, 2015 and 2014, the Company did not incur any incentive fees related to the Healthcare Strategic Partnership.

N-Star CDOs

The Company earns certain collateral management fees from the N-Star CDOs primarily for administrative services. Such fees are recorded in other revenue in the consolidated statements of operations. For the years ended December 31, 2016, 2015 and 2014, the Company earned $2.6 million, $5.2 million and $5.9 million in fee income, respectively, of which $0.7 million and $2.3 million and $2.6 million, respectively, were eliminated in consolidation.

Additionally, the Company earns interest income from the N-Star CDO bonds and N-Star CDO equity in deconsolidated N-Star CDOs. For the years ended December 31, 2016, 2015 and 2014 the Company earned $45.6 million, $57.5 million and $71.6 million, respectively, of interest income from such investments related to deconsolidated N-Star CDOs. Refer to Note 7 and Note 17 for additional disclosure regarding the N-Star CDOs.

American Healthcare Investors

In December 2014, NSAM acquired a 43% interest in American Healthcare Investors LLC ("AHI") and James F. Flaherty III, a strategic partner of NSAM, acquired a 12% interest in AHI. AHI is a healthcare-focused real estate investment management firm that co-sponsored and advised Griffin-American Healthcare REIT II, Inc. until it was acquired by the Company and NorthStar Healthcare. In connection with this acquisition, AHI provides certain management and related services, including property management, to NSAM, NorthStar Healthcare and the Company in order to assist NSAM in managing the current and future healthcare assets (excluding any joint venture assets) acquired by the Company and, subject to certain conditions, other NSAM managed companies. For the years ended December 31, 2016 and 2015 and from acquisition date (December 8, 2014) to

December 31, 2014, the Company incurred $1.7 million, $1.7 million and $0.2 million, respectively, of property management fees to AHI. These fees are recorded in real estate properties - operating expenses in the consolidated statements of operations.

Island Hospitality Management

In January 2015, NSAM acquired a 45% interest in Island Hospitality Management Inc. (“Island”). Island provides certain asset management, property management and other services to the Company to assist in managing the Company’s hotel properties. Island receives a base management fee of 2.5% to 3.0% of the current monthly revenue of the hotel properties it manages for the Company. For the year ended December 31, 2016 and for the period from NSAM’s acquisition date (January 9, 2015) through December 31, 2015, the Company incurred $17.6 million and $16.6 million, respectively, of base property management and other fees to Island. These fees are recorded in real estate properties - operating expenses in the consolidated statements of operations. In December 2016, in connection with the Mergers, NSAM sold its interest in Island to a third party for a note receivable of $28.5 million and cash of $3.2 million.

NSAM purchase of common stock

In 2015, NSAM purchased 2.7 million shares of the Company’s common stock in the open market for $49.9 million.

Recent Sales or Commitments to Sell to NSAM Retail Companies

The Company sold or entered into agreements to sell certain assets to NSAM Retail Companies:

- In February 2016, the Company sold substantially all of its 70% interest in PE Investment II to the existing owners of the remaining 30% interest, one a third party which purchased approximately 80% of the interest sold and the other, NorthStar Income which purchased the other approximate 20% of the interest sold. NorthStar Income paid $37.3 million for its respective interest. As part of the transaction, both buyers assumed the deferred purchase price obligation, on a pro rata basis, of the PE Investment II joint venture.

- In February 2016, the Company sold a 49% interest in one loan with a total principal amount of $40.3 million to a third party, at par, with the remaining 51% interest sold to NorthStar Income II, also at par.

- In February 2016, the Company sold one CRE security with a carrying value of $12.5 million to NorthStar Income II.

- In March 2016, the Company sold its 60% interest in the Senior Housing Portfolio to NorthStar Healthcare, which owned the remaining 40% interest, for $534.5 million. NorthStar Healthcare assumed the Company’s portion of the $648.2 million of related mortgage financing and the Company received approximately $149.4 million of proceeds, net of sales costs.

- In September 2016, the Company sold a portfolio of PE Investments to NorthStar Income II for a gross sales price of $317.6 million with $44.7 million of deferred purchase price assumed as part of the transaction, including $5.6 million of deferred purchase price which was the obligation of an unconsolidated joint venture. The Company received $238.6 million of net proceeds.

- In connection with the redemption of the Company’s interest in the Industrial Portfolio, the third party equity obtained a preferred loan of $98.4 million from NorthStar Income II to finance the transaction.

The board of directors of each NSAM Retail Company, including all of the independent directors, approved each of the respective transactions, with the exception of the Industrial Portfolio which did not warrant board approval, after considering, among other matters, third-party pricing support.

11. Compensation Expense

Summary

The following table presents a summary of compensation expense for the years ended December 31, 2016, 2015 and 2014 (dollars in thousands):

	Years Ended December 31,		
	2016	2015	2014
Salaries and related expenses	$ 8,321	$ 13,744	$ 22,124
Equity-based compensation expense	24,187	27,693	24,885
Total	$ 32,508	$ 41,437	$ 47,009

Equity-based compensation expense for the years ended December 31, 2016 and 2015 represents the Company's equity-based compensation expense following the NSAM Spin-off. Equity-based compensation expense for the year ended December 31, 2014 represents: (i) the Company's expense for the six months ended December 31, 2014 following the NSAM Spin-off; and (ii) the Company's equity-based compensation expense for the six months ended June 30, 2014 after an allocation to NSAM related to our historical asset management business had it been run as an independent entity.

As of December 31, 2016, equity-based compensation expense to be recognized over the remaining vesting period through August 2019 is $19.6 million, provided there are no forfeitures.

In connection with the Mergers, substantially all outstanding time-based equity awards issued to executives and non-executive employees vested in accordance with their terms. In addition, all or a portion of the outstanding performance-based awards issued to executives vested in accordance with their terms subject to forfeiture and reduction. As such, substantially all remaining unrecognized compensation cost was recognized immediately.

Equity Plans

The Company has issued equity-based awards to directors, officers, employees and advisors pursuant to the NorthStar Realty Finance Corp. 2004 Omnibus Stock Incentive Plan (the "Stock Plan") and the NorthStar Realty Executive Incentive Bonus Plan, as amended (the "Plan" and collectively the "NorthStar Realty Equity Plans") based in whole or in part on the fair value of the restricted stock, LTIP Units or RSUs which may contain certain service or performance requirements. The performance hurdles are based on achieving cumulative performance hurdles and/or total stockholder return hurdles for a four-year period, subject to the participant's continued employment through the payment date. Upon the conclusion of the applicable performance period, each executive officer received a payout equal to the value of one share of common stock at the time of such payout, including the dividends paid with respect to a share of common stock following the first year of the applicable performance period, for each RSU actually earned (the "Long-Term Amount Value"). The Long-Term Amount Value other than the portion related to dividends paid, was paid in the form of shares of common stock of the Company or LTIP Units, to the extent available under the NorthStar Realty Equity Plans, or in cash to the extent shares of common stock of the Company or LTIP Units are unavailable under the NorthStar Realty Equity Plans, and, pursuant to adjustments made in connection with the NSAM Spin-Off and the NRE Spin-Off, shares of NSAM's common stock or LTIP Units in NSAM's operating partnership and shares of NorthStar Europe's common stock or LTIP Units in NorthStar Europe's operating partnership (the "Long-Term Amount Payout"). These performance-based RSUs were adjusted to refer to combined total stockholder return of the Company and NSAM and the Company, NSAM and NRE after the NSAM Spin-Off and NRE Spin-Off, respectively.

In connection with the NSAM Bonus Plan, for 2014 and 2015, approximately 31.65% of the long-term bonus was paid in Deferred LTIP Units/restricted shares of common stock and approximately 18.35% of the long-term bonus was paid by the Company by issuing RSUs. Such Deferred LTIP Units were settled as LTIP Units in the Operating Partnership or shares of restricted stock, which remain subject to the same vesting terms that applied to the Deferred LTIP Units. In connection with the NSAM Bonus Plan for 2016, as amended by the letter agreements that the Company entered into with its executives in connection with the Mergers, the number of shares of common stock eligible to be granted as long-term bonus, the portions of the performance-based equity awards that were to vest in connection with the Mergers and the size of the bonus pool for 2016 under the NSAM Bonus Plan were fixed. In January 2017, the Company issued 516,853 restricted shares of common stock to NSAM's executive officers as long-term bonuses for 2016 related to time-based and performance-based awards, which reflected the fixed number of shares previously agreed to in connection with the Mergers.

A portion of these shares were vested upon grant and the remainder vested in connection with the Mergers. In addition, in January 2017, the Company granted 526,554 restricted shares of common stock to certain of its non-executive employees, which vested in accordance with their terms in connection with the Mergers and were otherwise subject to vesting based on continued employment through specified dates. In connection with the issuance and vesting of these shares, in January 2017, the Company retired 58,003 of the vested shares of common stock to satisfy the minimum statutory withholding requirements.

As of December 31, 2016, 528,176 unvested shares of restricted stock issued under the Stock Plan were outstanding and 3,377,874 shares of common stock remained available for issuance pursuant to the Stock Plan, which includes shares reserved for issuance upon settlement of outstanding LTIP Units and RSUs.

The following table presents activity related to the issuance, vesting and forfeitures of restricted stock, LTIP Units and RSUs. The balance as of December 31, 2016 represents unvested shares of restricted stock, vested and unvested LTIP Units and unvested RSUs (grants in thousands):

	December 31, 2016					
	Restricted Stock[(1)]	LTIP Units	Restricted Stock Units[(2)]	Performance RSUs[(3)]	Total Grants	Weighted Average Grant Price
December 31, 2015	81	1,868	250	895	3,094	$ 33.44
New Grants	1,040	—	505	583	2,128	8.26
Vesting	(593)	—	(122)	(352)	(1,067)	10.63
Converted	—	(1)	—	—	(1)	24.82
Forfeited	—	(12)	(13)	—	(25)	20.08
December 31, 2016	528	1,855	620	1,126	4,129	$ 22.66

(1) Represents restricted stock included in common stock outstanding.

(2) Represents employee and non-employee grants subject to time-based vesting conditions. Included previous time-based grants of 0.25 million to Mr. Jay Flaherty. In connection with entering into the Healthcare Strategic Partnership, NorthStar Realty granted Mr. Flaherty 0.25 million on January 22, 2014, adjusted to reflect NorthStar Realty's reverse stock split and the NSAM Spin-Off, which vest on January 22, 2019, unless certain conditions are met. The RSUs are entitled to dividend equivalents prior to vesting and may be settled either in shares of common stock of NSAM or in cash at the option of NSAM.

(3) December 31, 2015 represents 0.9 million performance based RSUs granted to non-executive employees as part of NorthStar Realty and NSAM bonus plans. The grant date share price ranged from $9.86 to $21.57, which was determined using a risk free interest rate that ranged from .44% to 1.00%. 0.3 million RSUs related to NorthStar Realty's bonus plan for 2012 were settled by the Company by issuing 158,191shares of common stock, net of the minimum statutory tax withholding requirements, in January 2016. 0.25 million RSUs related to NorthStar Realty's bonus plan for 2013 were settled by the Company by issuing 113,924 shares of common stock, net of the minimum statutory tax withholding requirements, in January 2017. During 2016, 0.6 million performance based RSUs were issued to executives as part of NSAM's 2015 bonus plan. The grant price per share for the performance-based RSUs was $1.70, which was determined using a risk free interest rate of 0.88%.

Impact of Spin-Offs

In connection with the NSAM Spin-Off and NRE Spin-Off, equity and equity-based awards, such as RSUs and LTIP Units, were adjusted to relate to an equal number of shares of NSAM common stock and one share of NorthStar Europe common stock for each six shares of the Company's common stock, respectively. Historically, the Company conducted substantially all of its operations and made its investments through an operating partnership which issued LTIP Units as equity-based compensation. Additionally, prior to the NSAM Spin-Off, the Company completed an internal corporate reorganization whereby the Company collapsed its three tier holding company structure, including its operating partnership, into a single tier (the "Reorganization"). Pursuant to the Reorganization, such LTIP Units were converted into an equal number of shares of common stock of the Company (refer to Note 12), which are referred to as restricted stock. Vesting conditions for outstanding awards were adjusted to reflect the impact of NSAM and NRE in terms of employment for service based on awards and total stockholder return for performance-based awards with respect to periods after the NSAM Spin-Off and NRE Spin-Off, respectively. Appropriate adjustments were also made to all awards to reflect the Reverse Split.

In connection with the formation of the Operating Partnership in March 2015, the Operating Partnership issued LTIP Units to each holder of the Company's outstanding Deferred LTIP Units, which were equity awards representing the right to receive either LTIP units in the Company's successor operating partnership or, if such LTIP units were not available upon settlement of the award, shares of common stock of the Company, in settlement of such Deferred LTIP Units on a one for one basis in accordance with the terms of the outstanding Deferred LTIP Units. Conditioned upon minimum allocations to the capital account of the LTIP Unit for federal income tax purposes, each LTIP Unit were convertible, at the election of the holder, into one common unit of limited partnership interest in the Operating Partnership ("OP Unit"). Each of the OP Units underlying these LTIP Units were redeemable at the election of the OP Unit holder for: (i) cash equal to the then fair market value of one share of the Company's common stock; or (ii) at the option of the Company in its capacity as general partner of the Operating Partnership, one share of the Company's common stock. LTIP Units issued remain subject to the same vesting terms as the Deferred LTIP Units.

Following the Spin-offs, the Company and the compensation committee of its board of directors (the "Committee") continued to administer all awards issued under the NorthStar Realty Equity Plans but NSAM and NorthStar Europe are obligated to issue shares of their common stock or other equity awards of their subsidiaries or make cash payments in lieu thereof with respect to dividend or distribution equivalent obligations to the extent required by such awards previously issued under the NorthStar Realty Equity Plans. These awards were governed by the NorthStar Realty Equity Plans, as applicable, and shares of NSAM's common stock or NorthStar Europe's common stock issued pursuant to these awards were not issued pursuant to, or reduce availability, under the NorthStar Realty Equity Plans.

All of the adjustments made in connection with the Reorganization, the Spin-offs and the Reverse Splits were deemed to be equitable adjustments pursuant to anti-dilution provisions in accordance with the terms of the NorthStar Realty Equity Plans. As a result, there was no incremental value attributed to these adjustments and these adjustments do not impact the amount recorded for equity-based compensation expense for the years ended December 31, 2016, 2015 and 2014.

Restricted Stock/LTIP Units/RSUs with Service Conditions

The Company granted restricted stock/LTIP Units/RSUs to executive officers, certain non-executive officers, board of directors and non-employees. The fair value of restricted stock/LTIP Units/RSUs are based on the closing price on the date of grant, multiplied by the number of unvested awards and expensed over the assumed service period for employees with subsequent changes in fair value, through the vesting date, expensed over remaining service period with a cumulative catch-up adjustment in the period of change for non-employees. Such vesting periods range from three to four years. Certain awards vest subject to minimum statutory tax withholding requirements.

Equity-Based Awards with Performance Conditions

The Company also granted certain equity-based awards with performance requirements to executive officers and non-executives. These market based awards are subject to achieving total stockholder return hurdles for the four year period ended December 31 following the plan. Certain awards vest subject to minimum statutory tax withholding requirements.

12. Stockholders' Equity

Reverse Split

On November 1, 2015, the Company effected a Reverse Split of its common stock with any fractional shares settled in cash. As a result of the Reverse Split, common stock was reduced by dividing the par value prior to the Reverse Split by two (including retrospective adjustment of prior periods) with a corresponding increase to additional paid-in capital. The par value per share of common stock remained unchanged.

Share and per share amounts disclosed in the Company's consolidated financial statements and the accompanying notes have been retrospectively adjusted to reflect the Reverse Split, including common stock outstanding, earnings per share and shares or units outstanding related to equity-based compensation, where applicable (refer to Note 11).

Preferred Stock

The following table presents classes of cumulative redeemable preferred stock issued in a public offering and outstanding as of December 31, 2016 (dollars in thousands):

	Number of Shares	Amount(1)
Series A 8.75%	2,466,689	$ 59,453
Series B 8.25%	13,998,905	323,757
Series C 8.875%(2)	5,000,000	120,808
Series D 8.50%(2)	8,000,000	193,334
Series E 8.75%(2)	10,000,000	241,766
Total	39,465,594	$ 939,118

(1) 250 million shares have been authorized and all shares have a $0.01 par value. All preferred shares have a $25 per share liquidation preference.
(2) The Series C, D and E shares are currently not callable.

Share Repurchase

In September 2015, the Company's board of directors authorized the repurchase of up to $500.0 million of its outstanding common stock. The authorization expired in September 2016. For the year ended December 31, 2016, the Company repurchased 3.9 million shares of its common stock for $50.0 million. The Company repurchased a total of 10.4 million shares for $168.0 million under the share repurchase plan.

Dividend Reinvestment Plan

In April 2007, as amended effective January 1, 2012, the Company implemented a Dividend Reinvestment Plan (the "DRP"), pursuant to which it registered with the SEC and reserved for issuance 3,569,962 shares of its common stock, after giving effect to the Reverse Split. Pursuant to the amended terms of the DRP, stockholders are able to automatically reinvest all or a portion of their dividends for additional shares of the Company's common stock. For the year ended December 31, 2016, the Company issued 16,411 shares of its common stock pursuant to the DRP for $0.2 million of proceeds.

Dividends

The following table presents dividends declared (on a per share basis) for the years ended December 31, 2016, 2015 and 2014:

Common Stock		Preferred Stock					
			Dividend Per Share				
Declaration Date	Dividend Per Share	Declaration Date	Series A	Series B	Series C	Series D	Series E
2016							
February 25	$ 0.40	January 28	$ 0.54688	$ 0.51563	$ 0.55469	$ 0.53125	$ 0.54688
May 4	$ 0.40	April 27	$ 0.54688	$ 0.51563	$ 0.55469	$ 0.53125	$ 0.54688
August 2	$ 0.40	July 28	$ 0.54688	$ 0.51563	$ 0.55469	$ 0.53125	$ 0.54688
November 1	$ 0.40	October 27	$ 0.54688	$ 0.51563	$ 0.55469	$ 0.53125	$ 0.54688
2015							
February 25	$ 0.80	January 30	$ 0.54688	$ 0.51563	$ 0.55469	$ 0.53125	$ 0.54688
May 5	$ 0.80	May 5	$ 0.54688	$ 0.51563	$ 0.55469	$ 0.53125	$ 0.54688
August 4	$ 0.80	August 4	$ 0.54688	$ 0.51563	$ 0.55469	$ 0.53125	$ 0.54688
November 3	$ 0.75	October 28	$ 0.54688	$ 0.51563	$ 0.55469	$ 0.53125	$ 0.54688
2014							
February 26	$ 1.00	January 29	$ 0.54688	$ 0.51563	$ 0.55469	$ 0.53125	N/A
May 7	$ 1.00	May 7	$ 0.54688	$ 0.51563	$ 0.55469	$ 0.53125	N/A
August 6	$ 1.00	August 6	$ 0.54688	$ 0.51563	$ 0.55469	$ 0.53125	$ 0.54688
October 29	$ 0.80	October 29	$ 0.54688	$ 0.51563	$ 0.55469	$ 0.53125	$ 0.54688

Accumulated Other Comprehensive Income (Loss)

The following tables present the components of accumulated OCI for the years ended December 31, 2016, 2015 and 2014 (dollars in thousands):

Accumulated OCI	Unrealized Gain (Loss) on Available for Sale Securities	Interest Rate Swap Gain (Loss)	Foreign Currency Translation	Total
Balance as of December 31, 2013	$ (1,736)	$ (2,598)	$ —	$ (4,334)
Unrealized gain (loss) on real estate securities, available for sale	60,140	—	—	60,140
Reclassification of unrealized (gain) loss on real estate securities, available for sale into realized gain (loss) on investments and other	(1,268)	—	—	(1,268)
Amortization of swap (gain) loss into interest expense—mortgage and corporate borrowings (refer to Note 15)	—	915	—	915
Foreign currency translation adjustment	—	—	(5,155)	(5,155)
Non-controlling interests	(1,064)	(11)	317	$ (758)
Balance as of December 31, 2014	$ 56,072	$ (1,694)	$ (4,838)	$ 49,540
Unrealized gain (loss) on real estate securities, available for sale	(21,091)	—	—	(21,091)
Reclassification of unrealized (gain) loss on real estate securities, available for sale into realized gain (loss) on investments and other	(14,127)	—	—	(14,127)
Amortization of swap (gain) loss into interest expense—mortgage and corporate borrowings (refer to Note 15)	—	934	—	934
Foreign currency translation adjustment	—	—	17,042	17,042
Reclassification of foreign currency translation upon NRE Spin-off	—	—	(14,342)	(14,342)
Non-controlling interests	162	(7)	374	$ 529
Balance as of December 31, 2015	$ 21,016	$ (767)	$ (1,764)	$ 18,485
Unrealized gain (loss) on real estate securities, available for sale	(92,858)	—	—	(92,858)
Unrealized (gain) loss on real estate securities, available for sale recorded to realized gain (loss) on investments and other	594	—	—	594
Amortization of swap (gain) loss into interest expense—mortgage and corporate borrowings (refer to Note 15)	—	775	—	775
Foreign currency translation adjustment	—	—	(6,443)	(6,443)
Non-controlling interests	936	(8)	996	1,924
Balance as of December 31, 2016	$ (70,312)	$ —	$ (7,211)	$ (77,523)

Earnings Per Share

The following table presents EPS for the years ended December 31, 2016, 2015 and 2014 (dollars and shares in thousands, except per share data):

	Years Ended December 31,		
	2016	**2015**	**2014**
Numerator:			
Net income (loss) attributable to NorthStar Realty Finance Corp. common stockholders	$ (299,528)	$ (327,497)	$ (371,507)
Net income (loss) attributable to LTIP Units non-controlling interests	(2,904)	(3,206)	(5,296)
Net income (loss) attributable to common stockholders and LTIP Units[1]	$ (302,432)	$ (330,703)	$ (376,803)
Denominator:[2][3]			
Weighted average shares of common stock	180,590	174,873	98,036
Weighted average LTIP Units[1]	1,859	1,472	959
Weighted average shares of common stock and LTIP Units[2]	182,449	176,345	98,995
Earnings (loss) per share:[3]			
Basic	$ (1.66)	$ (1.87)	$ (3.79)
Diluted	$ (1.66)	$ (1.87)	$ (3.79)

(1) The EPS calculation takes into account LTIP Units, which receive non-forfeitable dividends from the date of grant, share equally in the Company's net income (loss) and convert on a one-for-one basis into common stock.
(2) Excludes the effect of exchangeable senior notes, restricted stock and RSUs outstanding that were not dilutive as of December 31, 2016. These instruments could potentially impact diluted EPS in future periods, depending on changes in the Company's stock price and other factors.

(3) The years ended December 31, 2015 and 2014 is adjusted for the Reverse Split effected on November 1, 2015.

13. Non-controlling Interests

Operating Partnership

Non-controlling interests include the aggregate LTIP Units held by limited partners (the "Unit Holders") in the Operating Partnership. Net income (loss) attributable to this non-controlling interest is based on the weighted average Unit Holders' ownership percentage of the Operating Partnership for the respective period. The issuance of additional common stock or LTIP Units changes the percentage ownership of both the Unit Holders and the Company. Since an LTIP Unit is generally redeemable for cash or common stock at the option of the Company, it is deemed to be equivalent to common stock. Therefore, such transactions are treated as capital transactions and result in an allocation between stockholders' equity and non-controlling interests on the accompanying consolidated balance sheets to account for the change in the ownership of the underlying equity in the Operating Partnership. On a quarterly basis, the carry value of such non-controlling interest is allocated based on the number of LTIP Units held by Unit Holders in total in proportion to the number of LTIP Units in total plus the number of shares of common stock. As of December 31, 2016, LTIP Units of 1,855,046 were outstanding representing a 1.0% ownership and non-controlling interest in the Operating Partnership. Net income (loss) attributable to the Operating Partnership non-controlling interest for the years ended December 31, 2016 and 2015 was a net loss of $2.9 million and $3.2 million respectively. Net income (loss) attributable to the Company's former operating partnership non-controlling interest for the six months ended June 30, 2014 was a loss of $5.3 million. Since the Operating Partnership was not formed until March 2015, there was no allocation of net income (loss) attributable to the Operating Partnership non-controlling interest for the six months ended December 31, 2014. In connection with the Mergers, the Operating Partnership merged with and into NorthStar Realty and each LTIP Unit outstanding as of immediately prior to such effective time converted into one share of common stock.

Other

Other non-controlling interests represent third-party equity interests in ventures that are consolidated with the Company's financial statements. Net income (loss) attributable to the other non-controlling interests for the years ended December 31, 2016, 2015 and 2014 was a net loss of $4.5 million, $20.8 million and $17.6 million, respectively.

The following table presents net income (loss) attributable to the Company's common stockholders for the years ended December 31, 2016, 2015 and 2014 (dollars in thousands):

	Years Ended December 31,		
	2016	2015	2014
Income (loss) from continuing operations	$ (299,528)	$ (219,780)	$ (327,051)
Income (loss) from discontinued operations	—	(107,717)	(44,456)
Net income (loss) attributable to NorthStar Realty Finance Corp. common stockholders	$ (299,528)	$ (327,497)	$ (371,507)

14. Fair Value

Fair Value Measurement

The fair value of financial instruments is categorized based on the priority of the inputs to the valuation technique and categorized into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities are recorded at fair value on the consolidated balance sheets and are categorized based on the inputs to the valuation techniques as follows:

Level 1. Quoted prices for identical assets or liabilities in an active market.

Level 2. Financial assets and liabilities whose values are based on the following:

(a) Quoted prices for similar assets or liabilities in active markets.

(b) Quoted prices for identical or similar assets or liabilities in non-active markets.

(c) Pricing models whose inputs are observable for substantially the full term of the asset or liability.

(d) Pricing models whose inputs are derived principally from or corroborated by observable market data for substantially the full term of the asset or liability.

Level 3. Prices or valuation techniques based on inputs that are both unobservable and significant to the overall fair value measurement.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following is a description of the valuation techniques used to measure fair value of assets and liabilities accounted for at fair value on a recurring basis and the general classification of these instruments pursuant to the fair value hierarchy.

PE Investments

The Company accounts for PE Investments at fair value which is determined based on a valuation model using assumptions for the timing and amount of expected future cash flow for income and realization events for the underlying assets in the funds and discount rate. This fair value measurement is generally based on unobservable inputs and, as such, is classified as Level 3 of the fair value hierarchy. The Company is not using the NAV (practical expedient) of the underlying funds for purposes of determining fair value.

Investments in Unconsolidated Ventures

The Company accounts for certain investments in unconsolidated ventures at fair value determined based on a valuation model using assumptions for the timing and amount of expected future cash flow for income and realization events for the underlying assets, discount rate and foreign currency exchange rates. Additionally, the Company accounts for certain CRE debt investments made in connection with an investment in unconsolidated venture at fair value, which is determined based on comparing the current yield to the estimated yield for newly originated loans with similar credit risk. These fair value measurements are generally based on unobservable inputs and, as such, are classified as Level 3 of the fair value hierarchy.

Real Estate Securities

N-Star CDO Bonds

The fair value of N-Star CDO bonds is determined using quotations from nationally recognized financial institutions that generally acted as underwriter for the transactions. These quotations are not adjusted and are generally based on a valuation model with observable inputs such as interest rate and other unobservable inputs for assumptions related to the timing and amount of expected future cash flow, discount rate, estimated prepayments and projected losses. The fair value of subordinate N-Star CDO bonds is determined using an internal price interpolated based on third-party prices of the more senior N-Star CDO bonds of the respective CDO. All N-Star CDO bonds are classified as Level 3 of the fair value hierarchy.

N-Star CDO Equity

The fair value of N-Star CDO equity is determined based on a valuation model using assumptions for the timing and amount of expected future cash flow for income and realization events for the underlying collateral of these CDOs and discount rate. This fair value measurement is generally based on unobservable inputs and, as such, is classified as Level 3 of the fair value hierarchy.

Other CRE Securities

Other CRE securities are generally valued using a third-party pricing service or broker quotations. These quotations are not adjusted and are based on observable inputs that can be validated, and as such, are classified as Level 2 of the fair value hierarchy. Certain CRE securities may be valued based on a single broker quote or an internal price which may have less observable pricing, and as such, would be classified as Level 3 of the fair value hierarchy. Management determines the prices are representative of fair value through a review of available data, including observable inputs, recent transactions as well as its knowledge of and experience in the market.

Derivative Instruments

Derivative instruments are valued using a third-party pricing service. These quotations are not adjusted and are generally based on valuation models with observable inputs such as interest rates and contractual cash flow, and as such, are classified as Level 2 of the fair value hierarchy. Derivative instruments are also assessed for credit valuation adjustments due to the risk of non-performance by the Company and derivative counterparties. If a credit valuation adjustment is applied to a derivative asset or liability, such fair value measurement is classified as Level 3 of the fair value hierarchy. For derivatives held in non-recourse CDO financing structures where, by design, the derivative contracts are senior to all the CDO bonds payable, there is no material impact of a credit valuation adjustment.

CDO Bonds Payable

CDO bonds payable are valued using quotations from nationally recognized financial institutions that generally acted as underwriter for the transactions. These quotations are not adjusted and are generally based on a valuation model with observable inputs such as interest rate and other unobservable inputs for assumptions related to the timing and amount of expected future cash flow, discount rate, estimated prepayments and projected losses. CDO bonds payable are classified as Level 3 of the fair value hierarchy.

Junior Subordinated Notes

Junior subordinated notes may be valued using quotations from nationally recognized financial institutions or an internal model. A quotation from a financial institution is not adjusted. The fair value is generally based on a valuation model with observable inputs such as interest rate and other unobservable inputs for assumptions related to the implied credit spread of the Company's other borrowings and the timing and amount of expected future cash flow. Junior subordinated notes are classified as Level 3 of the fair value hierarchy.

Financial assets and liabilities recorded at fair value on a recurring basis are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The following tables present financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2016 and 2015 by level within the fair value hierarchy (dollars in thousands):

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets:				
PE Investments	$ —	$ —	$ 416,919	$ 416,919
Investments in unconsolidated ventures[1]	—	—	128,718	128,718
Real estate securities, available for sale:				
N-Star CDO bonds	—	—	88,223	88,223
N-Star CDO equity	—	—	20,954	20,954
CMBS and other securities	—	8,579	12,936	21,515
CRE securities in N-Star CDOs				
CMBS	—	213,044	42,586	255,630
Third-party CDO notes	—	—	5,801	5,801
Agency debentures	—	39,729	—	39,729
Unsecured REIT debt	—	8,618	—	8,618
Trust preferred securities	—	—	4,893	4,893
Subtotal CRE securities in N-Star CDOs	—	261,391	53,280	314,671
Subtotal real estate securities, available for sale	—	269,970	175,393	445,363
Derivative assets	—	99	—	99
Total assets	$ —	$ 270,069	$ 721,030	$ 991,099
Liabilities:				
CDO bonds payable	$ —	$ —	$ 256,544	$ 256,544
Junior subordinated notes	—	—	194,980	194,980
Derivative liabilities	—	275	123,197 [2]	123,472
Total liabilities	$ —	$ 275	$ 574,721	$ 574,996

(1) Includes a CRE debt investment made in connection with an investment in unconsolidated venture, for which the fair value option was elected.
(2) Represents an interest rate swap in the corporate segment and includes a credit valuation adjustment.

NORTHSTAR REALTY FINANCE CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	December 31, 2015							
	Level 1		Level 2		Level 3		Total	
Assets:								
PE Investments	$	—	$	—	$	1,101,650	$	1,101,650
Investments in unconsolidated ventures(1)		—		—		120,392		120,392
Real estate securities, available for sale:								
N-Star CDO bonds		—		—		216,727		216,727
N-Star CDO equity		—		—		44,905		44,905
CMBS and other securities		—		12,318		43,247		55,565
CRE securities in N-Star CDOs								
CMBS		—		261,552		64,959		326,511
Third-party CDO notes		—		—		6,685		6,685
Agency debentures		—		37,316		—		37,316
Unsecured REIT debt		—		8,976		—		8,976
Trust preferred securities		—		—		5,425		5,425
Subtotal CRE securities in N-Star CDOs		—		307,844		77,069		384,913
Subtotal real estate securities, available for sale		—		320,162		381,948		702,110
Derivative assets		—		116		—		116
Total assets	$	—	$	320,278	$	1,603,990	$	1,924,268
Liabilities:								
CDO bonds payable	$	—	$	—	$	307,601	$	307,601
Junior subordinated notes		—		—		183,893		183,893
Derivative liabilities		—		7,385		95,908 (2)		103,293
Total liabilities	$	—	$	7,385	$	587,402	$	594,787

(1) Includes CRE debt investments made in connection with certain investments in unconsolidated ventures, for which the fair value option was elected.
(2) Represents an interest rate swap in the corporate segment and includes a credit valuation adjustment.

The following table presents the changes in fair value of financial assets and liabilities which are measured at fair value on a recurring basis using Level 3 inputs to determine fair value for the year ended December 31, 2016 (dollars in thousands):

	Assets						Liabilities(3)			
	PE Investments		Investments in Unconsolidated Ventures(1)		CRE Securities		CDO Bonds Payable		Junior Subordinated Notes	
January 1, 2016	$	1,101,650	$	120,392	$	381,948	$	307,601	$	183,893
Transfers into Level 3(2)		—		—		44,452		—		—
Transfers out of Level 3(2)		—		—		(6,451)		—		—
Purchases / borrowings / amortization / contributions		3,983		66		43,247		—		—
Sales		(503,592)		—		(53,886)		—		—
Paydowns / distributions		(250,467)		(12,916)		(55,182)		(77,277)		—
Gains:										
Equity in earnings of unconsolidated ventures		93,568		28,852		—		—		—
Unrealized gains included in earnings		—		928		16,868		(2,533)		—
Realized gains included in earnings		—		—		470		—		—
Unrealized gain on real estate securities, available for sale included in OCI		—		—		2,736		—		—
Losses:										
Unrealized losses included in earnings		(27,143)		(8,604)		(51,252)		28,753		11,087
Realized losses included in earnings		(1,080)		—		(53,131)		—		—
Unrealized loss on real estate securities, available for sale included in OCI		—		—		(94,426)		—		—
December 31, 2016	$	416,919	$	128,718	$	175,393	$	256,544	$	194,980
Gains (losses) included in earnings attributable to the change in unrealized gains (losses) relating to assets or liabilities still held	$	(27,143)	$	(7,676)	$	(34,384)	$	(26,220)	$	(11,087)

(1) Includes CRE debt investments made in connection with an investment in unconsolidated venture, for which the fair value option was elected.
(2) Transfers between Level 2 and Level 3 represent a fair value measurement from a third-party pricing service or broker quotations that have become more or less observable during the period. Transfers are assumed to occur at the beginning of the year.
(3) Excludes one derivative instrument, which for the year ended December 31, 2016, an unrealized loss of $27.3 million was recorded. Such amount includes an unrealized loss of $17.2 million related to a credit valuation adjustment.

The following table presents the changes in fair value of financial assets and liabilities which are measured at fair value on a recurring basis using Level 3 inputs to determine fair value for the year ended December 31, 2015 (dollars in thousands):

	Assets			Liabilities[3]	
	PE Investments	Investments in Unconsolidated Ventures[1]	CRE Securities	CDO Bonds Payable	Junior Subordinated Notes
January 1, 2015	$ 962,038	$ 276,437	$ 481,576	$ 390,068	$ 215,172
Transfers into Level 3[2]	—	—	24,170	—	—
Transfers out of Level 3[2]	—	—	(3,052)	—	—
Purchases / borrowings / amortization / contributions	614,578	(4,053)	93,477	(25,531)	—
Sales	—	—	(77,230)	—	—
Paydowns / distributions	(639,884)	(125,285)	(124,480)	(90,070)	—
Gains:					
Equity in earnings of unconsolidated ventures	198,159	19,177	—	—	—
Unrealized gains included in earnings	—	—	81,532	—	(31,279)
Realized gains included in earnings	—	—	22,418	—	—
Unrealized gain on real estate securities, available for sale included in OCI	—	—	1,213	—	—
Losses:					
Unrealized losses included in earnings	(33,241)	(45,884)	(75,523)	29,275	—
Realized losses included in earnings	—	—	(5,886)	3,859	—
Unrealized loss on real estate securities, available for sale included in OCI	—	—	(36,267)	—	—
December 31, 2015	$ 1,101,650	$ 120,392	$ 381,948	$ 307,601	$ 183,893
Gains (losses) included in earnings attributable to the change in unrealized gains (losses) relating to assets or liabilities still held	$ (33,241)	$ (45,884)	$ 6,009	$ (29,275)	$ 31,279

(1) Includes CRE debt investments made in connection with certain investments in unconsolidated ventures, for which the fair value option was elected.
(2) Transfers between Level 2 and Level 3 represent a fair value measurement from a third-party pricing service or broker quotations that have become more or less observable during the period. Transfers are assumed to occur at the beginning of the year.
(3) Excludes one derivative instrument, which for the year ended December 31, 2015, an unrealized loss of $95.9 million was recorded. Such amount is net of an unrealized gain of $23.1 million related to a credit valuation adjustment.

There were no transfers, other than those identified in the tables above, during the periods ended December 31, 2016 and 2015.

The Company relies on the third-party pricing exception with respect to the requirement to provide quantitative disclosures about significant Level 3 inputs being used to determine fair value measurements related to CRE securities (including N-Star CDO bonds), junior subordinated notes and CDO bonds payable. The Company believes such pricing service or broker quotation for such items may be based on a market transaction of comparable securities, inputs including forecasted market rates, contractual terms, observable discount rates for similar securities and credit (such as credit support and delinquency rates).

For the year ended December 31, 2016, quantitative information about the Company’s remaining Level 3 fair value measurements on a recurring basis are as follows (dollars in thousands):

	Fair Value	Valuation Technique	Key Unobservable Inputs[2]	Weighted Average
PE Investments	$ 416,919	Discounted Cash Flow Model	Discount Rate	15%
Investments in unconsolidated ventures[1]	$ 128,718	Discounted Cash Flow Model/Credit Spread	Discount Rate/Credit Spread	25%
N-Star CDO equity	$ 20,954	Discounted Cash Flow Model	Discount Rate	18%

(1) Includes CRE debt investments made in connection with an investment in unconsolidated venture, for which the fair value option was elected.
(2) Includes timing and amount of expected future cash flow.

Significant increases (decreases) in any one of the inputs described above in isolation may result in a significantly different fair value for the financial assets and liabilities using such Level 3 inputs.

Assets and Liabilities Measured at Fair Value on a Non-recurring Basis

Non-financial assets and liabilities measured at fair value on a non-recurring basis in the consolidated financial statements consist of real estate held for sale or assets for which an impairment has been recorded, such as goodwill. Such fair value measurements are generally considered to be Level 3 within the valuation hierarchy, where applicable, based on estimated sales price, adjusted for closing costs and expenses, determined by discounted cash flow analysis, direct capitalization analyses or a sales comparison approach if no contracts had been consummated. The discounted cash flow and direct capitalization analyses include all estimated cash inflows and outflows over a specific holding period and, where applicable, any estimated debt premiums. This cash flow is comprised of unobservable inputs which included forecasted rental revenues and expenses based upon existing in-place leases, market conditions and expectations for growth. Capitalization rate and discount rate used in these analyses are based upon observable rates that the Company believes to be within a reasonable range of current market rates for the respective properties.

Valuations are prepared using internally-developed valuation models. These valuations are reviewed and approved, during each reporting period, by management, as deemed necessary, including personnel from the accounting, finance and operations and the valuations are updated as appropriate. In addition, the Company may engage third-party valuation experts to assist with the preparation of certain of its valuations. Refer to Note 2 and 3 for further disclosure regarding non-recurring fair value measurement of impairment on goodwill and operating real estate.

Fair Value Option

The Company has historically elected to apply the fair value option for the following financial assets and liabilities existing at the time of adoption or at the time the Company recognizes the eligible item for the purpose of consistent accounting application: CRE securities financed in N-Star CDOs; CDO bonds payable; and junior subordinated notes. Given past market volatility the Company had observed that the impact of electing the fair value option would generally result in additional variability to the Company’s consolidated statements of operations which management believes is not a useful presentation for such financial assets and liabilities. Therefore, the Company more recently has not elected the fair value option for new investments in CRE securities and securitization financing transactions. The Company may elect the fair value option for certain of its financial assets or liabilities due to the nature of the instrument. In the case of PE Investments, certain investments in unconsolidated ventures (refer to Note 6) and N-Star CDO equity, the Company elected the fair value option because management believes it is a more useful presentation for such investments. The Company determined recording such investments based on the change in fair value of projected future cash flow from one period to another better represents the underlying economics of the respective investment.

The following table presents the fair value of financial instruments for which the fair value option was elected as of December 31, 2016 and 2015 (dollars in thousands):

	December 31,	
	2016	2015
Assets:		
PE Investments	$ 416,919	$ 1,101,650
Investments in unconsolidated ventures(1)	128,718	120,392
Real estate securities, available for sale:(2)		
N-Star CDO equity	20,954	44,905
CMBS and other securities	16,441	48,711
CRE securities in N-Star CDOs		
CMBS	255,630	326,511
Third-party CDO notes	5,801	6,685
Agency debentures	39,729	37,316
Unsecured REIT debt	8,618	8,976
Trust preferred securities	4,893	5,425
Subtotal CRE securities in N-Star CDOs	314,671	384,913
Subtotal real estate securities, available for sale	352,066	478,529
Total assets	$ 897,703	$ 1,700,571
Liabilities:		
CDO bonds payable	$ 256,544	$ 307,601
Junior subordinated notes	194,980	183,893
Total liabilities	$ 451,524	$ 491,494

(1) Includes CRE debt investments made in connection with certain investments in unconsolidated ventures, for which the fair value option was elected.
(2) December 31, 2016 excludes 24 CRE securities including $88.2 million of N-Star CDO bonds and $5.1 million of CRE securities, for which the fair value option was not elected. December 31, 2015 excludes 28 CRE securities including $216.7 million of N-Star CDO bonds and $6.9 million of CRE securities, for which the fair value option was not elected.

The Company attributes the change in the fair value of floating-rate liabilities to changes in instrument-specific credit spreads. For fixed-rate liabilities, the Company attributes the change in fair value to interest rate-related and instrument-specific credit spread changes.

Change in Fair Value Recorded in the Statements of Operations

The following table presents unrealized gains (losses) on investments and other related to the change in fair value of financial assets and liabilities in the consolidated statements of operations for the years ended December 31, 2016, 2015 and 2014 (dollars in thousands):

	Years Ended December 31,		
	2016	2015	2014
Assets:			
Real estate securities, available for sale(1)	$ (51,181)	$ (14,810)	$ (12,324)
PE Investments(1)	(27,143)	(33,241)	32,621
Investments in unconsolidated ventures(1)	(8,604)	(40,437)	—
Foreign currency remeasurement(2)	(30,610)	(18,275)	(11,719)
Liabilities:		—	
CDO bonds payable(1)	(26,220)	(29,275)	(217,608)
Junior subordinated notes(1)	(11,087)	31,279	(13,969)
Subtotal unrealized gain (loss), excluding derivatives	(154,845)	(104,759)	(222,999)
Derivatives	(20,956)	(87,475)	8,184
Subtotal unrealized gain (loss)	(175,801)	(192,234)	(214,815)
Net cash payments on derivatives (refer to Note 15)	(7,769)	(11,878)	(16,882)
Total	$ (183,570)	$ (204,112)	$ (231,697)

(1) Represents financial assets and liabilities for which the fair value option was elected.
(2) Represents foreign currency remeasurement on investments, cash and deposits primarily denominated in British Pounds.

Fair Value of Financial Instruments

In addition to the above disclosures regarding financial assets or liabilities which are recorded at fair value, U.S. GAAP requires disclosure of fair value about all financial instruments. The following disclosure of estimated fair value of financial instruments was determined by the Company using available market information and appropriate valuation methodologies. Considerable judgment is necessary to interpret market data and develop estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize on disposition of the financial instruments. The use of different market assumptions and/or estimation methodologies may have a material effect on estimated fair value.

The following table presents the principal amount, carrying value and fair value of certain financial assets and liabilities as of December 31, 2016 and 2015 (dollars in thousands):

	December 31, 2016			December 31, 2015		
	Principal / Notional Amount	Carrying Value	Fair Value	Principal / Notional Amount	Carrying Value	Fair Value
Financial assets:[1]						
Real estate debt investments, net	$ 353,274	$ 296,544	$ 331,480	$ 555,354	$ 501,474	$ 594,698
Real estate debt investments, held for sale	35,120	34,000	34,000	225,037	224,677	224,677
Real estate securities, available for sale[2]	1,089,392	445,363	445,363	1,285,643	702,110	702,110
Derivative assets[2][3]	4,074,959	99	99	4,173,872	116	116
Financial liabilities:[1]						
Mortgage and other notes payable	$ 6,364,645	$ 6,290,200	$ 6,218,486	$ 7,297,081	$ 7,164,576	$ 7,175,374
Credit facilities and term borrowings	425,000	421,584	421,584	662,053	654,060	654,060
CDO bonds payable[2][4]	359,213	256,544	256,544	436,491	307,601	307,601
Exchangeable senior notes	29,360	27,410	32,042	31,360	29,038	50,121
Junior subordinated notes[2][4]	280,117	194,980	194,980	280,117	183,893	183,893
Derivative liabilities[2][3]	2,059,315	123,472	123,472	2,225,750	103,293	103,293
Borrowings of properties held for sale	1,262,509	1,252,050	1,255,992	2,214,305	2,195,973	2,200,686

(1) The fair value of other financial instruments not included in this table is estimated to approximate their carrying value.
(2) Refer to “Determination of Fair Value” above for disclosures of methodologies used to determine fair value.
(3) Derivative assets and liabilities exclude timing swaps with an aggregate notional amount of $12.6 million and $28.0 million as of December 31, 2016 and 2015, respectively.
(4) The fair value option has been elected for these liabilities.

Disclosure about fair value of financial instruments is based on pertinent information available to management as of the reporting date. Although management is not aware of any factors that would significantly affect fair value, such amounts have not been comprehensively revalued for purposes of these consolidated financial statements since that date and current estimates of fair value may differ significantly from the amounts presented herein.

Real Estate Debt Investments

For CRE debt investments, fair value was approximated 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. Fair value was determined assuming fully-extended maturities regardless of structural or economic tests required to achieve such extended maturities. For any CRE debt investments that are deemed impaired, carrying value approximates fair value. The fair value of CRE debt investments held for sale is determined based on the expected sales price. Fair value measurements related to CRE debt are generally based on unobservable inputs and, as such, are classified as Level 3 of the fair value hierarchy.

Mortgage and Other Notes Payable

For mortgage and other notes payable, the Company primarily uses rates currently available with similar terms and remaining maturities to estimate fair value. These measurements are determined using comparable U.S. Treasury rates as of the end of the reporting period or market credit spreads over the rate payable on fixed rate U.S. Treasury of like maturities. These fair value measurements are based on observable inputs, and as such, are classified as Level 2 of the fair value hierarchy. For the borrowings of properties held for sale, the Company uses available market information, which includes quoted market prices or recent transactions, if available, to estimate their fair value and are, therefore, based on observable inputs, and as such, are classified as Level 2 of the fair value hierarchy.

Credit Facilities and Term Borrowings

As of the reporting date, the Company believes the carrying value of its credit facilities and term borrowings approximate fair value. These fair value measurements are based on observable inputs, and as such, are classified as Level 2 of the fair value hierarchy.

Exchangeable Senior Notes

For the exchangeable senior notes, the Company uses available market information, which includes quoted market prices or recent transactions, if available, to estimate their fair value and are, therefore, based on observable inputs, and as such, are classified as Level 2 of the fair value hierarchy.

15. Risk Management and Derivative Activities

Derivatives

The Company uses derivative instruments primarily to manage interest rate risk and such derivatives are not considered speculative. These derivative instruments are typically in the form of interest rate swap and cap agreements and the primary objective is to minimize interest rate risks associated with investment and financing activities. The counterparties of these arrangements are major financial institutions with which the Company may also have other financial relationships. The Company is exposed to credit risk in the event of non-performance by these counterparties and it monitors their financial condition; however, the Company currently does not anticipate that any of the counterparties will fail to meet their obligations.

The following tables present derivative instruments that were not designated as hedges under U.S. GAAP as of December 31, 2016 and 2015 (dollars in thousands):

	Number	Notional Amount(1)	Fair Value Net Asset (Liability)	Range of Fixed LIBOR / Forward Rate	Range of Maturity
As of December 31, 2016:					
Interest rate caps	12	$ 4,074,959	$ 99	1.75% - 5.00%	March 2017 - August 2018
Interest rate swaps - N-Star CDOs	9	56,446	(244) (2)	5.02% - 5.25%	January 2017 - July 2018
Interest rate swaps - other	2	2,002,869	(123,228)	3.39% - 4.17%	December 2019 - July 2023(3)
Total	23	$ 6,134,274	$ (123,373)		
As of December 31, 2015:					
Interest rate caps	14	$ 4,173,872	$ 116	2.50% - 5.00%	January 2016 - December 2017
Interest rate swaps - N-Star CDOs	9	222,510	(7,321) (2)	5.02% - 5.25%	January 2017 - July 2018
Interest rate swaps - other	2	2,003,240	(95,972)	3.39% - 4.17%	December 2019 - July 2023(3)
Total	25	$ 6,399,622	$ (103,177)		

(1) Excludes timing swaps with a notional amount of $12.6 million and $28.0 million as of December 31, 2016 and 2015, respectively.
(2) Interest rate swaps in consolidated N-Star CDOs are liabilities and are only subject to the credit risks of the respective CDO transaction. As the interest rate swaps are senior to all the liabilities of the respective CDO and the fair value of each of the CDO's investments exceeded the fair value of the CDO's derivative liabilities, a credit valuation adjustment was not recorded.
(3) Includes a $2.0 billion notional forward-starting interest rate swap with a maturity date of December 3, 2029, which requires a mandatory cash redemption by December 3, 2019 at fair value.

The change in number and notional amount of derivative instruments from December 31, 2015 relates to contractual notional amortization and the maturity of interest rate caps in the Company's healthcare portfolio. The Company had no derivative financial instruments that were designated as hedges in qualifying hedging relationships as of December 31, 2016 and 2015.

The following table presents the fair value of derivative instruments, as well as their classification on the consolidated balance sheets, as of December 31, 2016 and 2015 (dollars in thousands):

	Balance Sheet	December 31,	
	Location	2016	2015
Interest rate caps	Other assets	$ 99	$ 116
Interest rate swaps	Derivative liabilities	$ 123,472	$ 103,293

The following table presents the effect of derivative instruments in the consolidated statements of operations for the years ended December 31, 2016, 2015 and 2014 (dollars in thousands):

	Statements of Operations Location	Years Ended December 31, 2016	2015	2014
Amount of gain (loss) recognized in earnings (loss):				
Adjustment to fair value of interest rate swaps and caps	Unrealized gain (loss) on investments and other	$ (20,956)	$ (87,475)	$ 8,184
Net cash payment on derivatives	Unrealized gain (loss) on investments and other	(7,769)	(11,878)	(16,882)
Amount of swap gain (loss) amortization from OCI into earnings	Interest expense—mortgage and corporate borrowings	(775)	(934)	(915)
NorthStar Europe				
Amount of gain (loss) recognized in earnings (loss):				
Adjustment to fair value of interest rate swaps and caps	Income (loss) from discontinued operations	—	(8,659)	—
Adjustments to fair value of foreign currency forwards	Income (loss) from discontinued operations	—	(1,933)	—
Net cash payment on derivatives	Income (loss) from discontinued operations	—	(214)	—

The Company's counterparties did not hold any cash margin as collateral against the Company's derivative contracts as of December 31, 2016 and 2015.

Risk Management

Concentrations of credit risk arise when a number of tenants, operators or issuers related to the Company's investments are engaged in similar business activities or located in the same geographic region to be similarly affected by changes in economic conditions. The Company monitors its portfolios to identify potential concentrations of credit risks. With respect to the Company's healthcare portfolio, for the year ended December 31, 2016, Senior Lifestyle Holding Company, LLC was the healthcare operator as it related to 74.3% of the Company's resident fee income and 11.1% of the Company's total revenue. Otherwise, the Company has no other tenant or operator that generates 10% or more of its total revenue. The Company believes the remainder of its portfolios are reasonably well diversified and do not contain any unusual concentrations of credit risks.

16. Commitments and Contingencies

The Company is involved in various litigation matters arising in the ordinary course of its business. Although the Company is unable to predict with certainty the eventual outcome of any litigation, in the opinion of management, the current legal proceedings are not expected to have a material adverse effect on the Company's financial position or results of operations.

Merger Related Arrangements and Other Costs

The Company entered into fee arrangements with service providers and advisors pursuant to which certain fees incurred by the Company in connection with the Mergers became payable upon consummation of the Mergers. The Company incurred other professional fees related to the Mergers. Subsequent to December 31, 2016, the Company incurred $31.0 million related to the Mergers.

Guaranty Agreements

In connection with certain hotel acquisitions, the Company entered into guaranty agreements with various hotel franchisors, pursuant to which the Company guaranteed the franchisees' obligations, including payments of franchise fees and marketing fees, for the term of the agreements, which expires from 2029 to 2034. As of December 31, 2016, the aggregate amount under these guarantees is $1.2 million.

Other

Effective January 1, 2005, the Company adopted the NorthStar Realty Limited Partnership 401(k) Retirement Plan (the “401(k) Plan”) for its employees. Eligible employees under the 401(k) Plan may begin participation on the first day of the month after they have completed 30 days of employment. The Company’s matching contribution is calculated as 100% of the first 3% and 50% of the next 2% of participant’s eligible earnings contributed (utilizing earnings that are not in excess of the amount established by the Internal Revenue Service). The Company’s aggregate matching contribution for the years ended December 31, 2016, 2015 and 2014 was $0.1 million, $0.1 million and $1.0 million, respectively. The decrease from 2013 is due to most of the Company’s existing employees at the time of the NSAM Spin-off becoming employees of NSAM.

Obligations Under Ground Leases

The following table presents minimum future rental payments under the Company’s contractual ground lease obligations for certain building leaseholds as of December 31, 2016 (dollars in thousands):

Years Ending December 31:	Total(1)
2017	$ 5,007
2018	5,117
2019	5,053
2020	5,076
2021	5,160
Thereafter	113,262
Total minimum lease payments	$ 138,675

(1) Represents 48 ground leases of which 18 leases ground rent are paid directly by the tenants/operators.

17. Variable Interest Entities

As of December 31, 2016, the Company has identified certain consolidated and unconsolidated VIEs. Assets of each of the VIEs, other than the Operating Partnership, may only be used to settle obligations of the respective VIE. Creditors of each of the VIEs have no recourse to the general credit of the Company. The Company identified several VIEs which were originally consolidated under the voting interest model prior to changes in the consolidation rules under U.S. GAAP (refer to Note 2).

Consolidated VIEs

The Company’s most significant newly identified consolidated VIEs are its Operating Partnership and certain properties that have non-controlling interests. These entities are VIEs because the non-controlling interests do not have substantive kick-out or participating rights and the Company is the primary beneficiary. The Operating Partnership consolidates certain properties that have non-controlling interests. Included in operating real estate, net on the Company’s consolidated balance sheets as of December 31, 2016 is $6.1 billion related to such consolidated VIEs. Included in mortgage and other notes payable on the Company’s consolidated balance sheets as of December 31, 2016 is $5.0 billion collateralized by the real estate assets of the related consolidated VIEs. Included in assets held for sale on the Company’s consolidated balance sheets as of December 31, 2016 is $1.7 billion related to such consolidated VIEs. Included in liabilities related to assets held for sale on the Company’s consolidated balance sheets as of December 31, 2016 is $1.3 billion collateralized by the real estate assets of the related consolidated VIEs. These balances are separate from the assets and liabilities related to the N-Star CDOs. Included in real estate securities, available for sale on the Company’s consolidated balance sheets as of December 31, 2016 is $0.3 billion related to the N-Star CDOs. Included in CDO bonds payable, at fair value on the Company’s consolidated balance sheets as of December 31, 2016 is $0.2 billion collateralized by the real estate securities of the related N-Star CDOs.

N-Star CDOs

As of December 31, 2016, the Company serves as collateral manager and/or special servicer for N-Star CDOs I and IX which are primarily collateralized by CRE securities. The Company consolidates these entities as the Company has the power to direct the activities that most significantly impact the economic performance of these CDOs, and therefore, continues to be the primary beneficiary.

The Company is not contractually required to provide financial support to any of the consolidated N-Star CDOs, however, the Company, in its capacity as collateral manager and/or special servicer, may in its sole discretion provide support such as protective and other advances it deems appropriate. The Company did not provide any other financial support to any of the consolidated N-Star CDOs for the years ended December 31, 2016, 2015 and 2014.

Unconsolidated VIEs

N-Star CDOs

The Company delegated the collateral management rights for N-Star CDOs IV, VI and VIII and the CapLease CDO on September 30, 2013 and the CSE CDO on December 31, 2013 to a third-party collateral manager/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 evaluated the fees paid to the third-party collateral manager/collateral manager delegate and concluded that such fees represented a variable interest in the deconsolidated loan CDOs and that the third party was functioning as a principal. The Company determined that the delegation of the Company's collateral management power in the CDOs was a VIE reconsideration event and concluded that these CDOs were still VIEs as the equity investors do not have the characteristics of a controlling financial interest. The Company then reconsidered if it was the primary beneficiary of such VIEs and determined that it no longer has the power to direct the activities that most significantly impact the economic performance of these CDOs, which includes but is not limited to selling collateral, and therefore is no longer the primary beneficiary of such CDOs. As a result, the Company does not consolidate the assets and liabilities for N-Star CDOs IV, VI and VIII, CSE CDO and the CapLease CDO. In September 2015, N-Star CDO IV was liquidated.

In March 2014, the Company determined it no longer had the power to direct the activities that most significantly impact the economic performance of N-Star CDO V due to the ability of a single party to remove the Company as collateral manager as a result of an existing event of default. The Company was no longer the primary beneficiary of N-Star CDO V, and as a result, in the first quarter 2014, the Company deconsolidated the assets and liabilities of this CDO.

In May 2014, the Company determined it no longer had the power to direct the activities that most significantly impact the economic performance of N-Star CDO III due to the ability of a single party to remove the Company as collateral manager as a result of an existing event of default. The Company was no longer the primary beneficiary of N-Star CDO III, and as a result, in the second quarter 2014, the Company deconsolidated the assets and liabilities of this CDO.

Similar events of default in the future, if they occur, could cause the Company to deconsolidate its remaining consolidated N-Star CDO financing transactions.

For the year ended December 31, 2014, the deconsolidation of N-Star CDOs III and V resulted in an aggregate non-cash realized loss on deconsolidation of $31.4 million recorded in the consolidated statement of operations, which was the result of the deconsolidation of an aggregate $192.5 million of assets, $149.0 million of liabilities, net of $8.8 million of fair value of N-Star CDO bonds recorded that no longer eliminated in consolidation and the reclassification of $3.3 million of unrealized gain to loss from deconsolidation.

Other Unconsolidated VIEs

Based on management's analysis, the Company is not the primary beneficiary of the VIEs summarized below and as such, these VIEs are not consolidated into the Company's financial statements as of December 31, 2016. These unconsolidated VIEs are summarized as follows:

Real Estate Debt Investments

The Company identified certain CRE debt investments with a carrying value of $174.1 million as a variable interest in a VIE. The Company determined that it is not the primary beneficiary of such VIE, and as such, the VIE is not consolidated in the Company's financial statements. For all other CRE debt investments, the Company determined that these investments are not VIEs and, as such, the Company continues to account for all CRE debt investments as loans.

Real Estate Securities

The Company identified N-Star CDO bonds, equity and CMBS and other securities (excluding CRE securities in consolidated N-Star CDOs) with a fair value of $130.7 million as variable interests in VIEs. The Company determined that either it was not the controlling class of such securitization or was the controlling class and the Company determined at that time and continues to believe that it does not currently or potentially hold a significant interest in such securitizations and, therefore, is not the primary beneficiary.

NorthStar Realty Finance Trusts

The Company owns all of the common stock of the Trusts. The Trusts were formed to issue trust preferred securities. The Company determined that the holders of the trust preferred securities were the primary beneficiaries of the Trusts. As a result, the Company did not consolidate the Trusts and has accounted for the investment in the common stock of the Trusts under the equity method. As of December 31, 2016, the Company's carrying value and maximum exposure to loss related to its investment in the Trusts is $3.7 million and is recorded in investments in unconsolidated ventures on the consolidated balance sheets.

PE Investments

The Company determined all PE Investments are VIEs, with the exception of PE Investment I and II, as the non-controlling interests do not have substantive kick-out or participating rights. As of December 31, 2016, the Company's investment in these entities is $333.3 million and the amount of expected future contributions is $3.5 million.

Summary of Unconsolidated VIEs

The following table presents the classification, carrying value and maximum exposure of unconsolidated VIEs as of December 31, 2016 (dollars in thousands):

	Junior Subordinated Notes, at Fair Value	Real Estate Debt Investments, Net	Real Estate Securities, Available for Sale	PE Investments	Total	Maximum Exposure to Loss(1)
Real estate debt investments, net	$ —	$ 174,139	$ —	$ —	$ 174,139	$ 174,139
Investments in unconsolidated ventures	3,742	—	—	—	3,742	3,742
Investments in private equity funds, at fair value	—	—	—	333,282	333,282	333,282
Real estate securities, available for sale:						
N-Star CDO bonds	—	—	88,223	—	88,223	88,223
N-Star CDO equity	—	—	20,954	—	20,954	20,954
CMBS and other securities	—	—	21,515	—	21,515	21,515
Subtotal real estate securities, available for sale	—	—	130,692	—	130,692	130,692
Total assets	3,742	174,139	130,692	333,282	641,855	641,855
Junior subordinated notes, at fair value	194,980	—	—	—	194,980	NA
Total liabilities(2)	194,980	—	—	—	194,980	NA
Net	$ (191,238)	$ 174,139	$ 130,692	$ 333,282	$ 446,875	$ 641,855

(1) The Company's maximum exposure to loss as of December 31, 2016 would not exceed the carrying value of its investment.
(2) Excludes a secured borrowing with a carrying value of $52.2 million related to a real estate debt investment.

Other than described above as it relates to expected future fundings on PE Investments, the Company is not contractually required to provide financial support to any of its unconsolidated VIEs during the years ended December 31, 2016, 2015 and 2014 however, the Company, in its capacity as collateral manager/collateral manager delegate and/or special servicer of the deconsolidated N-Star CDOs, may in its sole discretion provide support such as protective and other advances it deems appropriate. As of December 31, 2016, there were no explicit arrangements or implicit variable interests that could require the Company to provide financial support to any of its unconsolidated VIEs.

18. Segment Reporting

The Company conducted its business through the following five segments (excluding the asset management business and the European real estate business which the Company spun off on June 30, 2014 and October 31, 2015, respectively, which are no longer separate operating segments), based on how management reviews and manages its business:

- *Real Estate* - The real estate business pursues various types of investments in commercial real estate located throughout the United States that includes healthcare, hotel, net lease and multi-tenant office properties. In addition, it includes certain healthcare properties located outside of the United States and PE Investments diversified by property type and geography. In addition, the Company is also invested in manufactured housing communities and multifamily properties.

- Healthcare - The healthcare properties are comprised of a diverse portfolio of medical office buildings, senior housing, skilled nursing and other healthcare properties. The majority of the healthcare properties are medical office buildings and properties structured under a net lease to healthcare operators. In addition, the Company owns senior operating facilities, which include healthcare properties that operate through management agreements with independent third-party operators, predominantly through structures permitted by RIDEA that permit the Company, through a TRS, to have direct exposure to resident fee income and incur customary related operating expenses. In March 2016, the Company sold its 60% interest in a $899 million Senior Housing Portfolio for $534.5 million. The buyer assumed the Company's portion of the $648.2 million of related mortgage financing and the Company received approximately $149.4 million of proceeds, net of sales costs. In December 2016, the Company sold a subset of its portfolio of medical office buildings within the Griffin-American Portfolio for $767.8 million with $658.7 million of related mortgage financing paid off as part of the transaction. The Company received $78.0 million of net proceeds. In January 2017, the Company sold an interest in its healthcare portfolio for net proceeds of approximately $340 million. Refer to Note 20. Subsequent Events for further disclosure.

- Hotel - The hotel portfolio is a geographically diverse portfolio primarily comprised of extended stay hotels and premium branded select service hotels primarily located in major metropolitan markets with the majority affiliated with top hotel brands.

- Manufactured Housing - The manufactured housing portfolio consists of communities that lease pad rental sites for placement of factory built homes located throughout the United States. In addition, the portfolio includes manufactured homes and receivables related to the financing of homes sold to residents. In May 2016, the Company entered into an agreement to sell its manufactured housing portfolio for $2.0 billion with $1.3 billion of related mortgage financing expected to be assumed as part of the transaction. The Company expects to receive $614.8 million of net proceeds. The Company expects the transaction to close in the first quarter 2017. There is no assurance the transaction will close on the terms anticipated, if at all.

- Net Lease - The net lease properties are primarily industrial, office and retail properties typically under net leases to corporate tenants. In September 2016, the Company redeemed its interests in the Industrial Portfolio for $169.6 million of net proceeds.

- Multifamily - The multifamily portfolio primarily focuses on properties located in suburban markets that are well suited to capture the formation of new households. In 2016, the Company sold ten multifamily properties for $306.9 million with $209.9 million of mortgage financing assumed as part of the transaction. The Company received $84.7 million of net proceeds.

- Multi-tenant Office - The Company pursues the acquisition of multi-tenant office properties currently focused on the western United States.

- PE Investments - The real estate business also includes investments (directly or indirectly in joint ventures) owning PE Investments managed by institutional quality sponsors and diversified by property type and geography. In February 2016, the Company sold substantially all of its interest in PE Investment II for proceeds of $184.1 million. In September 2016, the Company sold a portfolio of PE Investments for a gross sales price of $317.6 million with $44.7 million of deferred purchase price assumed as part of the transaction, including $5.6 million of deferred purchase price which was the obligation of an unconsolidated joint venture. The Company received $238.6 million of net proceeds. Refer to Note 10. Related Party Arrangements for further disclosure.

- *Commercial Real Estate Debt* - The CRE debt business is focused on originating, acquiring and asset managing senior and subordinate debt investments secured primarily by commercial real estate and includes first mortgage loans, subordinate mortgage and mezzanine loans and participations in such loans and preferred equity interests. The Company may from time to time take title to collateral in connection with a CRE debt investment as REO which would be included in the CRE debt business. In 2016, the Company sold or received repayment for 15 debt investments and a REO with a total principal amount of $388.6 million and used $72.1 million of proceeds to pay down the Company's loan facility in full, resulting in $313.2 million of net proceeds.

- *Commercial Real Estate Securities* - The CRE securities business is predominately comprised of N-Star CDO bonds and N-Star CDO equity of deconsolidated N-Star CDOs and includes other securities, mostly CMBS meaning each asset is a pool backed by a large number of commercial real estate loans. The Company also invests in opportunistic CRE securities such as an investment in a "B-piece" CMBS. In 2016, the Company sold certain CRE securities for $53.9 million of net proceeds.

- *N-Star CDOs* - The Company historically originated or acquired CRE debt and securities investments that were predominantly financed through permanent, non-recourse CDOs. The Company's remaining consolidated CDOs are past the reinvestment period and given the nature of these transactions, these CDOs are amortizing over time as the underlying assets pay down or are sold. The Company has been winding down its legacy CDO business and investing in a broad and diverse range of CRE assets. As a result, this distinct business is a significantly smaller portion of its business today than in the past. As of December 31, 2016, only N-Star securities CDOs I and IX continue to be consolidated. Refer to Note 17 for further disclosure regarding deconsolidated N-Star CDOs. The Company continues to receive collateral management fees related to administrative responsibilities for deconsolidated N-Star CDO financing transactions, which are recorded in other revenue and included in the N-Star CDOs segment.

- *Corporate* - The corporate segment includes NSAM management fees incurred, corporate level interest income and interest expense and general and administrative expenses.

The Company primarily generated revenue from rental income from its real estate properties, operating income from healthcare and hotel properties permitted by the RIDEA and net interest income on the CRE debt and securities portfolios. Additionally, the Company records equity in earnings of unconsolidated ventures, including from PE Investments. The Company's income was primarily derived through the difference between revenue and the cost at which the Company was able to finance its investments.

Prior to the NSAM Spin-off, the Company generated fee income from asset management activities. The asset management segment represented the consolidated results of operations and balance sheet of such asset management business which was transferred to NSAM in connection with the NSAM Spin-off. Amounts related to the asset management business are reported in discontinued operations and include an allocation of indirect expenses related to managing the NSAM Retail Companies and owning NorthStar Securities, including salaries, equity-based compensation and other general and administrative expenses (primarily occupancy and other costs) based on an estimate had the asset management business been run as an independent entity.

Prior to the NRE Spin-off, the Company generated rental and escalation income from its European properties. The European real estate segment represented the consolidated results of operations and balance sheet of such European real estate business which was transferred to NRE in connection with the NRE Spin-off. Amounts related to the European real estate business are reported in discontinued operations.

The following tables present segment reporting for the years ended December 31, 2016, 2015 and 2014 (dollars in thousands):

Statement of Operations:				N-Star CDOs(2)		
Year Ended December 31, 2016	**Real Estate(1)**	**CRE Debt**	**CRE Securities**	**CRE Securities**	**Corporate**	**Total**
Rental and escalation income	$ 678,909	$ —	$ —	$ —	$ —	$ 678,909
Hotel related income	826,147	—	—	—	—	826,147
Resident fee income	293,006	—	—	—	—	293,006
Net interest income on debt and securities	11,290 (3)	33,908	46,491	27,342 (4)	18,373 (4)	137,404
Interest expense—mortgage and corporate borrowings	426,715	—	—	—	41,365	468,080
Income (loss) before equity in earnings (losses) and income tax benefit (expense)	19,265 (5)	23,723	(13,540)	(43,841)	(319,206) (6)	(333,599)
Equity in earnings (losses) of unconsolidated ventures	124,639	—	—	—	79	124,718
Income tax benefit (expense)	(13,303)	(532)	—	—	—	(13,835)
Income (loss) from continuing operations	130,601	23,191	(13,540)	(43,841)	(319,127)	(222,716)
Net income (loss)	130,601	23,191	(13,540)	(43,841)	(319,127)	(222,716)
Balance Sheet:						
December 31, 2016						
Investments in private equity funds, at fair value	416,919	—	—	—	—	416,919
Investments in unconsolidated ventures	138,244	8,526	—	—	21,008	167,778
Total Assets	10,436,706	254,781	131,566	331,302	1,062,534	12,216,889

(1) Includes $33.9 million of rental and escalation income and $1.9 million of net income from a portfolio of healthcare assets located in the United Kingdom.
(2) Based on CDO financing transactions that were primarily collateralized by CRE securities and may include other types of investments. $2.6 million of collateral management fees were earned from CDO financing transactions, of which $0.7 million were eliminated in consolidation.
(3) Primarily represents interest income earned from notes receivable on manufactured homes and interest income on loans in the Company's healthcare portfolio.
(4) Represents income earned from N-Star CDO bonds repurchased at a discount, recognized using the effective interest method, that is eliminated in consolidation. The corresponding interest expense is recorded in net interest income in the N-Star CDOs segment.
(5) Primarily relates to depreciation and amortization of $337.2 million.
(6) Includes management fees to NSAM of $186.8 million and an unrealized loss on a derivative instrument of $27.3 million.

Statement of Operations:				**N-Star CDOs[2]**			
Year Ended December 31, 2015	**Real Estate[1]**	**CRE Debt**	**CRE Securities**	**CRE Securities**	**Corporate**	**European Real Estate[3]**	**Total**
Rental and escalation income	$ 732,123	$ —	$ —	$ 302	$ —	$ —	$ 732,425
Hotel related income	784,151	—	—	—	—	—	784,151
Resident fee income	271,394	—	—	—	—	—	271,394
Net interest income on debt and securities	10,546 [4]	88,893	62,235	44,393 [5]	12,738 [5]	—	218,805
Interest expense—mortgage and corporate borrowings	433,023	—	—	—	53,385	—	486,408
Income (loss) before equity in earnings (losses) and income tax benefit (expense)	(163,974) [6]	86,476	85,618	(15,612)	(355,973) [7]	—	(363,465)
Equity in earnings (losses) of unconsolidated ventures	218,766	—	—	—	311	—	219,077
Income tax benefit (expense)	(13,776)	(555)	6	—	—	—	(14,325)
Income (loss) from continuing operations	41,016	85,921	85,624	(15,612)	(355,662)	—	(158,713)
Income (loss) from discontinued operations	(11)	—	—	—	—	(108,543) [8]	(108,554)
Net income (loss)	41,005	85,921	85,624	(15,612)	(355,662)	(108,543)	(267,267)
Balance Sheet:							
December 31, 2015							
Investments in private equity funds, at fair value	1,101,650	—	—	—	—	—	1,101,650
Investments in unconsolidated ventures	129,457	8,526	—	—	17,754	—	155,737
Total Assets	13,871,796	661,348	319,937	422,953	128,367	—	15,404,401

(1) Includes $37.6 million of rental and escalation income and $2.3 million of net income from a portfolio of healthcare assets located in the United Kingdom.
(2) Based on CDO financing transactions that were primarily collateralized by either CRE debt or securities and may include other types of investments. $5.2 million of collateral management fees were earned from CDO financing transactions, of which $2.3 million were eliminated in consolidation.
(3) Prior to the NRE Spin-off, the Company generated rental and escalation income from its European properties. The European real estate segment represents the consolidated results of operations and balance sheet of such European real estate business which was transferred to NorthStar Europe in connection with the NRE Spin-off. Amounts related to the European real estate business are reported in discontinued operations. Represents the consolidated statements of operations of NorthStar Europe reported in discontinued operations and includes an allocation of indirect expenses from the Company (refer to Note 9).
(4) Primarily represents interest income earned from notes receivable on manufactured homes and interest income on loans in the Company's healthcare portfolio.
(5) Represents income earned from N-Star CDO bonds repurchased at a discount, recognized using the effective interest method, that is eliminated in consolidation. The corresponding interest expense is recorded in net interest income in the N-Star CDO segments.
(6) Primarily relates to depreciation and amortization of $454.8 million.
(7) Includes management fees to NSAM of $198.7 million.
(8) Primarily relates to transaction costs of $109.5 million and depreciation and amortization of $42.4 million.

Statement of Operations:				**N-Star CDOs(1)**				
Year Ended December 31, 2014	**Real Estate**	**CRE Debt**	**CRE Securities**	**CRE Securities**	**Corporate**	**Asset Management[2]**	**European Real Estate[3]**	**Consolidated Total**
Rental and escalation income	$ 348,666	$ —	$ —	$ 1,285	$ —	$ —	$ —	$ 349,951
Hotel related income	237,039	—	—	—	—	—	—	237,039
Resident fee income	77,516	—	—	—	—	—	—	77,516
Net interest income on debt and securities	5,951 [4]	145,159	82,246	63,216	1,567 [5]	—	—	298,139
Interest expense—mortgage and corporate borrowings	183,042	—	—	—	48,852	—	—	231,894
Income (loss) before equity in earnings (losses) and income tax benefit (expense)	(170,495) [6]	139,581	101,691	(185,730)	(309,879)	—	—	(424,832)
Equity in earnings (losses) of unconsolidated ventures	162,126	2,644	—	—	283	—	—	165,053
Income tax benefit (expense)	(15,904)	(70)	(205)	(352)	(75)	—	—	(16,606)
Income (loss) from continuing operations	(24,273)	142,155	101,486	(186,082)	(309,671)	—	—	(276,385)
Income (loss) from discontinued operations	(925)	—	—	—	—	(7,203)	(36,573) [7]	(44,701)
Net income (loss)	(25,198)	142,155	101,486	(186,082)	(309,671)	(7,203)	(36,573) [7]	(321,086)
Balance Sheet:								
December 31, 2014:								
Investments in private equity funds, at fair value	962,038	—	—	—	—	—	—	962,038
Investments in unconsolidated ventures	184,026	8,526	—	—	15,225	—	—	207,777
Total Assets	12,771,368	1,158,947	417,884	506,616	163,264	—	160,633	15,178,712

(1) Based on CDO financing transactions that were primarily collateralized by CRE securities and may include other types of investments. $5.9 million of collateral management fees were earned from CDO financing transactions for the year ended December 31, 2014, of which $2.6 million were eliminated in consolidation. The eliminated amounts are recorded as other revenue in the Corporate segment and as an expense in the N-Star CDO segment.
(2) Represents the consolidated statements of operations of NSAM reported in discontinued operations and includes an allocation of indirect expenses from the Company (refer to Note 9).
(3) Represents the consolidated statements of operations of NorthStar Europe reported in discontinued operations and includes an allocation of indirect expenses from the Company (refer to Note 9).
(4) Primarily represents interest income earned from notes receivable on manufactured homes.
(5) Represents income earned from CDO bonds repurchased at a discount, recognized using the effective interest method, that is eliminated in consolidation. The corresponding interest expense is recorded in net interest income in the N-Star CDOs segment.
(6) Includes depreciation and amortization of $182.1 million.
(7) Primarily relates to transaction costs of $27.5 million.

19. Supplemental Disclosures of Non-cash Investing and Financing Activities

The following table presents non-cash investing and financing activities for the years ended December 31, 2016, 2015 and 2014 (dollars in thousands):

	Years Ended December 31,		
	2016	2015	2014
Reclassification of operating real estate, net to assets held for sale	$ 1,119,985	$ 2,627,551	$ 22,323
Assignment / reduction of mortgage note payable upon sale / redemption of real estate	1,081,732	—	—
Reclassification of intangible assets to assets held for sale	126,466	49,530	—
Reclassification of assets held for sale to operating real estate, net	107,882	—	—
Non-controlling interest – sale or deconsolidation of subsidiary	104,906	—	—
Reclassification of other assets to assets held for sale	44,120	57,323	—
Reclassification of liabilities held for sale to mortgage and other notes payable	39,150		
PE Investments deferred purchase price assumed by buyer upon sale	39,059	—	—
Reclassification of CRE debt investment to held for sale	34,000	224,677	15,223
Reclassification of restricted cash to assets held for sale	22,941	—	—
Reclassification of intangible liabilities to liabilities held for sale	19,229	—	—
Escrow deposit payable related to CRE debt investments	8,789	47,303	34,521
Non-controlling interests—reallocation of interest in Operating Partnership	8,760	14,548	—
Amounts payable relating to improvements of operating real estate	5,292	—	—
Non-cash related to PE Investments	2,795	218	15,581
Dividends payable related to RSUs	2,139	3,548	—
Conversion of exchangeable senior notes	1,871	13,590	320,304
Amounts payable relating to real estate related pending deal costs	1,180	—	—
Reclassification of mortgage note payable to liabilities held for sale	—	2,195,975	—
Net assets distributed in spin-off of European real estate business (refer to Note 9)	—	539,491	—
Assumption of mortgage note payable upon purchase	—	273,023	870,871
Reclassification of operating real estate to intangible assets	—	247,602	160,511
Reclassification of CRE debt investment and secured borrowing (refer to Note 10)	—	54,056	—
Acquired assets and liabilities in connection with European real estate acquisitions	—	49,942	—
Reclassification of deferred financing costs to mortgage notes and other payables	—	49,050	—
Deferred purchase price for PE Investment	—	47,808	—
Reclassification of other liabilities to intangible liabilities	—	37,836	—
Reduction of assets and liabilities held for sale via taking title	—	28,962	—
Reclassification of other assets to operating real estate	—	25,577	—
Conversion of Deferred LTIP Units to LTIP Units (refer to Note 13)	—	18,730	—
Reclassification of escrow deposit payable to other liabilities	—	17,377	—
Reclassification of deferred financing costs to credit facilities	—	9,525	—
Retirement of shares of common stock	—	2,001	—
Contribution from non-controlling interest	—	1,461	75,428
Reclassification of deferred financing costs to exchangeable senior notes	—	384	—
Issuance of common stock in connection with the merger of Griffin-American	—	—	1,075,930
Acquired assets in connection with the merger of Griffin-American	—	—	503,784
Exchangeable senior notes exchanged for senior notes	—	—	296,382
Acquired liabilities in connection with the merger of Griffin-American	—	—	229,015
Reclassification of operating real estate to other assets	—	—	67,655
CRE debt investment payoff due from servicer	—	—	64,092
Net assets distributed in spin-off of asset management business (refer to Note 9)	—	—	39,709
Conversion of Old LTIP Units (refer to Note 11)	—	—	18,611
Common stock related to transactions	—	—	6,801

Cash Paid for Interest and Income Taxes

For the years ended December 31, 2016, 2015 and 2014, cash paid for interest on outstanding borrowings was $395.6 million, $429.0 million and $223.0 million, respectively. The difference between interest expense on the consolidated statements of operations and cash paid for interest is primarily due to reclassification of losses related to derivative instruments from OCI into earnings and non-cash interest expense recorded on amortization of deferred financing costs related to borrowings. For the years ended December 31, 2016, 2015 and 2014 cash paid for income taxes was $33.8 million, $26.5 million and $3.4 million, respectively.

20. Subsequent Events

Colony NorthStar

On January 10, 2017, the Company completed the tri-party merger with Colony and NSAM under which the companies combined in an all-stock merger of equals transaction to create an internally-managed, diversified real estate and investment management company. The Mergers create a leading global equity REIT with an embedded investment management platform with increased scale and capabilities.

Under the terms of the merger agreement NSAM redomesticated to Maryland and elected to be treated as a REIT beginning in 2017 and Colony and the Company, through a series of transactions, merged with and into the redomesticated NSAM, which was renamed Colony NorthStar. The Company's common stockholders received 1.0996 shares of Colony NorthStar's common stock for each share of the Company's common stock they owned. Holders of preferred stock received shares of preferred stock of Colony NorthStar that were substantially similar to the preferred stock held prior to the closing of the transaction. NSAM's stockholders received approximately 32.85%, Colony stockholders received approximately 33.25% and the Company's stockholders received approximately 33.90% of the combined company on a fully diluted basis, excluding the effect of certain equity-based awards issued in 2017 in connection with the Mergers.

Healthcare Joint Venture

In January 2017, Colony NorthStar completed the sale of an 18.7% interest in the Company's healthcare real estate portfolio for net proceeds of approximately $340 million. The healthcare real estate portfolio is currently comprised of the Company's ownership interest, excluding existing minority interest holders, in 191 senior housing properties, 113 medical office properties, 14 hospitals and 107 skilled nursing facilities (such properties collectively referred to as the “Healthcare Properties”). The transaction represents an implied valuation for the Healthcare Properties of approximately $5.4 billion.