

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

FORM 10-Q

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

For the quarterly period ended June 30, 2020

or

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

Commission file number: 001-37980

COLONY CAPITAL, INC.

(Exact Name of Registrant as Specified in Its Charter)

Maryland

(State or Other Jurisdiction of
Incorporation or Organization)

46-4591526

(I.R.S. Employer
Identification No.)

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

(310) 282-8820

(Registrant's Telephone Number, Including Area Code)

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

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

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

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

[Table of Contents](#)

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

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-Accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

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

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

As of August 4, 2020, 481,444,705 shares of the Registrant's class A common stock and 733,931 shares of class B common stock were outstanding.

COLONY CAPITAL, INC.
FORM 10-Q
TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION		Page
Item 1.	Financial Statements	4
	Consolidated Balance Sheets	4
	Consolidated Statements of Operations	5
	Consolidated Statements of Comprehensive Income (Loss)	6
	Consolidated Statements of Equity	7
	Consolidated Statements of Cash Flows	9
	Notes to Consolidated Financial Statements:	11
	1. Business and Organization	11
	2. Summary of Significant Accounting Policies	12
	3. Business Combinations	17
	4. Real Estate	20
	5. Loans Receivable	23
	6. Equity and Debt Investments	26
	7. Goodwill, Deferred Leasing Costs and Other Intangibles	30
	8. Assets and Related Liabilities Held for Sale	32
	9. Restricted Cash, Other Assets and Other Liabilities	33
	10. Debt	34
	11. Derivatives	38
	12. Fair Value	38
	13. Variable Interest Entities	46
	14. Stockholders' Equity	48
	15. Noncontrolling Interests	51
	16. Discontinued Operations	52
	17. Earnings per Share	53
	18. Fee Income	53
	19. Equity-Based Compensation	55
	20. Transactions with Affiliates	57
	21. Commitments and Contingencies	59
	22. Segment Reporting	59
	23. Supplemental Disclosure of Cash Flow Information	63
	24. Subsequent Events	63
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	68
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	106
Item 4.	Controls and Procedures	107
PART II. OTHER INFORMATION		
Item 1.	Legal Proceedings	109
Item 1A.	Risk Factors	109
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	115
Item 3.	Defaults Upon Senior Securities	115
Item 4.	Mine Safety Disclosures	115
Item 5.	Other Information	115
Item 6.	Exhibits	115
	SIGNATURES	117

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	June 30, 2020 (Unaudited)	December 31, 2019
Assets		
Cash and cash equivalents	\$ 1,099,467	\$ 1,205,190
Restricted cash	145,229	203,923
Real estate, net	8,987,902	10,860,518
Loans receivable (at fair value at June 30, 2020)	1,398,087	1,566,328
Equity and debt investments (\$402,167 and \$457,693 at fair value, respectively)	1,825,448	2,313,805
Goodwill	851,757	1,452,891
Deferred leasing costs and intangible assets, net	565,221	638,853
Assets held for sale	705,217	870,052
Other assets (\$4,933 and \$21,386 at fair value, respectively)	527,309	669,144
Due from affiliates	77,897	51,480
Total assets	\$ 16,183,534	\$ 19,832,184
Liabilities		
Debt, net	\$ 9,211,114	\$ 8,983,908
Accrued and other liabilities (\$103,825 and \$136,861 at fair value, respectively)	869,947	1,015,898
Intangible liabilities, net	87,195	111,484
Liabilities related to assets held for sale	261,791	268,152
Due to affiliates	1,336	34,064
Dividends and distributions payable	18,516	83,301
Preferred stock redemptions payable	—	402,855
Total liabilities	10,449,899	10,899,662
Commitments and contingencies (Note 21)		
Redeemable noncontrolling interests	29,066	6,107
Equity		
Stockholders' equity:		
Preferred stock, \$0.01 par value per share; \$1,033,750 liquidation preference; 250,000 shares authorized; 41,350 shares issued and outstanding	999,490	999,490
Common stock, \$0.01 par value per share		
Class A, 949,000 shares authorized; 481,391 and 487,044 shares issued and outstanding, respectively	4,814	4,871
Class B, 1,000 shares authorized; 734 shares issued and outstanding	7	7
Additional paid-in capital	7,540,197	7,553,599
Accumulated deficit	(5,849,098)	(3,389,592)
Accumulated other comprehensive income	44,367	47,668
Total stockholders' equity	2,739,777	5,216,043
Noncontrolling interests in investment entities	2,776,604	3,254,188
Noncontrolling interests in Operating Company	188,188	456,184
Total equity	5,704,569	8,926,415
Total liabilities, redeemable noncontrolling interests and equity	\$ 16,183,534	\$ 19,832,184

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Revenues				
Property operating income	\$ 293,816	\$ 488,788	\$ 719,232	\$ 947,686
Interest income	22,376	35,055	55,244	81,125
Fee income (\$43,138, \$33,267, \$86,238 and \$64,118 from affiliates, respectively)	43,540	35,433	87,045	66,461
Other income (\$8,523, \$11,339, \$11,009 and \$21,184 from affiliates, respectively)	12,634	14,163	18,358	26,226
Total revenues	372,366	573,439	879,879	1,121,498
Expenses				
Property operating expense	193,643	279,240	457,276	549,982
Interest expense	106,786	141,738	230,199	276,627
Investment and servicing expense	11,394	20,017	23,572	38,466
Transaction costs	75	318	496	2,822
Depreciation and amortization	134,905	109,382	271,763	220,734
Provision for loan loss	—	15,003	—	18,614
Impairment loss	2,001,557	84,695	2,388,825	110,317
Compensation expense—cash and equity-based	64,513	42,430	117,547	73,947
Compensation expense—carried interest and incentive fee	(1,162)	1,146	(10,343)	2,418
Administrative expenses	20,405	20,146	53,163	42,840
Settlement loss	—	—	5,090	—
Total expenses	2,532,116	714,115	3,537,588	1,336,767
Other income (loss)				
Gain on sale of real estate	2,868	6,077	10,800	35,530
Other loss, net	(173,030)	(89,506)	(176,501)	(138,575)
Equity method losses	(372,535)	(259,288)	(256,833)	(225,225)
Equity method earnings (losses)—carried interest	(2,324)	1,836	(20,735)	6,732
Loss from continuing operations before income taxes	(2,704,771)	(481,557)	(3,100,978)	(536,807)
Income tax expense	(7,720)	(2,585)	(16,044)	(3,783)
Loss from continuing operations	(2,712,491)	(484,142)	(3,117,022)	(540,590)
Income (loss) from discontinued operations	(6,502)	(504)	(6,028)	25,789
Net loss	(2,718,993)	(484,646)	(3,123,050)	(514,801)
Net income (loss) attributable to noncontrolling interests:				
Redeemable noncontrolling interests	390	509	(158)	1,953
Investment entities	(470,052)	(13,414)	(491,801)	36,574
Operating Company	(225,057)	(29,989)	(264,658)	(36,600)
Net loss attributable to Colony Capital, Inc.	(2,024,274)	(441,752)	(2,366,433)	(516,728)
Preferred stock dividends	18,516	27,138	37,990	54,275
Net loss attributable to common stockholders	\$ (2,042,790)	\$ (468,890)	\$ (2,404,423)	\$ (571,003)
Basic loss per share				
Loss from continuing operations per basic common share	\$ (4.33)	\$ (0.98)	\$ (5.06)	\$ (1.21)
Net loss per basic common share	\$ (4.33)	\$ (0.98)	\$ (5.06)	\$ (1.19)
Diluted loss per share				
Loss from continuing operations per diluted common share	\$ (4.33)	\$ (0.98)	\$ (5.06)	\$ (1.21)
Net loss per diluted common share	\$ (4.33)	\$ (0.98)	\$ (5.06)	\$ (1.19)
Weighted average number of shares				
Basic	471,253	479,228	475,187	479,577
Diluted	471,253	479,228	475,187	479,577
Dividends declared per common share	\$ —	\$ 0.11	\$ 0.11	\$ 0.22

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net loss	\$ (2,718,993)	\$ (484,646)	\$ (3,123,050)	\$ (514,801)
Changes in accumulated other comprehensive income (loss) related to:				
Investments in unconsolidated ventures, net	25,489	4,409	(988)	9,319
Available-for-sale debt securities	(2,578)	(766)	(1,089)	1,298
Cash flow hedges	(42)	(6,187)	(1)	(6,850)
Foreign currency translation	30,165	7,574	(30,209)	(20,672)
Net investment hedges	(193)	3,606	21,415	16,470
Other comprehensive income (loss)	52,841	8,636	(10,872)	(435)
Comprehensive loss	(2,666,152)	(476,010)	(3,133,922)	(515,236)
Comprehensive income (loss) attributable to noncontrolling interests:				
Redeemable noncontrolling interests	390	509	(158)	1,953
Investment entities	(448,443)	(9,906)	(499,051)	22,453
Operating Company	(221,958)	(29,680)	(264,999)	(35,778)
Comprehensive loss attributable to stockholders	<u>\$ (1,996,141)</u>	<u>\$ (436,933)</u>	<u>\$ (2,369,714)</u>	<u>\$ (503,864)</u>

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

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

	Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity	Noncontrolling Interests in Investment Entities	Noncontrolling Interests in Operating Company	Total Equity
Balance at December 31, 2018	\$1,407,495	\$ 4,841	\$7,598,019	\$(2,018,302)	\$ 13,999	\$7,006,052	\$ 3,779,728	\$ 360,590	\$11,146,370
Cumulative effect of adoption of new accounting pronouncement	—	—	—	(2,905)	—	(2,905)	(1,378)	(185)	(4,468)
Net income (loss)	—	—	—	(74,976)	—	(74,976)	49,988	(6,611)	(31,599)
Other comprehensive income (loss)	—	—	—	—	8,045	8,045	(17,629)	513	(9,071)
Common stock repurchases	—	(7)	(3,160)	—	—	(3,167)	—	—	(3,167)
Redemption of OP Units for class A common stock	—	—	33	—	—	33	—	(33)	—
Equity-based compensation	—	27	6,323	—	—	6,350	191	—	6,541
Shares canceled for tax withholdings on vested stock awards	—	(6)	(3,001)	—	—	(3,007)	—	—	(3,007)
Contributions from noncontrolling interests	—	—	—	—	—	—	305,216	—	305,216
Distributions to noncontrolling interests	—	—	—	—	—	—	(107,377)	(3,450)	(110,827)
Preferred stock dividends	—	—	—	(27,137)	—	(27,137)	—	—	(27,137)
Common stock dividends declared (\$0.11 per share)	—	—	—	(53,410)	—	(53,410)	—	—	(53,410)
Reallocation of equity (Notes 2 and 15)	—	—	12,733	—	94	12,827	(12,533)	(294)	—
Balance at March 31, 2019	<u>1,407,495</u>	<u>4,855</u>	<u>7,610,947</u>	<u>(2,176,730)</u>	<u>22,138</u>	<u>6,868,705</u>	<u>3,996,206</u>	<u>350,530</u>	<u>11,215,441</u>
Net loss	—	—	—	(441,752)	—	(441,752)	(13,414)	(29,989)	(485,155)
Other comprehensive income	—	—	—	—	4,819	4,819	3,508	309	8,636
Redemption of OP Units for class A common stock	—	2	2,061	—	—	2,063	—	(2,063)	—
Equity-based compensation	—	20	7,720	—	—	7,740	197	—	7,937
Contributions from noncontrolling interests	—	—	—	—	—	—	87,304	—	87,304
Distributions to noncontrolling interests	—	—	—	—	—	—	(212,842)	(3,429)	(216,271)
Preferred stock dividends	—	—	—	(27,138)	—	(27,138)	—	—	(27,138)
Common stock dividends declared (\$0.11 per share)	—	—	—	(53,656)	—	(53,656)	—	—	(53,656)
Reallocation of equity (Notes 2 and 15)	—	—	927	—	10	937	88	(1,025)	—
Balance at June 30, 2019	<u>\$1,407,495</u>	<u>\$ 4,877</u>	<u>\$7,621,655</u>	<u>\$(2,699,276)</u>	<u>\$ 26,967</u>	<u>\$6,361,718</u>	<u>\$ 3,861,047</u>	<u>\$ 314,333</u>	<u>\$10,537,098</u>

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

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

	Preferred Stock	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Noncontrolling Interests in Investment Entities	Noncontrolling Interests in Operating Company	Total Equity
Balance at December 31, 2019	\$ 999,490	\$ 4,878	\$7,553,599	\$(3,389,592)	\$ 47,668	\$5,216,043	\$ 3,254,188	\$ 456,184	\$8,926,415
Cumulative effect of adoption of new accounting pronouncement (Note 2)	—	—	—	(3,187)	—	(3,187)	(1,577)	(349)	(5,113)
Net loss	—	—	—	(342,159)	—	(342,159)	(21,749)	(39,601)	(403,509)
Other comprehensive loss	—	—	—	—	(31,414)	(31,414)	(28,859)	(3,440)	(63,713)
Common stock repurchases	—	(127)	(24,622)	—	—	(24,749)	—	—	(24,749)
Equity-based compensation	—	76	12,114	—	—	12,190	—	584	12,774
Shares canceled for tax withholdings on vested stock awards	—	(18)	(5,051)	—	—	(5,069)	—	—	(5,069)
Contributions from noncontrolling interests	—	—	—	—	—	—	87,736	—	87,736
Distributions to noncontrolling interests	—	—	—	—	—	—	(55,829)	(5,857)	(61,686)
Preferred stock dividends	—	—	—	(18,516)	—	(18,516)	—	—	(18,516)
Common stock dividends declared (\$0.11 per share)	—	—	—	(52,854)	—	(52,854)	—	—	(52,854)
Reallocation of equity (Note 2)	—	—	(3,827)	—	(32)	(3,859)	—	3,859	—
Balance at March 31, 2020	<u>999,490</u>	<u>4,809</u>	<u>7,532,213</u>	<u>(3,806,308)</u>	<u>16,222</u>	<u>4,746,426</u>	<u>3,233,910</u>	<u>411,380</u>	<u>8,391,716</u>
Net loss	—	—	—	(2,024,274)	—	(2,024,274)	(470,052)	(225,057)	(2,719,383)
Other comprehensive income	—	—	—	—	28,133	28,133	21,609	3,099	52,841
Redemption of OP Units for class A common stock	—	2	1,421	—	—	1,423	—	(1,423)	—
Equity-based compensation	—	16	8,946	—	—	8,962	296	584	9,842
Shares canceled for tax withholdings on vested stock awards	—	(6)	(1,151)	—	—	(1,157)	—	—	(1,157)
Contributions from noncontrolling interests	—	—	—	—	—	—	112,721	—	112,721
Distributions to noncontrolling interests	—	—	—	—	—	—	(123,495)	—	(123,495)
Preferred stock dividends	—	—	—	(18,516)	—	(18,516)	—	—	(18,516)
Reallocation of equity (Note 2)	—	—	(1,232)	—	12	(1,220)	1,615	(395)	—
Balance at June 30, 2020	<u>\$ 999,490</u>	<u>\$ 4,821</u>	<u>\$7,540,197</u>	<u>\$(5,849,098)</u>	<u>\$ 44,367</u>	<u>\$2,739,777</u>	<u>\$ 2,776,604</u>	<u>\$ 188,188</u>	<u>\$5,704,569</u>

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

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

	Six Months Ended June 30,	
	2020	2019
Cash Flows from Operating Activities		
Net loss	\$ (3,123,050)	\$ (514,801)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Amortization of discount and net origination fees on loans receivable and debt securities	(3,959)	(9,749)
Paid-in-kind interest added to loan principal, net of interest received	(30,834)	(25,028)
Straight-line rents	(7,381)	(12,502)
Amortization of above- and below-market lease values, net	(4,064)	(6,731)
Amortization of deferred financing costs and debt discount and premium	25,627	45,578
Equity method losses	277,732	219,137
Distributions of income from equity method investments	88,753	54,744
Provision for loan losses	—	18,614
Allowance for doubtful accounts	3,880	4,419
Impairment of real estate and related intangibles and right-of-use assets	1,794,825	110,317
Goodwill impairment	594,000	—
Depreciation and amortization	273,038	305,539
Equity-based compensation	18,671	14,929
Unrealized settlement loss	3,890	—
Gain on sales of real estate, net	(3,013)	(58,925)
Payment of cash collateral on derivative	(2,771)	(106,399)
Deferred income tax expense	577	247
Other loss, net	182,711	137,300
Decrease (increase) in other assets and due from affiliates	11,381	(16,351)
Decrease in accrued and other liabilities and due to affiliates	(54,187)	(16,978)
Other adjustments, net	(3,514)	(4,209)
Net cash provided by operating activities	42,312	139,151
Cash Flows from Investing Activities		
Contributions to and acquisition of equity investments	(159,925)	(116,520)
Return of capital from equity method investments	122,112	118,548
Acquisition of loans receivable and debt securities	—	(771)
Net disbursements on originated loans	(177,994)	(40,415)
Repayments of loans receivable	57,991	226,888
Proceeds from sales of loans receivable and debt securities	—	28,920
Cash receipts in excess of accretion on purchased credit-impaired loans	—	10,145
Acquisition of and additions to real estate, related intangibles and leasing commissions	(131,967)	(1,590,459)
Proceeds from sales of real estate	170,017	442,657
Proceeds from paydown and maturity of debt securities	3,172	6,038
Proceeds from sale of equity investments	241,508	28,163
Investment deposits	(6,627)	(20,253)
Net receipts on settlement of derivatives	27,097	29,793
Payment of deferred purchase price on DBH Acquisition (Note 3)	(32,500)	—
Other investing activities, net	1,681	19,076
Net cash provided by (used in) investing activities	114,565	(858,190)

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

	Six Months Ended June 30,	
	2020	2019
Cash Flows from Financing Activities		
Dividends paid to preferred stockholders	\$ (42,301)	\$ (54,274)
Dividends paid to common stockholders	(106,510)	(106,836)
Repurchase of common stock	(24,749)	(10,734)
Borrowings from corporate credit facility	600,000	218,000
Repayment of borrowings from corporate credit facility	(200,000)	(133,000)
Borrowings from secured debt	8,922	3,026,410
Repayments of secured debt	(181,708)	(2,396,309)
Payment of deferred financing costs	(2,451)	(54,785)
Contributions from noncontrolling interests	226,179	446,936
Distributions to and redemptions of noncontrolling interests	(197,791)	(349,811)
Redemption of preferred stock	(402,855)	—
Shares canceled for tax withholdings on vested stock awards	(6,226)	(3,007)
Other financing activities, net	—	(2,855)
Net cash (used in) provided by financing activities	(329,490)	579,735
Effect of exchange rates on cash, cash equivalents and restricted cash	(2,468)	365
Net decrease in cash, cash equivalents and restricted cash	(175,081)	(138,939)
Cash, cash equivalents and restricted cash, beginning of period	1,424,698	832,730
Cash, cash equivalents and restricted cash, end of period	\$ 1,249,617	\$ 693,791

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

	Six Months Ended June 30,	
	2020	2019
<u>Beginning of the period</u>		
Cash and cash equivalents	\$ 1,205,190	\$ 461,912
Restricted cash	203,923	364,605
Restricted cash included in assets held for sale	15,585	6,213
Total cash, cash equivalents and restricted cash, beginning of period	\$ 1,424,698	\$ 832,730
<u>End of the period</u>		
Cash and cash equivalents	\$ 1,099,467	\$ 353,984
Restricted cash	145,229	336,491
Restricted cash included in assets held for sale	4,921	3,316
Total cash, cash equivalents and restricted cash, end of period	\$ 1,249,617	\$ 693,791

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

COLONY CAPITAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020
(Unaudited)

1. Business

Colony Capital, Inc. (together with its consolidated subsidiaries, the "Company") is a global investment firm with a focus on becoming the leading digital real estate provider and funding source for the occupancy, infrastructure, equity and credit needs of the world's mobile communications and data-driven companies.

Following the acquisition in July 2019 of Digital Bridge Holdings, LLC ("DBH"), an investment manager dedicated to digital real estate and infrastructure, the Company is currently the only global REIT that owns, manages, and/or operates across all major infrastructure components of the digital ecosystem including data centers, cell towers, fiber networks and small cells. As previously disclosed, Marc C. Ganzi, who co-founded DBH, became the Chief Executive Officer ("CEO") of the Company effective July 1, 2020. In connection with Mr. Ganzi's appointment as the Company's CEO, on June 30, 2020, the Board of Directors of the Company (the "Board") appointed Mr. Ganzi to the Board and to serve as President of the Company (in addition to his role as CEO), also effective as of July 1, 2020. Thomas J. Barrack, Jr., who, prior to July 1, 2020, served as the Company's CEO and President, continues to serve in his role as Executive Chairman of the Company and the Board. In addition, Jacky Wu was appointed as the Company's Chief Financial Officer and Treasurer, effective July 1, 2020. Mark M. Hedstrom, who prior to July 1, 2020 served as the Company's Chief Financial Officer and Treasurer, continues to serve in his role as Executive Vice President and Chief Operating Officer of the Company.

At June 30, 2020, the Company has approximately \$46 billion of assets under management, of which \$36 billion is capital managed on behalf of third-party investors and the remainder represents investment interests on the Company's own balance sheet managed on behalf of its stockholders. With respect to investment interests, the Company owns (a) a 20% controlling interest in Data Bridge Holdings, LLC and its wholly-owned subsidiary, DataBank Holdings, Ltd. (collectively, "DataBank"), a leading provider of enterprise-class data center, cloud, and connectivity services, (b) a portfolio of healthcare properties, (c) a portfolio of hospitality properties, (d) a 36.4% interest in Colony Credit Real Estate, Inc. (NYSE: CLNC) and (e) interests in various other equity and debt investments, including general partner ("GP") interests in funds sponsored by the Company, commercial real estate equity and debt investments and other real estate related securities. The Company also owns and operates an investment management business with \$16.3 billion of fee earning equity under management, including \$7.8 billion in digital real estate investments and the remainder in traditional commercial real estate debt and equity investments.

Organization

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

The Company conducts all of its activities and holds substantially all of its assets and liabilities through its operating subsidiary, Colony Capital Operating Company, LLC (the "Operating Company" or the "OP"). At June 30, 2020, the Company owned 90% of the OP, as its sole managing member. The remaining 10% is owned primarily by certain current and former employees of the Company as noncontrolling interests.

Acceleration of Digital Transformation and COVID-19 Considerations

The world continues to face significant healthcare and economic challenges arising from the coronavirus disease 2019, or COVID-19, global pandemic. Efforts to address the pandemic, such as social distancing, closures or reduced capacity of retail and service outlets, hotels, factories and public venues, often mandated by governments, are having a significant impact on the global economy and financial markets across major industries, including many sectors of real estate. In particular, the Company's real estate investments in the hospitality, healthcare and retail sectors have experienced a myriad of challenges, including, but not limited to: significant declines in operating cash flows at the Company's hotel and healthcare properties, which in turn, affect their ability to meet debt service and covenant requirements on investment-level debt (non-recourse to the Company) and ability to refinance or extend upcoming maturities (Note 10); flexible lease payment terms sought by tenants; incremental property operating costs such as labor and supplies in response to COVID-19; potential payment defaults on the Company's loans receivable; and a distressed market affecting real estate values in general. Such adverse impact may continue well beyond the containment of the COVID-19 pandemic. Furthermore, the COVID-19 crisis may also lead to heightened risk of litigation at the investment and corporate level, with an ensuing increase in litigation and related costs.

The sharp decline and volatility in equity and debt markets, and the economic recession due to COVID-19 have adversely affected the valuation of certain of the Company's financial assets carried at fair value, and also resulted in impairment on certain non-financial assets. Such effects include the determination that the Company's equity method investment in CLNC was other-than-temporarily impaired at June 30, 2020 (Note 6), decreases in fair value of debt securities (Note 6) and loans receivable (Note 12), and impairment of real estate assets in the Company's healthcare, hospitality and other equity and debt segments (Note 4).

Additionally, the COVID-19 crisis has reinforced the critical role and the resilience of the digital real estate and infrastructure sector in a global economy that is increasingly reliant on digital infrastructure. Accordingly, in the second quarter of 2020, the Company determined that it would accelerate its shift to a digitally-focused strategy in order to better position the Company for growth. This digital transformation would require a rotation of the Company's non-digital assets into digital-focused investments. As a result, the Company shortened its assumptions of holding periods on its non-digital assets, in particular its hotel and healthcare assets, which significantly reduced the undiscounted future net cash flows to be generated by these assets below their carrying values at June 30, 2020. The shortfall in estimated future net cash flows from these assets was further exacerbated by the negative effects of COVID-19 on property operations and market values, as noted above. As a result, significant impairment was recognized in the second quarter of 2020 on the Company's hotel and healthcare assets. The acceleration of the Company's digital transformation and the overall reduction in value of the Company's non-digital balance sheet also caused a shortfall in the fair value of the Company's other investment management reporting unit over its carrying value, resulting in significant impairment to the other investment management goodwill in the second quarter of 2020 (Note 7).

The various impairment and fair value decreases collectively accounted for \$2.6 billion of charges in the second quarter of 2020, in addition to an approximately \$0.4 billion charge in the first quarter of 2020, of which \$2.1 billion and \$0.3 billion, respectively, were attributable to the OP. These amounts are reflected within impairment loss, other loss and equity method losses on the statement of operations.

The Company believes that it has materially addressed overall recoverability in value across all of its non-digital assets as of June 30, 2020, applying the Company's best estimates and assumptions at this time based upon external factors known to date and the Company's expected digital transformation timeline. If the extent and duration of the economic effects of COVID-19 negatively affect the Company's financial condition and results of operations beyond the Company's current projections, the estimates and assumptions currently applied by the Company may change, which may lead to further impairment and fair value decreases in its non-digital assets that could be material in the future.

Cooperation Agreement with Blackwells Capital

In March 2020, the Company entered into a cooperation agreement with Blackwells Capital LLC ("Blackwells"), a stockholder of the Company. Pursuant to the cooperation agreement, Blackwells agreed to a standstill in its proxy contest with the Company, and to abide by certain voting commitments, including a standstill with respect to the Company until the expiration of the agreement in March 2030 and voting in favor of the Board of Director's recommendations until the third anniversary of the agreement.

Contemporaneously, the Company and Blackwells entered into a joint venture arrangement for the purpose of acquiring, holding and disposing of CLNY common stock. Distributions to be made through the joint venture arrangement effectively represent a settlement of the proxy contest with Blackwells. At the inception of the arrangement, the fair value of future distributions to Blackwells was estimated at \$3.9 million, included in other liabilities on the consolidated balance sheet, and as a settlement loss on the consolidated statement of operations, along with \$1.2 million reimbursement of legal costs to Blackwells in March 2020. The settlement liability is remeasured at fair value each quarter until such time final distributions are made to Blackwells. Refer to Note 12 for further description of the settlement liability.

2. Summary of Significant Accounting Policies

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

Basis of Presentation

The accompanying unaudited interim financial statements have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all information and footnotes required by accounting principles generally accepted in the United States of America ("GAAP") for complete financial statements. These statements reflect all normal and recurring adjustments which, in the opinion of management, are necessary to present fairly the financial position, results of operations and cash flows of the Company for the interim periods presented. However, the results of operations for the interim period presented are not necessarily indicative of the results that may be

expected for the year ending December 31, 2020, or any other future period. These interim financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in, or presented as exhibits to, the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

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

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

Use of Estimates

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

Principles of Consolidation

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

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

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

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

Noncontrolling Interests

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

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

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

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

Business Combinations

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

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

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

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

Discontinued Operations

If the disposition of a component, being an operating or reportable segment, business unit, subsidiary or asset group, represents a strategic shift that has or will have a major effect on the Company's operations and financial results, the operating profits or losses of the component when classified as held for sale, and the gain or loss upon disposition of the component, are presented as discontinued operations in the statements of operations.

A business or asset group acquired in connection with a purchase business combination that meets the criteria to be accounted for as held for sale at the date of acquisition is reported as discontinued operations, regardless of whether it meets the strategic shift criteria.

The sale of the industrial business in December 2019, including its related management platform, represented a strategic shift that had a major effect on the Company's operations and financial results, and had met the criteria as held for sale and discontinued operations in June 2019. Accordingly, for all prior periods presented, the related assets and liabilities are presented as assets and liabilities held for sale on the consolidated balance sheets (Note 8) and the related operating results are presented as income from discontinued operations on the consolidated statement of operations (Note 16).

Reclassifications

Interest receivable, which was included in other assets as of December 31, 2019, has been reclassified to be presented as part of loans receivable to conform to current period presentation. The reclassification did not affect the Company's financial position, results of operations or cash flows.

Accounting Standards Adopted in 2020

Credit Losses

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments—Credit Losses*, followed by subsequent amendments, which modifies the credit impairment model for financial instruments, and codified as Accounting Standards Codification ("ASC") Topic 326. The multiple existing incurred loss models are replaced with a lifetime current expected credit loss ("CECL") model for off-balance sheet credit exposures that are not unconditionally cancellable by the lender and financial instruments carried at amortized cost, such as loans, loan commitments, held-to-maturity ("HTM") debt securities, financial guarantees, net investment in sales-type and direct financing leases, reinsurance and trade receivables. Targeted changes are also made to the impairment model of available-for-sale ("AFS") debt securities which are not within the scope of CECL.

The CECL model, in estimating expected credit losses over the life of a financial instrument at the time of origination or acquisition, considers historical loss experience, current conditions and the effects of a reasonable and supportable expectation of changes in future macroeconomic conditions. Recognition of allowance for credit losses under the CECL model will generally be accelerated as it encompasses credit losses over the full remaining expected life of the affected financial instruments. For collateralized financial assets, measurement of credit losses under CECL is based on fair value of the collateral if foreclosure is probable or if the collateral-dependent practical expedient is elected for financial assets expected to be repaid substantially through operation or sale of the collateral when the borrower is experiencing financial difficulty. The accounting model for purchased credit-impaired loans and debt securities will be simplified to be consistent with the CECL model for originated and purchased non-credit-impaired assets. For AFS debt securities, unrealized credit losses will be recognized as allowances rather than reductions in amortized cost basis and elimination of the other-than-temporary impairment ("OTTI") concept will result in more frequent estimation of credit losses. ASC 326 also requires expanded disclosures on credit risk, including credit quality indicators by vintage of financing receivables.

Transitional relief is provided through the ability, upon adoption of the new standard, to elect the fair value option for eligible financial instruments within the scope of the new standard, except for HTM and AFS debt securities. Transition will generally be on a modified retrospective basis, including the election of the fair value option, with a cumulative effect adjustment to beginning retained earnings, except for prospective application of the CECL model for other than temporarily impaired debt securities and purchased credit-impaired assets.

The Company adopted the new standard on January 1, 2020. The Company elected the fair value option for all of its outstanding loans receivable, with a cumulative effect adjustment to increase beginning retained earnings by \$3.3 million. Under the fair value option, the loans receivable are measured at each reporting period based upon their exit values in an orderly transaction and unrealized gains or losses from changes in fair value are recorded in other gain (loss) on the consolidated statement of operations. The loans are no longer subject to evaluation for impairment through an allowance for loan loss as such losses are captured through fair value changes. Additionally, there is no longer an amortization of loan origination fees or discounts on purchased loans as additional interest income.

The Company had no debt securities with unrealized loss in accumulated other comprehensive income ("AOCI") at December 31, 2019 and accordingly, there was no impact upon adoption of the new standard. As it relates to the Company's other accounts receivable that are subject to CECL, the effect of adoption was immaterial.

The Company reflected the effect of adoption of CECL by its equity method investee, CLNC, through an adjustment to decrease beginning retained earnings by approximately \$8.5 million on January 1, 2020, representing the Company's share of CLNC's cumulative effect adjustment.

Fair Value Disclosures

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurements*. The ASU requires new disclosures of changes in unrealized gains and losses in other comprehensive income for recurring Level 3 fair value measurements of instruments held at balance sheet date, as well as the range and weighted average or other quantitative information, if more relevant, of significant unobservable inputs for recurring and nonrecurring Level 3 fair values. Certain previously required disclosures are eliminated, specifically around the valuation process required for Level 3 fair values, policy for timing of transfers between levels of the fair value hierarchy, as well as amounts and reason for transfers between Levels 1 and 2. Additionally, the new guidance clarifies or modifies certain existing disclosures, including clarifying that information about measurement uncertainty of Level 3 fair values should be as of reporting date and requiring disclosures of the timing of liquidity events for investments measured under the net asset value ("NAV") practical expedient, but only if the investee has communicated this information or has announced it publicly. The provisions on new disclosures and modification to disclosure of Level 3 measurement uncertainty are to be applied prospectively, while all other provisions are to be applied retrospectively. The Company adopted ASU No. 2018-13 on January 1, 2020.

Related Party Guidance for VIEs

In November 2018, the FASB issued ASU No. 2018-17, *Targeted Improvements to Related Party Guidance for Variable Interest Entities*. The ASU amends the VIE guidance to align, throughout the VIE model, the evaluation of a decision maker's or service provider's fee held by a related party, whether or not they are under common control, in both the assessment of whether a fee qualifies as a variable interest and the determination of a primary beneficiary. Specifically, a decision maker or service provider considers interests in a VIE held by a related party under common control only if it has a direct interest in that related party under common control and considers such indirect interest in the VIE held by the related party under common control on a proportionate basis, rather than in its entirety. Transition is generally on a modified retrospective basis, with the cumulative effect adjusted to retained earnings at the beginning of the earliest period presented. The Company adopted ASU No. 2018-17 on January 1, 2020, with no transitional impact upon adoption.

Reference Rate Reform

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The guidance in Topic 848 is optional, the election of which provides temporary relief for the accounting effects on contracts, hedging relationships and other transactions affected by the transition from interbank offered rates (such as the London Interbank Offered Rate ("LIBOR")) that are expected to be discontinued by the end of 2021 to alternative reference rates (such as the Secured Overnight Financing Rate ("SOFR")). Modification of contractual terms to effect the reference rate reform transition on debt, leases, derivatives and other contracts is eligible for relief from modification accounting and accounted for as a continuation of the existing contract. Topic 848 is effective upon issuance through December 31, 2022, and may be applied retrospectively to January 1, 2020. The Company has elected to apply the hedge accounting expedients related to probability and assessment of effectiveness for future LIBOR-indexed cash flows to assume that the index upon which future hedged transactions will be based matches the index on the corresponding derivatives, which preserves existing derivative treatment and presentation. The Company may elect other practical expedients or exceptions as applicable over time as reference rate reform activities occur.

Future Application of Accounting Standards

Income Tax Accounting

In December 2019, the FASB issued ASU No. 2019-12, *Simplifying Accounting for Income Taxes*. The ASU simplifies accounting for income taxes by eliminating certain exceptions to the general approach in ASC 740, *Income Taxes*, and clarifies certain aspects of the guidance for more consistent application. The simplifications relate to intraperiod tax allocations when there is a loss in continuing operations and a gain outside of continuing operations, accounting for tax law or tax rate changes and year-to-date losses in interim periods, recognition of deferred tax liability for outside basis

difference when investment ownership changes, and accounting for franchise taxes that are partially based on income. The ASU also provides new guidance that clarifies the accounting for transactions resulting in a step-up in tax basis of goodwill, among other changes. Transition is generally prospective, other than the provision related to outside basis difference which is on a modified retrospective basis with cumulative effect adjusted to retained earnings at the beginning of the period adopted, and franchise tax provision which is on either full or modified retrospective. ASU No. 2019-12 is effective January 1, 2021, with early adoption permitted in an interim period, to be applied to all provisions. The Company is currently evaluating the impact of this new guidance.

Accounting for Certain Equity Investments

In January 2020, the FASB issued ASU No. 2020-01, *Clarifying the Interactions between Topic 321 Investments—Equity Securities, Topic 323—Investments Equity Method and Joint Ventures, and Topic 815—Derivatives and Hedging*. The ASU clarifies that if as a result of an observable transaction, an equity investment under the measurement alternative is transitioned into equity method and vice versa, an equity method investment is transitioned into measurement alternative, the investment is to be remeasured immediately before and after the transaction, respectively. The ASU also clarifies that certain forward contracts or purchased options to acquire equity securities that are not deemed to be derivatives or in-substance common stock will generally be measured using the fair value principles of ASC 321 before settlement or exercise, and that an entity should not be considering how it will account for the resulting investments upon eventual settlement or exercise. ASU No. 2020-01 is to be applied prospectively, effective January 1, 2021, with early adoption permitted in an interim period. The Company is currently evaluating the impact of this new guidance.

Accounting for Convertible Instruments and Contracts on Entity's Own Equity

In August 2020, the FASB issued ASU No. 2020-06, *Debt—Debt With Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*. The ASU simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity.

With respect to convertible instruments, under the new guidance, a convertible debt instrument will be accounted for wholly as debt, and convertible preferred stock wholly as preferred stock, that is, as a single unit of account, except for (1) a convertible instrument that contains features requiring bifurcation as a derivative under Topic 815 or (2) a convertible debt instrument that was issued at a substantial premium. Expanded disclosures are required, including, but not limited to, the terms and features of convertible instruments, and information about events, conditions, and circumstances that could affect assessment of the amount or timing of future cash flows related to those instruments.

With respect to contracts on an entity's own equity, one of the requirements prescribed by the new guidance is to account for freestanding contracts on an entity's own equity that do not qualify as equity under Subtopic ASC 815-40 at fair value, with changes in fair value recognized in earnings, irrespective of whether such contracts meet the definition of a derivative in Topic 815.

The ASU also amends certain guidance on the computation of earnings per share for convertible instruments and contracts on an entity's own equity. In calculating diluted earnings per share, the new guidance (1) requires the if-converted method to be applied for all convertible instruments (the treasury stock method is no longer available), and (2) removes the ability to rebut the presumption of share settlement for contracts that may be settled in cash or stock.

Upon adoption, a one-time election may be made to apply the fair value option for any liability-classified financial instrument that is a convertible security. In the period of adoption, disclosure is required of (1) the nature of and reason for the change in accounting principle in both the interim and annual period of change, and (2) earnings per share transition information about the effect of the change on affected per-share amounts.

Adoption of the new standard may be made either on a full or modified retrospective approach, with cumulative effect adjustment recorded to beginning retained earnings under the latter. ASU No. 2020-06 is effective January 1, 2022, with early adoption permitted in interim periods beginning January 1, 2021. The Company is currently evaluating the impact of this new guidance.

3. Business Combinations

DBH

On July 25, 2019, the Company acquired DBH in a combination of: (a) cash, a portion of which was deferred until the expiration of certain customary seller indemnification obligations and was paid in full in May 2020 (Note 20); and (b) issuance of 21,478,515 OP Units, which were measured based upon the closing price of the Company's class A common stock on July 24, 2019 of \$5.21 per share.

The Company acquired the fee streams but not the equity interests related to the six portfolio companies managed by DBH. The principals of DBH retained their equity investments, including general partner interests in existing DBH investment vehicles and in Digital Colony Partners fund ("DCP"), which was previously co-sponsored by the Company and DBH.

The acquisition is a strategic transaction that is expected to generate meaningful accretion in value to the Company through expansion of the digital real estate management platform by combining the industry sector knowledge, experience and relationships from the DBH team with the capital raising resources of the Company, as represented by the goodwill value.

The Company's acquisition of DBH included the remaining 50% equity interest held by DBH in Digital Colony Management, LLC ("Digital Colony Manager"), previously an equity method joint venture with DBH, which manages DCP. Upon closing of the acquisition, the Company obtained a controlling interest in Digital Colony Manager and remeasured its existing 50% interest at a fair value of \$51.4 million. The full amount, representing the excess of fair value over carrying value of the Company's investment in Digital Colony Manager, was recognized in other gain on the Company's statement of operations, as the Company's carrying value of its investment in Digital Colony Manager prior to the business combination was nil. The fair value was based upon the value of 50% of estimated future net cash flows from the DCP fund management contract, discounted at 8%.

DataBank

On December 20, 2019, the Company acquired from third party investors a 20% interest in DataBank, a portfolio company managed by DBH and invested in by the principals and senior professionals of DBH. The Company is deemed to have a controlling interest in DataBank as control over the operations of DataBank resides substantially with the Company. Consideration included the payment of cash to third parties for the Company's interests in DataBank and the issuance of 612,072 OP Units to Mr. Ganzi and Benjamin Jenkins (the DBH principals) for incentive units owned by the DBH principals and allocable to the Company's acquired interests, measured based upon the closing price of the Company's class A common stock on December 20, 2019 of \$4.85 per share. The OP Units were issued to the principals of DBH who had previously received incentive units from DataBank, in exchange for certain of their incentive units such that the Company will not be subject to future carried interest payments to the DBH principals with respect to the Company's investment in DataBank (Note 20). The DBH principals otherwise retained their equity interests in DataBank.

Allocation of Consideration Transferred

The following table summarizes the consideration and allocation to assets acquired, liabilities assumed and noncontrolling interests at acquisition. The estimated fair values and allocation of consideration are preliminary, based upon information available at the time of closing as the Company continues to evaluate underlying inputs and assumptions. Accordingly, these provisional values may be subject to adjustments during the measurement period, not to exceed one year, based upon new information obtained about facts and circumstances that existed at the time of closing.

During the second quarter of 2020, certain measurement period adjustments were made to the purchase price allocation for DataBank, primarily (i) a reallocation of value to data center service contract intangible asset, (ii) changes in valuation and underlying assumptions pertaining to data center construction and market value of existing data center lease contracts, and (iii) the corresponding effect on deferred tax liabilities.

(In thousands)	DBH		DataBank	
	As Reported June 30, 2020	As Reported December 20, 2019	Measurement Period Adjustments	As Reported June 30, 2020
Consideration				
Cash	\$ 181,167	\$ 182,731	\$ —	\$ 182,731
Deferred consideration	35,500	—	—	—
OP Units issued	111,903	2,962	—	2,962
Total consideration for equity interest acquired	328,570	185,693	—	185,693
Fair value of equity interest in Digital Colony Manager	51,400	—	—	—
	\$ 379,970	\$ 185,693	\$ —	\$ 185,693
Assets acquired, liabilities assumed and noncontrolling interests				
Cash	\$ —	\$ 10,366	\$ —	\$ 10,366
Real estate	—	847,458	(8,405)	839,053
Assets held for sale	—	29,114	152	29,266
Intangible assets	153,300	222,455	(2,804)	219,651
Other assets	13,008	106,648	2,248	108,896
Debt	—	(539,155)	—	(539,155)
Tax liabilities, net	(17,392)	(113,228)	3,641	(109,587)
Intangible and other liabilities	(16,194)	(132,480)	12,302	(120,178)
Fair value of net assets acquired	132,722	431,178	7,134	438,312
Noncontrolling interests in investment entities	—	(724,567)	—	(724,567)
Goodwill	\$ 247,248	\$ 479,082	\$ (7,134)	\$ 471,948

DBH

- Intangible assets acquired included primarily management contracts, investor relationships and trade name.
 - The fair value of management contracts, including the Company's 50% interest in Digital Colony Manager, was estimated based upon estimated net cash flows generated from those contracts, discounted at 8%, with remaining lives estimated between 3 and 10 years.
 - Investor relationships represent the fair value of potential fees, net of operating costs, to be generated from repeat DBH investors in future sponsored funds, discounted at 11.5%, and potential carried interest discounted at 25%.
 - The Digital Bridge trade name was valued using a relief-from-royalty method, based upon estimated savings from avoided royalty at a rate of 1% on expected net income, discounted at 11.5%, with an estimated useful life of 10 years.
- Other liabilities assumed were primarily deferred revenues and deferred tax liabilities recognized upon acquisition, representing the tax effect on the book-to-tax basis difference associated with management contract intangibles.

DataBank

- Real estate and lease intangibles of DataBank were measured based upon recent third party appraised values, allocated to tangible assets of land, building, construction in progress, data center infrastructure, as well as identified intangibles of in-place leases, above- and below-market leases, and tenant relationships.
- The remaining intangible assets acquired include data center service contracts, customer relationships and trade name. The value of data center service contracts was estimated based upon net cash flows generated from these contracts. Customer relationships were valued as the incremental net income attributable to these relationships considering the projected net cash flows of the business with and without the customer relationships in place. The trade name of DataBank was valued based upon estimated savings from avoided royalty at a royalty rate of 2%.
- Other assets acquired and liabilities assumed primarily include right-of-use lease assets associated with leasehold data centers and corresponding lease liabilities. Deferred tax liabilities represent the tax effect on the book-to-tax basis difference related primarily to real estate assets arising from the transaction.
- All assumed debt bears variable rates, with carrying values approximating fair values based upon market rates and spreads that prevailed at the time of acquisition.

- Noncontrolling interests in investment entities were valued based upon their proportionate share of net assets of DataBank at fair value.

The excess of the fair value of consideration transferred over the fair values of identifiable assets acquired, liabilities assumed and noncontrolling interests was recorded as goodwill assigned to the DataBank reporting unit within the digital segment. Goodwill represents the value of the business acquired not already captured in identifiable assets, such as the potential for future customers, synergies, revenue and profit growth, as well as industry knowledge, experience and relationships that the DataBank management team brings.

4. Real Estate

The following table summarizes the Company's real estate held for investment. Real estate held for sale is presented in Note 8.

(In thousands)	June 30, 2020	December 31, 2019
Land	\$ 1,272,269	\$ 1,360,435
Buildings and improvements	7,462,712	9,022,971
Tenant improvements	108,929	105,440
Data center infrastructure	633,329	595,603
Furniture, fixtures and equipment	581,285	511,329
Construction in progress	125,702	255,115
	<u>10,184,226</u>	<u>11,850,893</u>
Less: Accumulated depreciation	(1,196,324)	(990,375)
Real estate assets, net ⁽¹⁾	<u>\$ 8,987,902</u>	<u>\$ 10,860,518</u>

⁽¹⁾ For real estate acquired in a business combination, the purchase price allocation may be subject to adjustments during the measurement period, not to exceed 12 months from date of acquisition, based upon new information obtained about facts and circumstances that existed at time of acquisition (Note 3).

Real Estate Sales

Results from sales of real estate, including discontinued operations (Note 16), are as follows:

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Proceeds from sales of real estate	\$ 43,276	\$ 147,990	\$ 170,017	\$ 442,657
Gain (Loss) on sale of real estate	(4,919)	6,624	3,013	58,925

Real Estate Acquisitions

The following table summarizes the Company's real estate acquisitions, excluding real estate acquired as part of business combinations discussed in Note 3.

(\$ in thousands)				Purchase Price Allocation ⁽¹⁾					
Acquisition Date	Property Type and Location	Number of Buildings	Purchase Price ⁽¹⁾	Land	Buildings and Improvements	Lease Intangible Assets	ROU Lease and Other Assets	Lease Intangible Liabilities	Debt, Lease and Other Liabilities
Six Months Ended June 30, 2020									
<i>Asset Acquisitions</i>									
Various	Hotel—France ⁽²⁾	2	\$ 4,609	\$ 564	\$ 6,763	\$ —	\$ 2,586	\$ —	\$ (5,304)
Year Ended December 31, 2019									
<i>Asset Acquisitions</i>									
February	Bulk industrial—Various in U.S. ⁽³⁾	6	\$ 373,182	\$ 49,446	\$ 296,348	\$ 27,553	\$ —	\$ (165)	\$ —
October	Healthcare—United Kingdom ⁽⁴⁾	1	12,376	3,478	9,986	732	—	(1,820)	—
Various	Light industrial—Various in U.S. ⁽⁵⁾	84	1,158,423	264,816	850,550	47,945	—	(4,888)	—
			<u>\$ 1,543,981</u>	<u>\$ 317,740</u>	<u>\$ 1,156,884</u>	<u>\$ 76,230</u>	<u>\$ —</u>	<u>\$ (6,873)</u>	<u>\$ —</u>

- ⁽¹⁾ Dollar amounts of purchase price and allocation to assets acquired and liabilities assumed are translated using foreign exchange rates as of the respective dates of acquisition, where applicable.
- ⁽²⁾ Bids for hotels under receivership were accepted by the French courts in prior years, with the transactions closing in 2020. Amounts include acquisition of hotel operations pursuant to operating leases on real estate owned by third parties. Useful life of real estate acquired is 40 years for buildings, 15 years for site improvements, 7 years for furniture, fixtures, and equipment, and 6 years for right-of-use ("ROU") lease assets.
- ⁽³⁾ The bulk industrial portfolio was classified as held for sale in June 2019.
- ⁽⁴⁾ Properties acquired pursuant to purchase option under the Company's development facility to a healthcare operator at purchase price equivalent to outstanding loan balance.
- ⁽⁵⁾ The entire light industrial portfolio was sold in December 2019.

Depreciation and Impairment

The following table summarizes real estate depreciation and impairment.

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Depreciation of real estate held for investment	\$ 106,208	\$ 92,677	\$ 209,513	\$ 184,915
Impairment of real estate and related asset group ⁽¹⁾				
Held for sale	20,061	42,998	27,638	68,181
Held for investment	1,454,199	41,048	1,754,890	41,487

- ⁽¹⁾ Includes impairment of real estate intangibles of \$2.3 million and \$9.3 million and right-of-use asset on ground leases of \$0.8 million and \$13.9 million in the three and six months ended June 30, 2020, respectively.

Impairment of Real Estate Held for Sale

Real estate held for sale is carried at the lower of amortized cost or fair value. Real estate carried at fair value totaled \$197.8 million at June 30, 2020 and \$253.4 million at December 31, 2019 based upon impairments recorded during the six months ended June 30, 2020 and year ended December 31, 2019, respectively, generally representing Level 3 fair values.

Real estate held for sale that was written down was generally valued using either broker opinions of value, or a combination of market information, including third-party appraisals and indicative sale prices, adjusted as deemed appropriate by management to account for the inherent risk associated with specific properties. In all cases, fair value of real estate held for sale is reduced for estimated selling costs ranging from 1% to 3%.

In 2020, the Company also considered the impact of a global economic downturn as a result of COVID-19, specifically as it affects real estate values, and where appropriate, factored in a reduction in potential sales prices, which resulted in additional impairment on real estate held for sale in 2020.

Impairment of Real Estate Held for Investment

Real estate held for investment that was written down to fair value during the six months ended June 30, 2020 and year ended December 31, 2019 had carrying values totaling \$3.7 billion and \$355.0 million, respectively, at the time of impairment, representing Level 3 fair values.

Impairment was driven by shortened holding period assumptions made in connection with the preparation and review of the financial statements, particularly in the hotel and healthcare portfolios. The shortened holding period assumption is attributable to both the Company's accelerated digital transformation, and the risk that the Company is unable to obtain accommodation from lenders on non-recourse mortgage debt that is in default or at risk of default. The Company's assessment considered various strategic and financial alternatives to maximize the value of its non-digital real estate assets, while also balancing the need to preserve liquidity and prioritize the growth of its digital business. A shortened holding period was an indicator of impairment as it decreased the amount of carrying value recoverable from future cash flows, which was further exacerbated by a decline in property operating performance and market values as a result of the economic effects of COVID-19.

The Company compared the carrying values to the undiscounted future net cash flows expected to be generated by these properties over their holding periods. In performing this analysis, the Company considered the likelihood of possible outcomes under various holding period scenarios by applying a probability-weighted approach to different holding periods. For hotel properties, the Company applied a range of reductions to near term cash flow projections to account for uncertainties due to COVID-19. For properties for which undiscounted expected net cash flows over their respective

holding periods fell short of carrying values, the Company expects that the carrying value of these properties would likely not be recoverable.

Fair values were estimated for these properties based upon one or a combination of the following: (i) third party appraisals, (ii) broker opinions of value with discounts applied based upon management judgment, (iii) income capitalization approach, using net operating income for each property and applying capitalization rates between 10.0% and 12.0%; or (iv) discounted cash flow analyses with terminal values determined using terminal capitalization rates between 7.0% and 11.25%, and discount rates between 8.5% and 12.0%. The Company considered the risk characteristics of each property in determining capitalization rates and where applicable, used higher capitalization rates or discount rates to reflect the inherent stress on real estate values in a deteriorating economic environment. Impairment was measured as the excess of carrying value over fair value for each of these properties.

As of June 30, 2020, the Company believes that it has materially addressed overall recoverability in the value of its non-digital real estate assets, applying the Company's best estimates and assumptions at this time based upon external factors known to date and the Company's expected digital transformation timeline. If the extent and duration of the economic effects of COVID-19 negatively affect the Company's real estate operations and its ability to meet its non-recourse mortgage debt obligations beyond the Company's current projections, the estimates and assumptions currently applied by the Company may change, which may lead to further impairment of its non-digital real estate assets, in particular, its healthcare and hospitality assets, that could be material in the future.

Property Operating Income

Following the acquisition of DataBank in December 2019, lease income includes: (i) fixed lease payments for colocation rent, interconnection services and a committed amount of power in connection with contracted leased space; and (ii) variable payments for additional metered power reimbursements based upon usage at prevailing rates.

The Company also earns data center service revenue, primarily composed of cloud services, data storage, data protection, network services, software licensing, and other related information technology services, which are recognized as services are provided; and to a lesser extent, installation services that are recognized at a point in time upon completion of the installation and accompanying services.

For the three and six months ended June 30, 2020 and 2019, components of property operating income are as follows, excluding amounts related to discontinued operations (Note 16).

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Lease income:				
Fixed lease income	\$ 180,067	\$ 164,940	\$ 362,159	\$ 335,354
Variable lease income	16,820	14,891	33,111	31,240
	196,887	179,831	395,270	366,594
Hotel operating income	85,735	308,957	300,795	581,092
Data center service revenue	11,194	—	23,167	—
	<u>\$ 293,816</u>	<u>\$ 488,788</u>	<u>\$ 719,232</u>	<u>\$ 947,686</u>

Lease Concessions Related to COVID-19

As a result of the COVID-19 crisis, a number of tenants failed to make rent payments or make timely payments, and some sought more flexible payment terms or rent concessions. Local governments in certain jurisdictions have implemented or are considering implementing programs that permit or require forbearance of rent payments by tenants affected by COVID-19. The Company is currently engaged with affected tenants on a case-by-case basis to evaluate and respond to the current environment.

For lease concessions resulting directly from the impact of COVID-19 that do not result in a substantial increase in the rights of the lessor or the obligations of the lessee, for example, where total payments required by the modified contract will be substantially the same as or less than the original contract, the Company made a policy election to account for the concessions as though the enforceable rights and obligations for those concessions existed in the lease contracts, under a relief provided by the FASB. Under the relief, the concessions will not be treated as lease modifications that are accounted for over the remaining term of the respective leases, as the Company believes this would not accurately reflect the temporary economic effect of the concessions. Instead, (i) rent deferrals that meet the criteria will be treated as if no changes were made to the lease contract, with continued recognition of lease income and receivable

under the original terms of the contract; and (ii) rent forgiveness that meets the criteria will be accounted for as variable lease payments in the affected periods.

The Company has agreed to provide the affected tenants primarily with a deferral of full or partial rent for two to three months, generally with deferred rent to be repaid in monthly installments over periods of four to 18 months. This resulted in an increase in receivables totaling \$0.7 million as of June 30, 2020. All lease income receivable, including straight-line rents, are subject to the Company's policy for evaluation of collectability based upon creditworthiness of the lessee. In certain instances, the Company has also agreed to rent forgiveness, totaling \$0.6 million for full year 2020, of which \$0.2 million relates to the six months ended June 30, 2020.

5. Loans Receivable

Effective January 1, 2020, the Company elected the fair value option for all of its outstanding loans receivable under a transitional relief upon adoption of ASC 326. The previous distinction of purchased credit-impaired ("PCI") loans and troubled debt restructurings ("TDR") are not applicable under fair value accounting. Refer to Note 12 for additional disclosures on loans receivable carried at fair value under the fair value option.

Loans receivable carried at fair value at June 30, 2020 are as follows:

(\$ in thousands)	June 30, 2020			
	Unpaid Principal Balance	Fair Value	Weighted Average Coupon	Weighted Average Maturity in Years
Fixed rate				
Mortgage loans	\$ 1,602,093	\$ 672,983	8.2%	0.8
Mezzanine loans	610,073	348,579	12.6%	0.7
Non-mortgage loans	182,974	167,583	13.8%	4.7
	<u>2,395,140</u>	<u>1,189,145</u>		
Variable rate				
Mortgage loans	163,911	161,127	3.3%	0.1
Mezzanine loans	47,815	47,815	12.5%	1.1
	<u>211,726</u>	<u>208,942</u>		
Loans receivable	<u>\$ 2,606,866</u>	<u>\$ 1,398,087</u>		

Loans receivable carried at amortized cost at December 31, 2019 were as follows:

(\$ in thousands)	December 31, 2019			
	Unpaid Principal Balance	Amortized Cost	Weighted Average Coupon	Weighted Average Maturity in Years
Non-PCI Loans				
Fixed rate				
Mortgage loans	\$ 471,472	\$ 492,709	10.7%	1.6
Mezzanine loans	495,182	494,238	12.6%	0.6
Non-mortgage loans	149,380	148,623	12.9%	5.4
	<u>1,116,034</u>	<u>1,135,570</u>		
Variable rate				
Mortgage loans	171,848	172,269	4.1%	0.3
Mezzanine loans	44,887	44,637	12.7%	1.6
	<u>216,735</u>	<u>216,906</u>		
	<u>1,332,769</u>	<u>1,352,476</u>		
PCI Loans				
Mortgage loans	1,165,804	248,535		
Allowance for loan losses		(48,187)		
		<u>1,552,824</u>		
Interest receivable		13,504		
Loans receivable	<u>\$ 2,498,573</u>	<u>\$ 1,566,328</u>		

Past Due and Nonaccrual Loans

Loans that are 90 days or more past due as to principal or interest, or where reasonable doubt exists as to timely collection, are generally considered nonperforming and placed on nonaccrual status.

The table below presents the fair value and unpaid principal balance by aging of loans receivable at June 30, 2020 for which fair value option was elected.

(In thousands)	June 30, 2020		
	Fair Value	Unpaid Principal Balance	Fair Value less Unpaid Principal Balance
Loans receivable—fair value option			
Current or less than 30 days past due	\$ 687,273	\$ 679,505	\$ 7,768
30-59 days past due	—	—	—
60-89 days past due	—	—	—
90 days or more past due or nonaccrual	710,814	1,927,361	(1,216,547)
	<u>\$ 1,398,087</u>	<u>\$ 2,606,866</u>	<u>\$ (1,208,779)</u>

The following table provides an aging summary of non-PCI loans at carrying values before allowance for loan losses and interest receivable at December 31, 2019:

(In thousands)	December 31, 2019
Non-PCI loans at carrying values before allowance for loan losses	
Current or less than 30 days past due	\$ 1,042,260
30-59 days past due	—
60-89 days past due	—
90 days or more past due or nonaccrual	310,216
	<u>\$ 1,352,476</u>

For the Three and Six Months Ended June 30, 2019 and as of December 31, 2019

Troubled Debt Restructuring

During the three and six months ended June 30, 2019, there were no loans modified in a troubled debt restructuring ("TDR"), in which the Company provided borrowers, who are experiencing financial difficulties, with concessions in interest rates, payment terms or default waivers.

At December 31, 2019, the Company had one existing TDR loan that was in maturity default with a carrying value before allowance for loan loss and interest receivable of \$37.8 million and an allowance for loan loss of \$37.8 million. The Company had no additional lending commitment on the TDR loan.

Non-PCI Impaired Loans

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

The following table summarizes the non-PCI impaired loans at December 31, 2019:

(In thousands)	Unpaid Principal Balance	Gross Carrying Value before Interest Receivable			Allowance for Loan Losses
		With Allowance for Loan Losses	Without Allowance for Loan Losses	Total	
December 31, 2019	\$ 326,151	\$ 71,754	\$ 259,011	\$ 330,765	\$ 48,146

The average carrying value and interest income recognized on non-PCI impaired loans for the three and six months ended June 30, 2019 were as follows.

(In thousands)	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Average carrying value before allowance for loan losses and interest receivable	\$ 310,914	\$ 298,092
Total interest income recognized during the period impaired	1,289	4,292
Cash basis interest income recognized	—	447

Purchased Credit-Impaired Loans

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

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

There were no PCI loans acquired in the six months ended June 30, 2019.

Changes in accretable yield of PCI loans for the six months ended June 30, 2019 were as follows:

(In thousands)	Six Months Ended June 30, 2019
Beginning accretable yield	\$ 9,620
Changes in accretable yield	407
Accretion recognized in earnings	(5,924)
Effect of changes in foreign exchange rates	(15)
Ending accretable yield	<u>\$ 4,088</u>

At December 31, 2019, there were no PCI loans on the cash basis or cost recovery method for recognition of interest income.

Allowance for Loan Losses

Allowance for loan losses and related carrying values before interest receivable of loans held for investment at December 31, 2019 were as follows:

(In thousands)	December 31, 2019	
	Allowance for Loan Losses	Carrying Value
Non-PCI loans	\$ 48,146	\$ 71,754
PCI loans	41	17,935
	<u>\$ 48,187</u>	<u>\$ 89,689</u>

Changes in allowance for loan losses for the six months ended June 30, 2019 are presented below.

(In thousands)	Six Months Ended June 30, 2019
Allowance for loan losses at January 1	\$ 32,940
Provision for loan losses, net	18,614
Charge-off	(616)
Allowance for loan losses at June 30	<u>\$ 50,938</u>

Provision for loan losses by loan type was as follows:

(In thousands)	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Non-PCI loans	\$ 12,807	\$ 12,807
PCI loans	2,196	5,807
Total provision for loan losses, net	<u>\$ 15,003</u>	<u>\$ 18,614</u>

Lending Commitments

The Company has lending commitments to borrowers pursuant to certain loan agreements in which the borrower may submit a request for funding contingent on achieving certain criteria, which must be approved by the Company as lender, such as leasing, performance of capital expenditures and construction in progress with an approved budget. At June 30, 2020, total unfunded lending commitments was \$140.6 million, of which the Company's share was \$37.9 million, net of amounts attributable to noncontrolling interests.

6. Equity and Debt Investments

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

<u>(In thousands)</u>	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Equity Investments		
Equity method investments		
Investment ventures	\$ 1,448,069	\$ 1,845,129
Private funds	182,807	142,386
	<u>1,630,876</u>	<u>1,987,515</u>
Other equity investments		
Marketable equity securities	116,911	138,586
Investment ventures	1,668	91,472
Private funds and non-traded REIT	42,044	38,641
Total equity investments	<u>1,791,499</u>	<u>2,256,214</u>
Debt Securities		
N-Star CDO bonds, available for sale	32,271	54,859
CMBS of consolidated fund, at fair value	1,678	2,732
Total debt securities	<u>33,949</u>	<u>57,591</u>
Equity and debt investments	<u>\$ 1,825,448</u>	<u>\$ 2,313,805</u>

Equity Investments

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

Equity Method Investments

The Company owns a significant interest in CLNC, a publicly-traded REIT that it manages. The Company accounts for its investment under the equity method as it exercises significant influence over operating and financial policies of CLNC through a combination of its ownership interest, its role as the external manager and board representation, but does not control CLNC. The Company also owns equity method investments that are structured as joint ventures with one or more private funds or other investment vehicles managed by the Company, or with third party joint venture partners. These investment ventures are generally capitalized through equity contributions from the members and/or leveraged through various financing arrangements. The Company elected the fair value option to account for its interests in certain investment ventures and limited partnership interests in third party private equity funds (Note 12).

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

The Company's investments accounted for under the equity method are summarized below:

Investments ⁽¹⁾	Description	Carrying Value at	
		June 30, 2020	December 31, 2019
Colony Credit Real Estate, Inc. ⁽²⁾	Common equity in publicly traded commercial real estate credit REIT managed by the Company and membership units in its operating subsidiary (36.4% ownership)	\$ 336,513	\$ 725,443
RXR Realty, LLC	Common equity in investment venture with a real estate investor, developer and investment manager (sold in February 2020)	—	93,390
Preferred equity	Preferred equity investments with underlying real estate	140,313	138,428
ADC investments	Investments in acquisition, development and construction loans in which the Company participates in residual profits from the projects, and the risk and rewards of the arrangements are more similar to those associated with investments in joint ventures	575,555	543,296
Private funds	General partner and/or limited partner interests in private funds (excluding carried interest allocation)	179,270	115,055
Private funds—carried interest	Disproportionate allocation of returns to the Company as general partner or equivalent based on the extent to which cumulative performance of the fund exceeds minimum return hurdles	393	21,940
Other investment ventures	Interests in 11 investments at June 30, 2020	189,569	127,088
Fair value option	Interests in initial stage, real estate development and hotel ventures and limited partnership interests in private equity funds	209,263	222,875
		<u>\$ 1,630,876</u>	<u>\$ 1,987,515</u>

⁽¹⁾ Each equity method investment has been determined to be either a VIE for which the Company was not deemed to be the primary beneficiary or a voting interest entity in which the Company does not have the power to control through a majority of voting interest or through other arrangements.

⁽²⁾ CLNC is governed by its board of directors. The Company's role as manager is under the supervision and direction of CLNC's board of directors, which includes representatives from the Company but the majority of whom are independent directors.

Significant Sales of Equity Method Investments

In February 2020, the Company sold its equity investment in RXR Realty, LLC for net proceeds after taxes of \$179.1 million, recording a gain of \$106.1 million, which is included in equity method earnings.

Impairment of Equity Method Investments

The Company evaluates its equity method investments for OTTI at each reporting period and recorded impairment of \$297.0 million and \$247.8 million for the three months ended June 30, 2020 and 2019, respectively, and \$297.8 million and \$250.4 million for the six months ended June 30, 2020 and 2019, respectively. Equity method investments that were written down to fair value during the six months ended June 30, 2020 and year ended December 31, 2019 had carrying values totaling \$388.8 million and \$745.3 million, respectively, at the time of impairment. Impairment charges were generally determined using recoverable values for investments resolved or sold, or investment values based upon projected exit strategies, other than for CLNC as discussed below.

CLNC

Other-Than-Temporary Impairment ("OTTI")—In the second quarter of 2020 and 2019, the Company determined that its investment in CLNC was other-than-temporarily impaired and recorded an impairment charge, included in equity method losses, of \$274.7 million and \$227.9 million, respectively. In each case, the OTTI charge was measured as the excess of carrying value over market value of its investment in CLNC based upon CLNC's closing stock price on the last trading day of the quarter of \$7.02 per share on June 30, 2020 and \$15.50 per share on June 28, 2019.

At June 30, 2020, the Company's investment in CLNC had a carrying value of \$611.2 million prior to the OTTI charge, which was in excess of its market value of \$336.5 million. In March and April 2020, there was a significant decrease in CLNC's stock price, which reflected the significant volatility in equity markets and the significant decline in equity prices, for mortgage REITs and across industries, due to the COVID-19 crisis. Along with other publicly traded mortgage REITs, CLNC has seen a rebound in its stock price in May and June 2020, but its stock continues to trade below pre-COVID-19 levels. As of June 30, 2020, there was not a large disparity between the Company's carrying value in CLNC and CLNC's internal estimated NAV. Nevertheless, with increasing uncertainty over the extent and duration of the COVID-19 crisis, and the timeline for a recovery in the U.S economy, the Company believes that it is unlikely that the CLNC stock will recover and trade closer to its NAV in the near term. Accordingly, the Company also believes that it would be unlikely that the shortfall in market value relative to carrying value of its investment in CLNC would recover in the near term. As a result, the Company recognized an other-than-temporary impairment on its investment in CLNC.

Basis Difference—The impairment charge in June 2019 resulted in a basis difference between the Company's carrying value of its investment in CLNC and the Company's proportionate share of CLNC's book value of equity. The impairment charge was applied to the Company's investment in CLNC as a whole and was not determined based on an impairment assessment of individual assets held by CLNC. In order to address this basis difference, the Company allocated the impairment charge on a relative fair value basis to investments identified by CLNC as non-strategic assets. Accordingly, for any future impairment charges taken by CLNC on these non-strategic assets, the Company's share thereof will be applied to reduce the basis difference and will not be recorded as an equity method loss until such time the basis difference associated with the respective underlying investments has been fully eliminated. For the three and six months ended June 30, 2020, the Company reduced its share of net loss from CLNC by \$8.7 million and \$27.9 million, respectively, representing the basis difference allocated to non-strategic assets realized by CLNC during these periods. The remaining basis difference at June 30, 2020 was \$58.9 million. The impairment charge on its investment in CLNC in June 2020 will establish additional basis difference moving forward.

Other Equity Investments

Other equity investments consist of the following:

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

Investment Ventures—In April 2020, the Company recapitalized its co-investment venture, which holds common equity in the Albertsons supermarket chain, and reduced its interest in the venture from 50% to 2%, generating total proceeds of \$148.5 million and realizing a gain of \$60.7 million to the venture, of which the Company's share is 50%. The interest recapitalized by the venture entitles the Company and its original co-investors to potential future profit allocation, which takes the form of an allocation of returns from the venture in excess of a minimum return threshold achieved by the new venture partner. The potential future profit allocation, of which the Company shares in 49%, is assigned a fair value each reporting period assuming a liquidation of the venture as of the reporting date. Such fair value may fluctuate over time based upon achievement of the minimum return threshold. Additionally, a portion of the venture's interest in Albertsons was monetized in conjunction with Albertsons' recapitalization and subsequent initial public offering in June 2020. The Company's remaining equity interest in the venture is valued based upon the publicly traded stock price of Albertsons Companies, Inc. ("ACI"), adjusted for liquidity restrictions attributable to lock-up provisions on the venture's holdings in ACI.

Private Funds and Non-Traded REIT—This represents interests in a Company-sponsored private fund and a non-traded REIT, NorthStar Healthcare Income, Inc. ("NorthStar Healthcare"), and limited partnership interest in a third party private fund sponsored by an equity method investee, for which the Company elected the NAV practical expedient (Note 12).

Investment Commitments

Investment Ventures—Pursuant to the operating agreements of certain unconsolidated ventures, the venture partners may be required to fund additional amounts for future investments, unfunded lending commitments, ordinary operating costs, guaranties or commitments of the venture entities. The Company also has lending commitments under ADC arrangements which are accounted for as equity method investments. At June 30, 2020, the Company's share of these commitments was \$49.7 million.

Private Funds—At June 30, 2020, the Company has unfunded commitments of \$228.6 million to Company sponsored and third party sponsored funds.

Debt Securities

The Company's investment in debt securities is composed of available-for-sale N-Star CDO bonds and commercial mortgage-backed securities ("CMBS") held by a consolidated sponsored investment company which is currently in liquidation. The CMBS held by the sponsored investment company were sold and liquidating distributions were made subsequent to June 30, 2020.

AFS Debt Securities

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

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

(in thousands)	Amortized Cost Without Allowance for Credit Loss	Allowance for Credit Loss	Gross Cumulative Unrealized		Fair Value
			Gains	Losses	
June 30, 2020	\$ 46,922	\$ (22,229)	\$ 7,578	\$ —	\$ 32,271
December 31, 2019	46,002	NA	8,857	—	54,859

There were no sales of N-Star CDO bonds during the six months ended June 30, 2020 and year ended December 31, 2019.

At June 30, 2020, the N-Star CDO bonds have contractual maturity ranging from approximately 17 to 21 years, and expected maturity of 7 months to 3.5 years based upon expected cash flows.

Impairment of AFS Debt Securities

AFS debt securities are considered to be impaired if their fair value is less than their amortized cost basis.

- If the Company intends to sell or is more likely than not required to sell the debt security before recovery of its amortized cost, the entire impairment amount is recognized in earnings within other gain (loss) as a write-off of the amortized cost basis of the debt security.
- If the Company does not intend to sell or is not more likely than not required to sell the debt security before recovery of its amortized cost:
 - Upon adoption of CECL effective January 1, 2020, the credit component of the loss is recognized in earnings within other gain (loss) as an allowance for credit loss, which may be subject to reversal for subsequent recoveries in fair value. The non-credit loss component is recognized in other comprehensive income or loss ("OCI"). The allowance is charged off against the amortized cost basis of the security if in a subsequent period, the Company intends to or is more likely than not required to sell the security, or if the Company deems the security to be uncollectible.
 - Prior to adoption of CECL on January 1, 2020, the Company evaluated if the decline in fair value is other than temporary, in which case, the credit loss component was recognized in earnings as a write-off of the amortized cost basis of the debt security that is not subject to subsequent reversal. The non-credit loss component was recognized in OCI. If the impairment is not other-than-temporary, the entire unrealized loss is recognized in OCI.

For the three and six months ended June 30, 2020, the Company recorded allowance for credit loss in other loss of \$21.4 million and \$22.2 million, respectively. The credit loss was determined based upon an analysis of the present value of contractual cash flows expected to be collected from the underlying collateral as compared to the amortized cost basis of the security. At June 30, 2020, there were no AFS debt securities in unrealized loss positions without allowance for credit loss.

For both three and six months ended June 30, 2019, the Company recorded OTTI loss on AFS debt securities of \$0.7 million in other loss. The losses were due to an adverse change in expected cash flows on N-Star CDO bonds. The Company believed that it was not likely that it would recover the full amortized cost on these securities, primarily based upon the performance and value of the underlying collateral. At December 31, 2019, there were no AFS debt securities with unrealized loss in AOCI.

7. Goodwill, Deferred Leasing Costs and Other Intangibles

Goodwill

The following table presents changes in the carrying value of goodwill.

(In thousands)	Six Months Ended June 30,	
	2020	2019
Beginning balance	\$ 1,452,891	\$ 1,514,561
Business combination (Note 3) ⁽¹⁾	(7,134)	—
Impairment	(594,000)	—
Ending balance	\$ 851,757	\$ 1,514,561

⁽¹⁾ Includes the effects of measurement period adjustments within a one year period following the consummation of a business combination.

In the first quarter of 2020, \$51.0 million of goodwill was reassigned from the other investment management segment to the digital reportable segment to reflect the value associated with certain existing investment vehicles that were repurposed to execute an investment strategy focused on the digital sector, as well as a team of professionals dedicated to the strategy. The amount that was reassigned to the digital segment was determined based upon the fair value of this digital strategy platform relative to the overall other investment management goodwill balance prior to the reassignment.

Goodwill balance by reportable segment is as follows.

(In thousands)	June 30, 2020	December 31, 2019
Balance by reportable segment:		
Digital ⁽¹⁾	\$ 770,196	\$ 726,330
Other investment management	81,561	726,561
	\$ 851,757	\$ 1,452,891

⁽¹⁾ At June 30, 2020 and December 31, 2019, goodwill of \$140.5 million related to the DBH acquisition was deductible for income tax purposes.

Impairment of Goodwill

Digital—The Company believes that the current shift and increased reliance on a digital economy positions the Company's digital real estate and digital investment management business for further growth. Therefore, the Company determined that there were no indicators of impairment on goodwill in the digital reportable segment.

Other Investment Management—In connection with the review and preparation of the financial statements, the Company determined that the deterioration in economic conditions as a result of COVID-19 and the Company's acceleration of its digital transformation in the second quarter of 2020 represent indicators of impairment to its other investment management goodwill. Accordingly, the Company updated its quantitative test of the other investment management goodwill, which indicated that the carrying value of the other investment management reporting unit including goodwill at March 31, 2020 and at June 30, 2020 exceeded its estimated fair value at each balance sheet date. As a result, the Company recognized impairment loss on its other investment management goodwill of \$79.0 million and \$515.0 million in the first and second quarters of 2020, respectively.

Valuation of the other investment management reporting unit contemplated a transition from certain of the Company's non-digital management business to a digitally-focused investment management business beginning in the fourth quarter of 2019. As discussed in Note 1, the Company determined in the second quarter of 2020 that it would accelerate the transition and focus on growing its digital investment management business. Consequently, as of June 30, 2020, the Company did not ascribe any value to future capital raising potential of the other investment management reporting unit, which represents the credit and opportunity fund management business, as it is no longer part of the Company's long-term strategy. Regarding the CLNC management contract, the COVID-19 crisis has caused the Company to postpone its plan to sell the contract. At June 30, 2020, the contract is valued based upon its contractual termination value, which the Company believes approximates fair value.

As previously discussed, the acceleration of a digital strategy, combined with the negative economic effects of COVID-19 on property operations and market values in 2020, resulted in significant reduction in value of the Company's non-digital balance sheet. Such reduction in turn translated into a significant decrease in value of the other investment management reporting unit. The Company had previously considered the hypothetical value of its non-digital investment management business in a spinoff that would result in the Company becoming externally managed, and assigned a value

to internally managing the Company's non-digital balance sheet assets. Under current circumstances, the Company determined that as of June 30, 2020, the hypothetical contract would have inconsequential, if any, remaining value to a market participant, and wrote off the value of internally managing its non-digital balance sheet.

The remaining balance of the goodwill in the other investment management segment of \$81.6 million as of June 30, 2020 is expected to be fully written off in the near future when a runoff of the credit management business is substantially completed.

Deferred Leasing Costs, Other Intangible Assets and Intangible Liabilities

Deferred leasing costs and identifiable intangible assets and liabilities, excluding those related to assets held for sale, are as follows.

(In thousands)	June 30, 2020			December 31, 2019		
	Carrying Amount (Net of Impairment) (1)	Accumulated Amortization (1)	Net Carrying Amount (1)	Carrying Amount (Net of Impairment) (1)	Accumulated Amortization (1)	Net Carrying Amount (1)
Deferred Leasing Costs and Intangible Assets						
Deferred leasing costs and lease intangible assets (2)	\$ 403,826	\$ (158,178)	\$ 245,648	\$ 425,106	\$ (123,686)	\$ 301,420
Investment management intangibles (3)	285,233	(114,393)	170,840	285,233	(96,466)	188,767
Customer relationships (4)	73,400	(3,296)	70,104	71,000	(250)	70,750
Trade names (5)	39,601	(2,380)	37,221	39,600	(185)	39,415
Other (6)	48,565	(7,157)	41,408	41,211	(2,710)	38,501
Total deferred leasing costs and intangible assets	\$ 850,625	\$ (285,404)	\$ 565,221	\$ 862,150	\$ (223,297)	\$ 638,853
Intangible Liabilities						
Lease intangible liabilities (2)	\$ 158,862	\$ (71,667)	\$ 87,195	\$ 174,208	\$ (62,724)	\$ 111,484

(1) For intangible assets and intangible liabilities recognized in connection with business combinations, purchase price allocations may be subject to adjustments during the measurement period, not to exceed 12 months from date of acquisition, based upon new information obtained about facts and circumstances that existed at time of acquisition (Note 3). Amounts are presented net of impairments and write-offs.

(2) Lease intangible assets are composed of in-place leases, above-market leases and lease incentives. Lease intangible liabilities are composed of below-market leases.

(3) Composed of investment management contracts and investor relationships.

(4) Represent DataBank customer relationships.

(5) Finite-lived trade names are amortized over estimated useful lives of 5 to 10 years. The Colony trade name with a carrying value of \$15.5 million is determined to have an indefinite useful life and is not currently subject to amortization.

(6) Represents primarily DataBank data center service contracts and hotel franchise agreements which are amortized over the term of the respective contracts or agreements, and value of certificates of need associated with certain healthcare portfolios which are not amortized.

Impairment of Identifiable Intangible Assets

An investment management contract that was written down to fair value during the year ended December 31, 2019 had a carrying value of \$62.4 million at the time of impairment. The fair value of the intangible asset was based upon revised future net cash flows to be generated over the remaining life of the contract, representing Level 3 fair value.

Other than real estate intangibles which were impaired as part of the real estate asset group as discussed in Note 4, there were no impairments of identifiable intangible assets in the three and six months ended June 30, 2020 and 2019.

Amortization of Intangible Assets and Liabilities

The following table summarizes amortization of deferred leasing costs and finite-lived intangible assets and intangible liabilities, excluding amounts related to discontinued operations (Note 16):

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net increase to rental income ⁽¹⁾	\$ 370	\$ 1,838	\$ 3,724	\$ 3,741
Amortization expense				
Deferred leasing costs and lease intangibles	\$ 11,189	\$ 7,874	\$ 31,278	\$ 16,545
Investment management intangibles	8,902	6,075	17,923	13,902
Customer relationships	1,572	836	3,046	1,672
Trade name	1,098	—	2,196	—
Other	4,169	402	4,455	654
	\$ 26,930	\$ 15,187	\$ 58,898	\$ 32,773

⁽¹⁾ Represents the impact of amortizing above- and below-market leases and lease incentives.

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

(In thousands)	Year Ending December 31,						Total
	Remaining 2020	2021	2022	2023	2024	2025 and Thereafter	
Net increase (decrease) to rental income	\$ 2,867	\$ 6,444	\$ 6,077	\$ 6,803	\$ (5,634)	\$ (10,478)	\$ 6,079
Amortization expense	48,499	80,318	62,220	51,208	47,109	152,785	442,139

8. Assets and Related Liabilities Held for Sale

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

(In thousands)	June 30, 2020	December 31, 2019
Assets		
Restricted cash	\$ 4,921	\$ 15,585
Real estate, net	652,040	799,415
Deferred leasing costs and intangible assets, net	29,899	33,236
Other assets	18,357	21,816
Total assets held for sale	\$ 705,217	\$ 870,052
Liabilities		
Debt, net	\$ 233,394	\$ 232,944
Lease intangibles and other liabilities, net	28,397	35,208
Total liabilities related to assets held for sale	\$ 261,791	\$ 268,152

Assets and Liabilities Related to Discontinued Operations

At June 30, 2020 and December 31, 2019, the bulk industrial portfolio remained held for sale, with assets consisting primarily of real estate and related intangibles totaling \$370.0 million and \$372.0 million, respectively, and liabilities consisting primarily of debt totaling \$235.6 million and \$235.0 million, respectively.

9. Restricted Cash, Other Assets and Other Liabilities

Restricted Cash

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

(In thousands)	June 30, 2020	December 31, 2019
Capital expenditures reserves ⁽¹⁾	\$ 36,779	\$ 89,901
Real estate escrow reserves ⁽²⁾	33,811	38,326
Borrower escrow deposits	7,327	8,079
Lender restricted cash ⁽³⁾	46,722	41,591
Other	20,590	26,026
Total restricted cash	\$ 145,229	\$ 203,923

⁽¹⁾ Represents primarily cash held by lenders for capital improvements, furniture, fixtures and equipment, tenant improvements, lease renewal and replacement reserves related to real estate assets.

⁽²⁾ Represents primarily insurance, real estate tax, repair and maintenance, tenant security deposits and other escrows related to real estate assets.

⁽³⁾ Represents operating cash from the Company's investment properties that are restricted by lenders in accordance with respective debt agreements.

Other Assets

The following table summarizes the Company's other assets:

(In thousands)	June 30, 2020	December 31, 2019
Straight-line rents	\$ 45,061	\$ 37,352
Hotel-related deposits and reserves ⁽¹⁾	17,718	18,065
Investment deposits and pending deal costs	33,876	32,994
Deferred financing costs, net ⁽²⁾	3,158	2,794
Derivative assets (Note 11)	4,933	21,386
Prepaid taxes and deferred tax assets, net	52,591	82,344
Receivables from resolution of investments ⁽³⁾	3,836	63,984
Operating lease right-of-use asset, net	200,854	220,560
Accounts receivable, net ⁽⁴⁾	72,572	83,723
Prepaid expenses	32,004	30,761
Other assets	31,148	30,413
Fixed assets, net ⁽⁵⁾	29,558	44,768
Total other assets	\$ 527,309	\$ 669,144

⁽¹⁾ Represents reserves held by third party managers at certain hotel properties to fund furniture, fixtures and equipment ("FF&E") expenditures and to a lesser extent, working capital deposits. Funding of FF&E reserves is made periodically based on a percentage of hotel operating income.

⁽²⁾ Deferred financing costs relate to revolving credit arrangements.

⁽³⁾ Represents proceeds from loan repayments and real estate sales held in escrow, and sales of equity investments pending settlement.

⁽⁴⁾ Includes receivables from tenants, hotel operating income, resident fees, property level insurance, and asset management fees, net of allowance for doubtful accounts, where applicable, of \$6.4 million at June 30, 2020 and \$2.8 million at December 31, 2019.

⁽⁵⁾ Reflects impairment of \$12.3 million on the corporate aircraft in the second quarter of 2020 to estimated recoverable value based upon a shortened holding period.

Deferred Tax Asset

Valuation Allowance—During the six months ended June 30, 2020, there was a net increase in valuation allowance of \$42.4 million, primarily as a result of uncertainties in future realization of tax benefit on net operating losses in the hospitality and healthcare segments, taking into consideration the impairment of assets in these segments. At June 30, 2020, total valuation allowance was \$70.3 million.

Impact of CARES Act—The Coronavirus Aid, Relief and Economic Security Act ("CARES Act") was enacted on March 27, 2020. Among other things, the CARES Act temporarily removed the 80% limitation on the amount of taxable income that can be offset with a net operating loss ("NOL") for 2019 and 2020, and allowed for a carryback of NOL generated in years 2018 through 2020 to the five taxable years preceding the taxable year of loss. The Company has approximately \$28.1 million of NOL available for carryback under the CARES Act and recorded \$3.3 million of income tax benefit to reflect the carryback. The Company also reclassified \$8.8 million of deferred tax asset to current tax receivable

as of June 30, 2020, which reflects refunds received in July 2020 or expected to be received in the next twelve months as a result of the carryback.

Accrued and Other Liabilities

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

(In thousands)	June 30, 2020	December 31, 2019
Tenant security deposits and payable	\$ 15,719	\$ 15,293
Borrower escrow deposits	7,327	9,903
Deferred income ⁽¹⁾	33,787	32,318
Interest payable	63,972	38,487
Derivative liabilities (Note 11)	94,677	127,531
Current and deferred income tax liability	195,278	222,206
Operating lease liability	178,000	181,297
Accrued compensation	48,115	83,351
Accrued carried interest and incentive fee compensation	230	50,360
Accrued real estate and other taxes	42,967	39,923
Accounts payable and accrued expenses	131,047	143,852
Other liabilities	58,828	71,377
Total accrued and other liabilities	\$ 869,947	\$ 1,015,898

⁽¹⁾ Represents primarily prepaid rental income, prepaid interest from borrowers held in reserve accounts, and deferred management fees, primarily from digital investment vehicles. Deferred management fees totaling \$17.7 million at June 30, 2020 and \$18.3 million at December 31, 2019 will be recognized as fee income over a weighted average period of 1.5 years and 1.2 years, respectively. Deferred management fees recognized as income of \$6.6 million and \$0.4 million in the three months ended June 30, 2020 and 2019, respectively, and \$8.7 million and \$0.7 million in the six months ended June 30, 2020 and 2019, respectively, pertain to the deferred management fee balance at the beginning of each respective period.

10. Debt

The Company's debt consists of the following components, excluding debt associated with the industrial segment, which is included in liabilities related to assets held for sale (Note 8).

(In thousands)	Corporate Credit Facility ⁽¹⁾	Convertible and Exchangeable Senior Notes	Secured Debt ⁽²⁾	Junior Subordinated Notes	Total Debt
June 30, 2020					
Debt at amortized cost					
Principal	\$ 400,000	\$ 616,105	\$ 8,081,302	\$ 280,117	\$ 9,377,524
Premium (discount), net	—	2,011	(14,569)	(77,795)	(90,353)
Deferred financing costs	—	(3,078)	(72,979)	—	(76,057)
	<u>\$ 400,000</u>	<u>\$ 615,038</u>	<u>\$ 7,993,754</u>	<u>\$ 202,322</u>	<u>\$ 9,211,114</u>
December 31, 2019					
Debt at amortized cost					
Principal	\$ —	\$ 616,105	\$ 8,276,620	\$ 280,117	\$ 9,172,842
Premium (discount), net	—	2,243	(17,126)	(78,927)	(93,810)
Deferred financing costs	—	(4,296)	(90,828)	—	(95,124)
	<u>\$ —</u>	<u>\$ 614,052</u>	<u>\$ 8,168,666</u>	<u>\$ 201,190</u>	<u>\$ 8,983,908</u>

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

⁽²⁾ Debt principal totaling \$449.7 million at June 30, 2020 and \$515.6 million at December 31, 2019 relates to financing on assets held for sale. Debt associated with assets held for sale that is expected to be assumed by the buyer is included in liabilities related to assets held for sale (Note 8).

The following table summarizes certain information about debt carried at amortized cost. For information as of June 30, 2020, weighted average years remaining to maturity is based on initial maturity dates or extended maturity dates if the criteria to extend have been met as of the date of this filing, and the extension option is at the Company's discretion. The Company is providing the updated information even if extension criteria had been met as of June 30, 2020 given the post period defaults as described below. For information as of December 31, 2019, weighted average years remaining to maturity is based on initial maturity dates or extended maturity dates if the criteria to extend have been met as of December 31, 2019 and the extension option is at the Company's discretion.

(\$ in thousands)	Fixed Rate			Variable Rate			Total		
	Outstanding Principal	Weighted Average Interest Rate (Per Annum) ⁽⁴⁾	Weighted Average Years Remaining to Maturity ⁽⁵⁾	Outstanding Principal	Weighted Average Interest Rate (Per Annum) ⁽⁴⁾	Weighted Average Years Remaining to Maturity ⁽⁵⁾	Outstanding Principal	Weighted Average Interest Rate (Per Annum) ⁽⁴⁾	Weighted Average Years Remaining to Maturity ⁽⁵⁾
June 30, 2020									
Recourse									
Corporate credit facility	\$ —	N/A	N/A	\$ 400,000	2.69%	1.5	\$ 400,000	2.69%	1.5
Convertible and exchangeable senior notes ⁽¹⁾	616,105	4.27%	1.5	—	N/A	N/A	616,105	4.27%	1.5
Junior subordinated debt ⁽²⁾	—	N/A	N/A	280,117	3.17%	15.9	280,117	3.17%	15.9
Secured debt ⁽³⁾	33,949	5.02%	5.4	—	N/A	N/A	33,949	5.02%	5.4
	<u>650,054</u>			<u>680,117</u>			<u>1,330,171</u>		
Non-recourse									
Secured debt									
Digital	—	N/A	N/A	515,007	5.47%	4.4	515,007	5.47%	4.4
Healthcare	404,423	4.55%	4.6	2,518,019	3.78%	3.7	2,922,442	3.88%	3.9
Hospitality	14,271	12.74%	0.1	2,653,103	3.23%	0.8	2,667,374	3.29%	0.8
Other Real Estate Equity	153,204	4.23%	2.8	1,569,030	3.11%	1.3	1,722,234	3.21%	1.5
Real Estate Debt	—	N/A	N/A	220,296	3.46%	1.7	220,296	3.46%	1.7
	<u>571,898</u>			<u>7,475,455</u>			<u>8,047,353</u>		
	<u>\$ 1,221,952</u>			<u>\$ 8,155,572</u>			<u>\$ 9,377,524</u>		
December 31, 2019									
Recourse									
Corporate credit facility	\$ —	N/A	N/A	\$ —	N/A	2.0	\$ —	N/A	2.0
Convertible and exchangeable senior notes ⁽¹⁾	616,105	4.27%	2.0	—	N/A	N/A	616,105	4.27%	2.0
Junior subordinated debt ⁽²⁾	—	N/A	N/A	280,117	4.77%	16.4	280,117	4.77%	16.4
Secured debt ⁽³⁾	35,072	5.02%	5.9	—	N/A	N/A	35,072	5.02%	5.9
	<u>651,177</u>			<u>280,117</u>			<u>931,294</u>		
Non-recourse									
Secured debt									
Digital	—	N/A	N/A	539,155	6.98%	4.8	539,155	6.98%	4.8
Healthcare	405,980	4.55%	5.1	2,547,726	5.22%	4.3	2,953,706	5.13%	4.4
Hospitality	13,494	12.71%	1.6	2,653,853	4.83%	4.6	2,667,347	4.87%	4.6
Other Real Estate Equity	151,777	4.26%	3.4	1,652,870	4.08%	2.8	1,804,647	4.09%	2.9
Real Estate Debt	—	N/A	N/A	276,693	3.72%	1.8	276,693	3.72%	1.8
	<u>571,251</u>			<u>7,670,297</u>			<u>8,241,548</u>		
	<u>\$ 1,222,428</u>			<u>\$ 7,950,414</u>			<u>\$ 9,172,842</u>		

- ⁽¹⁾ The 5.375% exchangeable senior notes represent an obligation of a subsidiary of NRF as the issuer. The exchangeable notes may be exchanged for cash, Colony Capital, Inc.'s common stock or a combination thereof, at the issuer's election, as described further below.
- ⁽²⁾ Represents an obligation of NRF as the junior subordinated debt was issued by certain subsidiaries of NRF, as described further below. Accordingly, Colony Capital, Inc. and its operating company, Colony Capital Operating Company, LLC, are not guarantors on the junior subordinated debt.
- ⁽³⁾ The fixed rate recourse debt is secured by the Company's aircraft.
- ⁽⁴⁾ Calculated based upon outstanding debt principal at balance sheet date and for variable rate debt, the applicable index plus spread at balance sheet date.
- ⁽⁵⁾ Calculated based upon initial maturity dates of the respective debt, or extended maturity dates if extension criteria are met and extension option is at the Company's discretion as described above.

Non-Recourse Investment-Level Debt in Default

The Company has investment-level debt, which is non-recourse to the Company, with aggregate outstanding principal of \$7.5 billion in the hospitality, healthcare and other equity and debt segments at June 30, 2020. Of this amount, \$3.28 billion, based on outstanding balance at June 30, 2020, was in default as of the date of this filing.

The majority of the defaulted debt was in the hospitality segment and the THL Hotel Portfolio in the other equity and debt segment for a combined total of \$3.03 billion as a result of the economic fallout from COVID-19. The Company received notices of acceleration with respect to defaulted debt of \$780.0 million in the hospitality segment and \$842.7 million related to the THL Hotel Portfolio. The \$780.0 million accelerated debt in the hospitality segment is secured by a portfolio of 48 hotels, and receivers have been or are expected to be appointed for all of these assets. In connection with the remaining defaulted hotel debt, the Company continues to be in active negotiations with the respective lenders or servicers to execute or extend forbearances, execute debt modifications, including extension of upcoming maturities in 2020, or make other arrangements, as appropriate. The remaining \$482.4 million of debt in the hospitality segment was not in default.

Other defaulted debt is composed of \$203.0 million in the healthcare segment and \$51.7 million in the other equity and debt segment based on outstanding balance at June 30, 2020 (\$235.6 million in total across both segments at December 31, 2019), the majority of which was in default prior to the COVID-19 crisis. In August 2020, the Company indirectly conveyed the equity of certain of its healthcare borrower subsidiaries, comprising 36 assets in its senior housing operating portfolio and \$157.9 million of the aforementioned defaulted healthcare debt (based on outstanding balance at June 30, 2020), to an affiliate of the lender, which released the Company from all rights and obligations with respect to those healthcare assets and corresponding debt. In connection with the remaining defaulted debt in the healthcare segment of \$45.1 million and also in the other equity and debt segment, the Company is negotiating with its lenders to restructure the debt or make other arrangements, as appropriate.

There can be no assurance that the Company will be successful in any of the negotiations with its lenders or servicers with respect to the aforementioned non-recourse investment level debt that is in default.

Corporate Credit Facility

On June 29, 2020, the OP entered into the Fourth Amendment (the "Amendment") to the Second Amended and Restated Credit Agreement, dated as of January 10, 2017 (as amended, supplemented or otherwise modified from time to time prior to the date hereof, the "Credit Agreement"), with JPMorgan Chase Bank, N.A., as administrative agent, and the several lenders from time to time party thereto.

The Amendment modified the aggregate amount of revolving commitments available under the Credit Agreement to \$500 million (previously \$750 million). The credit facility is scheduled to mature in January 2021, with two 6-month extension options (representing no change to the overall term due to the Amendment), each subject to a fee of 0.10% of the commitment amount upon exercise. In the event that the Company exercises its first extension option, the aggregate amount of revolving commitments available under the Credit Agreement will be reduced to \$400 million on March 31, 2021.

Pursuant to the Amendment, advances under the Credit Agreement accrue interest at a per annum rate equal to, at the Company's election, either LIBOR plus a margin of 2.50% (previously 2.25%), or a base rate determined according to a prime rate or federal funds rate plus a margin of 1.50% (previously 1.25%). In the event that the OP exercises the first extension option, the foregoing rates will be permanently increased by 0.25% for periods from and after January 11, 2021. Unused amounts under the credit facility accrue a per annum commitment fee of 0.35%.

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

In connection with the Amendment, the Company paid down \$200 million of the \$600 million previously drawn and outstanding on the credit facility and in July 2020, fully repaid all outstanding amounts. As of the date of this filing, the full \$500 million is available to be drawn under the facility.

The Amendment provided for modifications to the financial covenants and the borrowing base including, among other things: exclusion of certain non-recourse debt and related assets in the calculation of certain financial ratios (such assets, the "Specified Excluded Assets"), exclusion of EBITDA and fixed charges of Specified Excluded Assets in the calculation of the OP's fixed charge coverage ratio, which must exceed 1.3 to 1.0, reduction of the minimum tangible net worth covenant from \$4.55 billion to \$1.74 billion, which must exclude the net worth of Specified Excluded Assets, and modification to the borrowing base to increase capacity for digital investment management and include digital infrastructure investments. As of June 30, 2020 and through the date of this filing, the Company was in compliance with all of the financial covenants.

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

Further, as a result of modifications to the permitted investments and restricted payment provisions in the Amendment, during the term of the Credit Agreement, the Company is prohibited from, among other things, (i) making any investments other than (A) investments in digital infrastructure assets and (B) pre-existing obligations and protective investments in existing assets to preserve, administer or otherwise realize on such investment, (ii) repurchasing capital stock of the Company and (iii) paying dividends, other than for (A) paying dividends to maintain the Company's status as a REIT, (B) reducing the payment of income taxes and (C) paying dividends on the Company's preferred equity.

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

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

Convertible and Exchangeable Senior Notes

The convertible senior notes and the 5.375% exchangeable senior notes were issued by Colony Capital, Inc. and by a subsidiary of NRF, respectively, representing senior unsecured obligations that are guaranteed on a senior unsecured basis by their respective issuers.

Convertible and exchangeable senior notes issued by the Company and outstanding as of June 30, 2020 are as follows:

Description	Issuance Date	Due Date	Interest Rate	Conversion or Exchange Price (per share of common stock)	Conversion or Exchange Ratio (in shares) ⁽¹⁾	Conversion or Exchange Shares (in thousands)	Earliest Redemption Date	Outstanding Principal	
								June 30, 2020	December 31, 2019
5.00% Convertible Notes	April 2013	April 15, 2023	5.00	\$ 15.76	63.4700	12,694	April 22, 2020	\$ 200,000	\$ 200,000
3.875% Convertible Notes	January and June 2014	January 15, 2021	3.875	16.57	60.3431	24,288	January 22, 2019	402,500	402,500
5.375% Exchangeable Notes	June 2013	June 15, 2033	5.375	12.04	83.0837	1,130	June 15, 2023	13,605	13,605
								<u>\$ 616,105</u>	<u>\$ 616,105</u>

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

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

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

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

Issuance of Exchangeable Notes and Repurchase of Convertible Notes

In July 2020, the OP issued \$300.0 million of exchangeable notes with maturity in July 2025, bearing interest at 5.75% per annum, and exchangeable into shares of the Company's class A common stock at an initial exchange rate

equal to 434.7826 shares of common stock per \$1,000 principal amount of notes, equivalent to an exchange price of approximately \$2.30 per share. The initial exchange rate is subject to adjustment upon the occurrence of certain events, but will not be adjusted for any accrued and unpaid interest. Net proceeds from this issuance, after deducting underwriting discounts, commissions and offering expenses, were \$291.0 million, which were applied to partially repurchase \$289.7 million of the outstanding principal of the 3.875% convertible notes for total purchase price of \$289.2 million, including accrued and unpaid interest.

Secured Debt

These are primarily investment level financing, which are non-recourse to the Company, and secured by underlying commercial real estate and mortgage loans receivable.

Junior Subordinated Debt

A subsidiary of the Company (the "Issuer") assumed certain junior subordinated debt through the Merger at fair value. Prior to the Merger, subsidiaries of NRF, which were formed as statutory trusts, NorthStar Realty Finance Trust I through VIII (the "Trusts"), issued trust preferred securities ("TruPS") in private placement offerings. The sole assets of the Trusts consist of a like amount of junior subordinated notes issued by NRF at the time of the offerings (the "Junior Notes"). As Colony Capital, Inc. and its operating company, Colony Capital Operating Company, LLC, are not issuers of the junior subordinated debt, neither are obligors nor guarantors on the junior subordinated debt and TruPS.

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

11. Derivatives

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

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

(In thousands)	June 30, 2020			December 31, 2019		
	Designated Hedges	Non-Designated Hedges	Total	Designated Hedges	Non-Designated Hedges	Total
Derivative Assets						
Foreign exchange contracts	\$ —	\$ 990	\$ 990	\$ 15,307	\$ 1,271	\$ 16,578
Interest rate contracts	72	309	381	78	237	315
Performance swaps	—	3,562	3,562	—	4,493	4,493
Included in other assets	\$ 72	\$ 4,861	\$ 4,933	\$ 15,385	\$ 6,001	\$ 21,386
Derivative Liabilities						
Foreign exchange contracts	\$ —	\$ —	\$ —	\$ 8,134	\$ 2,482	\$ 10,616
Forward contracts	—	94,677	94,677	—	116,915	116,915
Included in accrued and other liabilities	\$ —	\$ 94,677	\$ 94,677	\$ 8,134	\$ 119,397	\$ 127,531

Certain counterparties to the derivative instruments require the Company to deposit cash or other eligible collateral. The Company had cash collateral on deposit, included in other assets, of \$12.8 million and \$10.0 million at June 30, 2020 and December 31, 2019, respectively, all of which related to the forward contracts and performance swaps discussed below.

Foreign Exchange Contracts

The following table summarizes the aggregate notional amounts and certain key terms of non-designated foreign exchange contracts in place at June 30, 2020:

Hedged Currency	Instrument Type	Notional Amount (in thousands)	FX Rates (\$ per unit of foreign currency)	Range of Expiration Dates
EUR	Put options	€ 336,000	Min \$0.95 / Max \$1.00	November 2020 to May 2022
GBP	Put options	£ 64,000	Min \$1.05 / Max \$1.10	November 2020 to May 2021

The Company's foreign denominated net investments in subsidiaries or joint ventures were €491.8 million and £267.6 million, or a total of \$0.9 billion at June 30, 2020, and €517.9 million and £275.5 million, or a total of \$0.9 billion at December 31, 2019.

The Company enters into foreign exchange contracts to hedge the foreign currency exposure of certain investments in foreign subsidiaries or equity method joint ventures, with notional amounts and termination dates based upon the anticipated return of capital from the investments. Prior to the second quarter of 2020, the Company utilized primarily (i) forward contracts whereby the Company agreed to sell an amount of foreign currency for an agreed upon amount of U.S. dollars and (ii) costless collars consisting of caps and floors, which consisted of a combination of currency options with single date expirations. Both types of hedging strategies were designated as net investment hedges.

During the second quarter of 2020, the Company unwound all of its existing foreign currency hedges and entered into foreign currency put options with upfront premiums whereby the Company gains protection against foreign currency weakening below a specified level. The put options are set to expire in increments according to the Company's expected monetization timeframe of the hedged investments, but the notional amounts are not identifiable to specific investments. Accordingly, the put options are not designated for hedge accounting purposes.

Designated Net Investment Hedges

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

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Designated net investment hedges:				
Realized gain transferred from AOCI to earnings	\$ —	\$ 786	\$ —	\$ 1,026

Non-Designated Hedges

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

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Dedesignated net investment hedges:				
Unrealized gain (loss) transferred from AOCI to earnings	\$ (17)	\$ 19	\$ 1,485	\$ (400)
Non-designated foreign exchange contracts:				
Unrealized gain (loss) in earnings	(776)	—	(776)	—

Interest Rate Contracts

The Company uses various interest rate contracts, some of which may be designated as cash flows hedges, to limit its exposure to changes in interest rates on various floating rate debt obligations. The following table summarizes the interest rate contracts held by the Company at June 30, 2020.

Instrument Type	Notional Amount (in thousands)		Index	Strike Rate / Forward Rate	Range of Expiration Dates
	Designated	Non-Designated			
Interest rate caps	\$ —	\$ 4,674,004	1-Month LIBOR	3.0% - 5.70%	July 2020 to November 2021
Interest rate caps	€ 232,845	€ 485,405	3-Month EURIBOR	1.0% - 1.5%	January 2021 to June 2024
Interest rate caps	£ —	£ 355,277	3-Month GBP LIBOR	1.5% - 2.25%	November 2020 to October 2022

The following table summarizes amounts recorded in the income statements related to interest rate contracts.

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Interest expense on designated interest rate contracts ⁽¹⁾	\$ 4	\$ —	\$ 6	\$ —
Realized and unrealized gain (loss), net on non-designated interest rate contracts ⁽²⁾	(105)	(89,610)	74	(149,136)

⁽¹⁾ Represents amortization of the cost of designated interest rate caps to interest expense based upon expected hedged interest payments on variable rate debt.

⁽²⁾ For the three and six months ended June 30, 2019, amounts include unrealized loss of \$86.9 million and \$146.1 million, respectively, on a \$2.0 billion notional forward starting swap assumed through the Merger, which was settled at the end of 2019.

Forward Contracts and Performance Swaps

The Company has an equity investment in a third party managed real estate mutual fund, accounted for as marketable equity securities carried at fair value. The Company had previously entered into a series of forward contracts on its shares in the mutual fund in an aggregate notional amount of \$100 million, equal to its initial investment in the fund, and concurrently, entered into a series of swap contracts with the same counterparty to pay the return of the Dow Jones U.S. Select REIT Total Return Index. The Company settled the forwards and swaps in cash upon expiration in January 2020, realizing a gain of \$5.8 million. In January 2020, the Company entered into another series of forward and swap contracts with similar terms to the previous transaction. The forward contracts have a combined notional amount of \$119 million and expire in January 2021, to be settled in cash or through delivery of the mutual fund shares at the election of the Company. The new forward and swap transactions required an initial combined collateral deposit of \$14.3 million, subject to daily net settlements in net fair value changes in excess of a predetermined threshold.

The forwards and swaps are not designated as hedges for accounting purposes. All realized and unrealized gains (losses) are recorded in other gain (loss) as follows:

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Realized and unrealized gain (loss), net on derivatives:				
Forward contracts	\$ (10,807)	\$ (1,089)	\$ 22,238	\$ (12,373)
Performance swaps	3,414	948	4,874	3,570
Unrealized gain (loss) on marketable equity securities held at period end:				
Real estate mutual fund	10,842	1,084	(22,273)	12,909

Offsetting Assets and Liabilities

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

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

(In thousands)	Gross Assets (Liabilities) on Consolidated Balance Sheets	Gross Amounts Not Offset on Consolidated Balance Sheets		Net Amounts of Assets (Liabilities)
		(Assets) Liabilities	Cash Collateral Pledged	
June 30, 2020				
Derivative Assets				
Foreign exchange contracts	\$ 990	\$ —	\$ —	\$ 990
Interest rate contracts	381	—	—	381
Performance swaps	3,562	(3,562)	—	—
	<u>\$ 4,933</u>	<u>\$ (3,562)</u>	<u>\$ —</u>	<u>\$ 1,371</u>
Derivative Liabilities				
Forward contracts	<u>\$ (94,677)</u>	<u>\$ 3,562</u>	<u>\$ 12,752</u>	<u>\$ (78,363)</u>
December 31, 2019				
Derivative Assets				
Foreign exchange contracts	\$ 16,578	\$ (4,385)	\$ —	\$ 12,193
Interest rate contracts	315	—	—	315
Performance swaps	4,493	(4,493)	—	—
	<u>\$ 21,386</u>	<u>\$ (8,878)</u>	<u>\$ —</u>	<u>\$ 12,508</u>
Derivative Liabilities				
Foreign exchange contracts	\$ (10,616)	\$ 4,385	\$ —	\$ (6,231)
Forward contracts	(116,915)	4,493	9,981	(102,441)
	<u>\$ (127,531)</u>	<u>\$ 8,878</u>	<u>\$ 9,981</u>	<u>\$ (108,672)</u>

12. Fair Value

Recurring Fair Values

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

(In thousands)	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
June 30, 2020				
Assets				
Marketable equity securities	\$ 116,911	\$ —	\$ —	\$ 116,911
AFS debt securities	—	—	32,271	32,271
CMBS of consolidated fund	—	1,678	—	1,678
Other assets—derivative assets	—	4,933	—	4,933
<i>Fair Value Option:</i>				
Loans receivable	—	—	1,398,087	1,398,087
Equity method investments	—	—	209,263	209,263
Liabilities				
Other liabilities—settlement liability	—	—	9,148	9,148
December 31, 2019				
Assets				
Marketable equity securities	\$ 138,586	\$ —	\$ —	\$ 138,586
AFS debt securities	—	—	54,859	54,859
CMBS of consolidated fund	—	2,732	—	2,732
Other assets—derivative assets	—	21,386	—	21,386
<i>Fair Value Option:</i>				
Equity method investments	—	—	222,875	222,875
Liabilities				
Other liabilities—derivative liabilities	—	127,531	—	127,531
Other liabilities—contingent consideration for THL Hotel Portfolio	—	—	9,330	9,330

Marketable Equity Securities

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

Debt Securities

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

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

Derivatives

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

Other Liabilities—Contingent Consideration for THL Hotel Portfolio

In connection with the consensual foreclosure in July 2017 of a portfolio of limited service hotels ("THL Hotel Portfolio"), contingent consideration is payable to the former preferred equity holder of the borrower in an amount up to \$13.0 million based upon the performance of the THL Hotel Portfolio, subject to meeting certain repayment and return thresholds to the Company and certain investment vehicles managed by the Company. The contingent consideration is measured based upon the probability of the former preferred equity holder receiving such payment, classified as Level 3 fair value. At June 30, 2020, the contingent consideration liability was determined to have zero value as it was no longer probable that such payment would be made following the adverse effect of COVID-19 on the operations and performance

of the THL Hotel Portfolio. The liability, valued at \$9.3 million at December 31, 2019, was written off in the second quarter of 2020 as a gain, recorded in other gain (loss) on the consolidated statements of operations.

Other Liabilities—Settlement Liability

As discussed in Note 1, in connection with the cooperation agreement entered into with Blackwells in March 2020, the Company and Blackwells contemporaneously entered into a joint venture arrangement for the purpose of acquiring, holding and disposing of the Company's class A common stock. Pursuant to the arrangement, the Company contributed its class A common stock, valued at \$14.7 million by the venture, and Blackwells contributed \$1.47 million of cash that was then distributed to the Company, resulting in a net capital contribution of \$13.23 million by the Company in the venture. All of the class A common stock held in the venture had been repurchased by the Company in March 2020 (Note 14). Blackwells may cause the arrangement to be dissolved and all underlying assets distributed at any time, and the Company may do the same after three years. Distributions to be made through the joint venture arrangement effectively represent a settlement of the proxy contest with Blackwells. At the inception of the arrangement, the fair value of future distributions to Blackwells was estimated at \$3.9 million, included in other liabilities on the consolidated balance sheet, and as a settlement loss on the consolidated statement of operations, along with \$1.2 million reimbursement of legal costs to Blackwells in March 2020.

The settlement liability is a fair value measure of the disproportionate allocation of future profits distribution to Blackwells pursuant to the joint venture arrangement. Such profits will be derived from dividend payments and any appreciation in value of the Company's class A common stock, allocated between the Company and Blackwells based upon specified return hurdles. The profits distribution is payable in cash, the Company's class A common stock or a combination of both at the Company's election. The settlement liability, classified as a Level 3 fair value, is measured using a Monte Carlo simulation under a risk-neutral premise, assuming that the final distribution occurs at the end of the third year in March 2023, and is remeasured at each reporting period. At June 30, 2020, the settlement liability was valued at \$9.1 million, applying the following assumptions: (a) expected volatility of the Company's class A common stock of 72.6% based upon a combination of historical and implied volatility of the Company's class A common stock; (b) zero expected dividend yield given the Company's suspension of its common stock dividend for the second quarter of 2020; and (c) risk free rate of 0.17% per annum based upon a compounded zero-coupon U.S. Treasury yield. The settlement liability increased \$5.3 million from inception to June 30, 2020, recorded as other loss on the consolidated statement of operations.

Fair Value Option

Loans Receivable

Effective January 1, 2020, the Company elected the fair value option for all of its outstanding loans receivable. Loans receivable consist of mortgage loans, mezzanine loans and non-mortgage loans. Fair values were determined by comparing the current yield to the estimated yield of newly originated loans with similar credit risk or the market yield at which a third party might expect to purchase such investment; or based on discounted cash flow projections of principal and interest expected to be collected, which includes, but is not limited to, consideration of the financial standing of the borrower or sponsor as well as operating results and/or value of the underlying collateral.

Equity Method Investments

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

Level 3 Recurring Fair Value Measurements

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

Financial Instrument	Fair Value (In thousands)	Valuation Technique	Key Unobservable Inputs	Input Value Weighted Average ⁽¹⁾ (Range)	Effect on Fair Value from Increase in Input Value ⁽²⁾
June 30, 2020					
AFS debt securities	\$ 32,271	Discounted cash flows	Discount rate	28.4% (18.3% - 57.8%)	Decrease
<i>Fair Value Option:</i>					
Loans receivable	1,368,087	Discounted cash flows	Discount rate	12.9% (7.3% - 25.7%)	Decrease
Loans receivable	30,000	Transaction price ⁽⁵⁾	N/A	N/A	N/A
Equity method investments—third party private equity funds	3,144	NAV ⁽³⁾	N/A	N/A	N/A
Equity method investments—other	17,816	Discounted cash flows	Discount rate	13.8% (7.0% - 17.2%)	Decrease
Equity method investments—other	25,000	Multiple	Revenue multiple	4.1x	⁽⁴⁾
Equity method investments—other	163,303	Transaction price ⁽⁵⁾	N/A	N/A	N/A
December 31, 2019					
AFS debt securities	\$ 54,859	Discounted cash flows	Discount rate	22.3% (16.8% - 65.0%)	Decrease
<i>Fair Value Option:</i>					
Equity method investments—third party private equity funds	5,391	NAV ⁽³⁾	N/A	N/A	N/A
Equity method investments—other	18,574	Discounted cash flows	Discount rate	10.1% (5.1% - 15.8%)	Decrease
Equity method investments—other	25,000	Multiple	Revenue multiple	3.7x	⁽⁴⁾
Equity method investments—other	173,910	Transaction price ⁽⁵⁾	N/A	N/A	N/A

⁽¹⁾ Weighted average discount rates are calculated based upon undiscounted cash flows.

⁽²⁾ Represents the directional change in fair value that would result from an increase to the corresponding unobservable input. A decrease to the unobservable input would have the reverse effect. Significant increases or decreases in these inputs in isolation could result in significantly higher or lower fair value measures.

⁽³⁾ Fair value was estimated based on underlying NAV of the respective funds on a quarter lag, adjusted as deemed appropriate by management.

⁽⁴⁾ Fair value is affected by change in revenue multiple relative to change in rate of revenue growth.

⁽⁵⁾ Valued based upon transaction price of investments recently acquired or offer prices on loans, investments or underlying assets of investee pending sales. Transaction price approximates fair value for investee engaged in real estate development during the development stage.

The following table presents changes in recurring Level 3 fair value assets, including realized and unrealized gains (losses) included in other gain (loss) on the consolidated statement of operations and in AOCI.

(In thousands)	Fair Value Option		
	AFS Debt Securities	Loans Receivable	Equity Method Investments
Fair value at December 31, 2018	\$ 64,127	\$ —	\$ 81,085
Purchases, contributions and accretion	3,267	—	102,273
Paydowns, distributions and sales	(5,582)	—	(8,005)
Realized and unrealized gains (losses) in earnings, net	(667)	—	1,946
Other comprehensive income	1,297	—	—
Fair value at June 30, 2019	<u>\$ 62,442</u>	<u>\$ —</u>	<u>\$ 177,299</u>
Net unrealized gains (losses) in earnings on instruments held at June 30, 2019	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,194</u>
Fair value at December 31, 2019	\$ 54,859	\$ —	\$ 222,875
Election of fair value option on January 1, 2020	—	1,556,131	—
Reclassification of accrued interest on January 1, 2020	—	13,504	—
Purchases, drawdowns, contributions and accretion	1,849	153,418	771
Paydowns, distributions and sales	(3,229)	(62,302)	(836)
Interest accrual, including capitalization of paid-in-kind interest	—	25,116	—
Allowance for credit losses	(22,229)	—	—
Realized and unrealized gains (losses) in earnings, net	—	(281,266)	(12,139)
Other comprehensive income (loss) ⁽¹⁾	1,021	(6,514)	(1,408)
Fair value at June 30, 2020	<u>\$ 32,271</u>	<u>\$ 1,398,087</u>	<u>\$ 209,263</u>
Net unrealized gains (losses) on instruments held at June 30, 2020:			
In earnings	\$ —	\$ (281,266)	\$ (12,139)
In other comprehensive income (loss)	\$ 1,021	\$ —	\$ —

⁽¹⁾ Amounts recorded in OCI for loans receivable and equity method investments represent foreign currency translation differences on the Company's foreign subsidiaries that hold the respective foreign currency denominated investments.

Investments Carried at Fair Value Using Net Asset Value

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

(In thousands)	June 30, 2020		December 31, 2019	
	Fair Value	Unfunded Commitments	Fair Value	Unfunded Commitments
Private fund—real estate	\$ 14,963	\$ 9,137	\$ 16,271	\$ 11,058
Non-traded REIT—real estate	24,358	—	19,358	—
Private fund—emerging market private equity	2,723	—	3,012	—

The Company's interests in the private funds are not subject to redemption, with distributions to be received through liquidation of underlying investments of the funds. The private funds each have eight and ten year lives, respectively, at inception, both of which may be extended in one year increments up to two years.

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

Nonrecurring Fair Values

The Company measures fair value of certain assets on a nonrecurring basis when events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Adjustments to fair value generally result from the application of lower of amortized cost or fair value accounting for assets held for sale or otherwise, write-down of asset values due to impairment. Impairments are discussed in Note 4 for real estate, Note 6 for equity method investments, and Note 7 for investment management intangible assets, including goodwill.

Fair Value Information on Financial Instruments Reported at Cost

Carrying amounts and estimated fair values of financial instruments reported at amortized cost are presented below. The carrying values of cash, accounts receivable, due from and to affiliates, interest payable and accounts payable approximate fair value due to their short term nature and credit risk, if any, are negligible. There are no loans receivable carried at amortized cost in 2020 as the Company elected the fair value option for all loans receivable effective January 1, 2020.

(In thousands)	Fair Value Measurements				Carrying Value
	Level 1	Level 2	Level 3	Total	
June 30, 2020					
Liabilities					
Debt at amortized cost					
Corporate credit facility	\$ —	\$ 400,000	\$ —	\$ 400,000	\$ 400,000
Convertible and exchangeable senior notes	549,344	13,095	—	562,439	615,038
Secured debt	—	—	7,674,887	7,674,887	7,993,754
Secured debt related to assets held for sale	—	—	235,000	235,000	233,394
Junior subordinated debt	—	—	142,103	142,103	202,322
December 31, 2019					
Assets					
Loans at amortized cost	\$ —	\$ —	\$ 1,557,850	\$ 1,557,850	\$ 1,552,824
Liabilities					
Debt at amortized cost					
Convertible and exchangeable senior notes	602,000	13,095	—	615,095	614,052
Secured debt	—	—	8,213,550	8,213,550	8,168,666
Secured debt related to assets held for sale	—	—	235,000	235,000	232,944
Junior subordinated debt	—	—	225,835	225,835	201,190

Debt—Fair value of convertible notes and exchangeable notes were determined using the last trade price in active markets and unadjusted quoted prices in non-active market, respectively. Fair values of the corporate credit facility and secured debt were estimated by discounting expected future cash outlays at interest rates available to the Company for similar instruments, which fair values approximated carrying value for floating rate debt with credit spreads that approximate market rates. Fair value of junior subordinated debt was based on unadjusted quotations from a third party valuation firm, with such quotes derived using a combination of internal valuation models, comparable trades in non-active markets and other market data. As a reaction to the COVID-19 crisis, the credit market has generally stalled refinancing for most product types except at the lowest leverage levels. While it is difficult to gauge market rates across the Company's portfolio for specific assets, fair value of debt associated with hospitality and healthcare assets presented as of June 30, 2020 incorporate a premium to nominal contractual rates to reflect the increased risk and lack of available financing in the current environment.

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

13. Variable Interest Entities

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

Operating Subsidiary

The Company's operating subsidiary, OP, is a limited liability company that has governing provisions that are the functional equivalent of a limited partnership. The Company holds the majority of membership interest in OP, acts as the managing member of OP and exercises full responsibility, discretion and control over the day-to-day management of OP. The noncontrolling interests in OP do not have substantive liquidation rights, substantive kick-out rights without cause, or substantive participating rights that could be exercised by a simple majority of noncontrolling interest members (including by such a member unilaterally). The absence of such rights, which represent voting rights in a limited partnership equivalent structure, would render OP to be a VIE. The Company, as managing member, has the power to direct the core activities of OP that most significantly affect OP's performance, and through its majority interest in OP, has both the right to receive benefits from and the obligation to absorb losses of OP. Accordingly, the Company is the primary beneficiary of OP and consolidates OP. As the Company conducts its business and holds its assets and liabilities through OP, the total assets and liabilities of OP represent substantially all of the total consolidated assets and liabilities of the Company.

Company-Sponsored Private Funds

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

Consolidated Company-Sponsored Private Fund—The Company currently consolidates a sponsored private fund in which it has more than an insignificant equity interest in the fund as general partner. As a result, the Company is considered to be acting in the capacity of a principal of the sponsored private fund and is therefore the primary beneficiary of the fund. The Company's exposure is limited to the value of its outstanding investment in the consolidated private fund of \$17.4 million at June 30, 2020 and \$18.5 million at December 31, 2019. The Company, as general partner, is not obligated to provide any financial support to the consolidated private fund. At June 30, 2020 and December 31, 2019, the consolidated private fund had total assets of \$47.0 million and \$24.7 million, respectively, and total liabilities of \$0.6 million and \$0.1 million, respectively. Assets and liabilities were made up primarily of marketable equity securities and unsettled trades.

Unconsolidated Company-Sponsored Private Funds—The Company does not consolidate its sponsored private funds where it has insignificant direct equity interests or capital commitments to these funds as general partner. The Company may invest alongside certain of its sponsored private funds through joint ventures between the Company and these funds, or the Company may have capital commitments to its sponsored private funds that are satisfied directly through the co-investment joint ventures as an affiliate of the general partner. In these instances, the co-investment joint ventures are consolidated by the Company. As the Company's direct equity interests in its sponsored private funds as general partner absorb insignificant variability, the Company is considered to be acting in the capacity of an agent of these funds and is therefore not the primary beneficiary of these funds. The Company accounts for its equity interests in unconsolidated sponsored private funds under the equity method. The Company's maximum exposure to loss is limited to the carrying value of its investment in the unconsolidated sponsored private funds, totaling \$179.7 million at June 30, 2020 and \$137.0 million at December 31, 2019, included within equity and debt investments and additionally at December 31, 2019, within assets held for sale, on the consolidated balance sheets.

Securitizations

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

Unconsolidated Securitizations—The Company does not consolidate the assets and liabilities of CDOs in which the Company has an interest but does not retain the collateral management function. NRF had previously delegated the collateral management rights for certain sponsored N-Star CDOs and third party-sponsored CDOs to a third party collateral manager or collateral manager delegate who is entitled to a percentage of the senior and subordinate collateral management fees. The Company continues to receive fees as named collateral manager or collateral manager delegate and retained administrative responsibilities. The Company determined that the fees paid to the third party collateral manager or collateral manager delegate represent a variable interest in the CDOs and that the third party is acting as a principal. The Company concluded that it does not have the power to direct the activities that most significantly impact the economic performance of these CDOs, which include but are not limited to, the ability to sell distressed collateral, and therefore the Company is not the primary beneficiary of such CDOs and does not consolidate these CDOs. The Company's exposure to loss is limited to its investment in these unconsolidated CDOs, comprising CDO bonds, which aggregate to \$24.7 million at June 30, 2020 and \$46.0 million at December 31, 2019.

Trusts

The Company, through the Merger, acquired the Trusts, wholly-owned subsidiaries of NRF formed as statutory trusts. The Trusts issued preferred securities in private placement offerings, and used the proceeds to purchase junior subordinated notes to evidence loans made to NRF (Note 10). The Company owns all of the common stock of the Trusts but does not consolidate the Trusts as the holders of the preferred securities issued by the Trusts are the primary beneficiaries of the Trusts. The Company accounts for its interest in the Trusts under the equity method and its maximum exposure to loss is limited to its investment carrying value of \$3.7 million at June 30, 2020 and December 31, 2019, recorded in investments in unconsolidated ventures on the consolidated balance sheet. The junior subordinated notes are recorded as debt on the consolidated balance sheet.

14. Stockholders' Equity

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

(In thousands)	Number of Shares		
	Preferred Stock	Class A Common Stock	Class B Common Stock
Shares outstanding at December 31, 2018	57,464	483,347	734
Shares issued upon redemption of OP Units	—	187	—
Repurchase of common stock	—	(652)	—
Equity-based compensation, net of forfeitures	—	4,713	—
Shares canceled for tax withholding on vested stock awards	—	(582)	—
Shares outstanding at June 30, 2019	<u>57,464</u>	<u>487,013</u>	<u>734</u>
Shares outstanding at December 31, 2019	41,350	487,044	734
Shares issued upon redemption of OP Units	—	184	—
Repurchase of common stock, net ⁽¹⁾	—	(12,733)	—
Equity-based compensation, net of forfeitures	—	9,273	—
Shares canceled for tax withholding on vested stock awards	—	(2,377)	—
Shares outstanding at June 30, 2020	<u>41,350</u>	<u>481,391</u>	<u>734</u>

⁽¹⁾ Net of reissuance of 964,160 shares of class A common stock that had been repurchased by the Company during March 2020. Refer to discussion of settlement liability in Note 12.

Preferred Stock

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

The table below summarizes the preferred stock issued and outstanding at June 30, 2020:

Description	Dividend Rate Per Annum	Initial Issuance Date	Shares Outstanding (in thousands)	Par Value (in thousands)	Liquidation Preference (in thousands)	Earliest Redemption Date
Series G	7.5%	June 2014	3,450	\$ 35	\$ 86,250	Currently redeemable
Series H	7.125%	April 2015	11,500	115	287,500	Currently redeemable
Series I	7.15%	June 2017	13,800	138	345,000	June 5, 2022
Series J	7.125%	September 2017	12,600	126	315,000	September 22, 2022
			<u>41,350</u>	<u>\$ 414</u>	<u>\$ 1,033,750</u>	

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

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

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

In June 2020, the Board declared dividends on all series of preferred stock for the second quarter of 2020, which was paid in July 2020. In August 2020, the Board declared dividends on all series of preferred stock for the third quarter of 2020.

Redemption of Preferred Stock

The Company redeemed the remaining outstanding shares of Series B preferred stock and all outstanding shares of Series E preferred stock in December 2019, with settlement in January 2020, for \$402.9 million, applying proceeds from the sale of its light industrial business.

All preferred stock redemptions were at \$25.00 per share liquidation preference plus accrued and unpaid dividends prorated to their respective redemption dates. The excess or deficit of the \$25.00 per share liquidation preference over the carrying value of the respective preferred stock redeemed results in a decrease or increase to net income attributable to common stockholders, respectively.

Common Stock

Except with respect to voting rights, class A common stock and class B common stock have the same rights and privileges and rank equally, share ratably in dividends and distributions, and are identical in all respects as to all matters. Class A common stock has one vote per share and class B common stock has thirty-six and one-half votes per share. This gives the holders of class B common stock a right to vote that reflects the aggregate outstanding non-voting economic interest in the Company (in the form of OP Units) attributable to class B common stock holders and therefore, does not provide any disproportionate voting rights. Class B common stock was issued as consideration in the Company's acquisition in April 2015 of the investment management business and operations of its former manager, which was previously controlled by the Company's Executive Chairman. Each share of class B common stock shall convert automatically into one share of class A common stock if the Executive Chairman or his beneficiaries directly or indirectly transfer beneficial ownership of class B common stock or OP Units held by them, other than to certain qualified transferees, which generally includes affiliates and employees. In addition, each holder of class B common stock has the right, at the holder's option, to convert all or a portion of such holder's class B common stock into an equal number of shares of class A common stock.

The Company suspended dividends on its class A common stock beginning with the second quarter of 2020. Under the terms of the Company's amended credit facility, the Company is restricted from paying common dividends other than

to maintain the Company's status as a REIT or to reduce income tax payments. The Company will continue to monitor its financial performance and liquidity position, and as economic conditions improve, the Company will reevaluate its dividend policy in consultation with its revolver lending group.

Common Stock Repurchases

During the six months ended June 30, 2020 and for the year ended December 31, 2019, the Company repurchased its class A common stock totaling 12,733,204 shares at a cost of \$24.6 million and 652,311 shares at a cost of \$3.2 million, respectively, or a weighted average price of \$1.93 and \$4.84 per share, respectively.

All share repurchases were made pursuant to a \$300 million share repurchase program which expired in May 2020. The Company is restricted from repurchasing additional common shares, subject to certain exceptions, under the terms of the amended credit facility.

Dividend Reinvestment and Direct Stock Purchase Plan

The Company's Dividend Reinvestment and Direct Stock Purchase Plan (the "DRIP Plan") provides existing common stockholders and other investors the opportunity to purchase shares (or additional shares, as applicable) of the Company's class A common stock by reinvesting some or all of the cash dividends received on their shares of the Company's class A common stock or making optional cash purchases within specified parameters. The DRIP Plan involves the acquisition of the Company's class A common stock either in the open market, directly from the Company as newly issued common stock, or in privately negotiated transactions with third parties. There were no shares of class A common stock acquired under the DRIP Plan in the form of new issuances in 2020 and 2019.

Accumulated Other Comprehensive Income (Loss)

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

Changes in Components of AOCI—Stockholders

(In thousands)	Company's Share in AOCI of Equity Method Investments	Unrealized Gain (Loss) on AFS Debt Securities	Unrealized Gain (Loss) on Cash Flow Hedges	Foreign Currency Translation Gain (Loss)	Unrealized Gain (Loss) on Net Investment Hedges	Total
AOCI at December 31, 2018	\$ 3,629	\$ (3,175)	\$ (91)	\$ 6,618	\$ 7,018	\$ 13,999
Other comprehensive income (loss) before reclassifications	8,828	591	(2,063)	(7,643)	14,766	14,479
Amounts reclassified from AOCI	—	626	—	(1,128)	(1,009)	(1,511)
AOCI at June 30, 2019	<u>\$ 12,457</u>	<u>\$ (1,958)</u>	<u>\$ (2,154)</u>	<u>\$ (2,153)</u>	<u>\$ 20,775</u>	<u>\$ 26,967</u>
AOCI at December 31, 2019	\$ 9,281	\$ 7,823	\$ (226)	\$ 139	\$ 30,651	\$ 47,668
Other comprehensive income (loss) before reclassifications	(898)	2,557	—	(16,929)	15,819	549
Amounts reclassified from AOCI	—	(3,544)	—	246	(552)	(3,850)
AOCI at June 30, 2020	<u>\$ 8,383</u>	<u>\$ 6,836</u>	<u>\$ (226)</u>	<u>\$ (16,544)</u>	<u>\$ 45,918</u>	<u>\$ 44,367</u>

Changes in Components of AOCI—Noncontrolling Interests in Investment Entities

(In thousands)	Unrealized Gain (Loss) on Cash Flow Hedges	Foreign Currency Translation Gain (Loss)	Unrealized Gain (Loss) on Net Investment Hedges	Total
AOCI at December 31, 2018	\$ (390)	\$ (600)	\$ 9,644	\$ 8,654
Other comprehensive income (loss) before reclassifications	(4,656)	(10,840)	1,392	(14,104)
Amounts reclassified from AOCI	—	(465)	448	(17)
AOCI at June 30, 2019	<u>\$ (5,046)</u>	<u>\$ (11,905)</u>	<u>\$ 11,484</u>	<u>\$ (5,467)</u>
AOCI at December 31, 2019	\$ (1,005)	\$ (17,913)	\$ 10,659	\$ (8,259)
Other comprehensive income (loss) before reclassifications	(1)	(11,689)	5,313	(6,377)
Amounts reclassified from AOCI	—	—	(873)	(873)
AOCI at June 30, 2020	<u>\$ (1,006)</u>	<u>\$ (29,602)</u>	<u>\$ 15,099</u>	<u>\$ (15,509)</u>

Reclassifications out of AOCI—Stockholders

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

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,		Affected Line Item in the Consolidated Statements of Operations
	2020	2019	2020	2019	
Component of AOCI reclassified into earnings					
Relief of basis of AFS debt securities	\$ 3,544	\$ —	\$ 3,544	\$ —	Other gain (loss), net
Other-than-temporary impairment	—	—	—	(626)	Other gain (loss), net
Release of foreign currency cumulative translation adjustments	—	173	(246)	1,128	Other gain (loss), net
Unrealized gain (loss) on dedesignated net investment hedges	(82)	22	552	46	Other gain (loss), net
Realized gain on net investment hedges	—	739	—	963	Other gain (loss), net

15. Noncontrolling Interests

Redeemable Noncontrolling Interests

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

(In thousands)	Six Months Ended June 30,	
	2020	2019
Beginning balance	\$ 6,107	\$ 9,385
Contributions	25,880	—
Distributions and redemptions	(2,763)	(3,393)
Net income (loss)	(158)	1,953
Ending balance	\$ 29,066	\$ 7,945

Noncontrolling Interests in Investment Entities

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

The Company's investment in its light industrial portfolio, prior to its sale in December 2019, was made alongside third party limited partners through a joint venture consolidated by the Company. The Company's ownership interest changed over time as result of capital contributions from or redemptions of limited partner interests. Limited partners were admitted or redeemed at the net asset value of the joint venture, based upon valuations determined by independent third parties, at the time of their contributions or redemptions. For the year ended December 31, 2019, the difference between contributions or redemptions and the respective limited partners' share of the joint venture resulted in a net increase to additional paid-in capital of \$12.4 million.

Noncontrolling Interests in Operating Company

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

Issuance of OP Units—The Company issued 21,478,515 OP Units in July 2019 and 612,072 OP Units in December 2019 as part of the consideration for the acquisitions of DBH, valued at \$111.9 million, and DataBank, valued at \$3.0 million, based upon the closing price of the Company's class A common stock on July 24, 2019 and December 20, 2019, respectively (Note 3). There were no OP Units issued in the six months ended June 30, 2020.

Redemption of OP Units—The Company redeemed 184,395 OP Units during the six months ended June 30, 2020 and 187,995 OP Units during the year ended December 31, 2019, with the issuance of an equal number of shares of class A common stock on a one-for-one basis.

16. Discontinued Operations

In 2020, discontinued operations represent (i) results of operations of the bulk industrial portfolio; and (ii) in the second quarter of 2020, final adjustments to proceeds from the December 2019 sale of the light industrial portfolio upon release of escrowed funds, which resulted in a net loss of \$7.4 million, including a corresponding effect on carried interest and related compensation.

In 2019, discontinued operations encompassed predominantly results of the light industrial portfolio and the related management platform prior to its sale in December 2019, and included (i) direct compensation and administrative expenses of the industrial business, and (ii) associated fee income, equity method earnings from general partner interest in the industrial open-end fund, predominantly carried interest, and compensation related to carried interest sharing, all of which were previously reported under the investment management segment. Noncontrolling interests in investment entities in 2019 also included the interests of all limited partners in the industrial closed-end and open-end funds.

Income (loss) from discontinued operations is presented below.

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Revenues				
Property operating income	\$ 4,924	\$ 91,741	\$ 10,303	\$ 172,973
Fee income	—	2,978	—	5,449
Interest and other income	56	1,228	73	2,368
Revenues from discontinued operations	4,980	95,947	10,376	180,790
Expenses				
Property operating expense	1,392	25,669	2,865	48,007
Interest expense	1,718	19,726	4,124	34,352
Investment and servicing expense	—	8	—	538
Depreciation and amortization	642	45,360	1,275	84,805
Compensation expense—cash and equity-based ⁽¹⁾	—	3,680	82	6,339
Compensation expense—carried interest	(524)	561	(524)	340
Administrative expenses	301	1,386	633	3,016
Expenses from discontinued operations	3,529	96,390	8,455	177,397
Other income (loss)				
Gain (loss) on sale of real estate	(7,787)	547	(7,787)	23,395
Other gain (loss), net	(2)	(49)	2	(57)
Equity method losses, including carried interest	(164)	(173)	(164)	(644)
Income (loss) from discontinued operations before income taxes	(6,502)	(118)	(6,028)	26,087
Income tax expense	—	(386)	—	(298)
Income (loss) from discontinued operations	(6,502)	(504)	(6,028)	25,789
Income (loss) from discontinued operations attributable to:				
Noncontrolling interests in investment entities	(4,799)	674	(4,629)	17,983
Noncontrolling interests in Operating Company	(169)	(71)	(139)	474
Income (loss) from discontinued operations attributable to Colony Capital, Inc.	\$ (1,534)	\$ (1,107)	\$ (1,260)	\$ 7,332

⁽¹⁾ Included equity-based compensation of \$0.7 million and \$1.4 million for the three and six months ended June 30, 2019, respectively.

17. Earnings per Share

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

(In thousands, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net loss allocated to common stockholders				
Loss from continuing operations	\$ (2,712,491)	\$ (484,142)	\$ (3,117,022)	\$ (540,590)
Loss from continuing operations attributable to noncontrolling interests	689,751	43,497	751,849	16,530
Loss from continuing operations attributable to Colony Capital, Inc.	(2,022,740)	(440,645)	(2,365,173)	(524,060)
Income (loss) from discontinued operations attributable to Colony Capital, Inc.	(1,534)	(1,107)	(1,260)	7,332
Net loss attributable to Colony Capital, Inc.	(2,024,274)	(441,752)	(2,366,433)	(516,728)
Preferred dividends	(18,516)	(27,138)	(37,990)	(54,275)
Net loss attributable to common stockholders	(2,042,790)	(468,890)	(2,404,423)	(571,003)
Net income allocated to participating securities	—	(953)	(1,250)	(1,673)
Net loss allocated to common stockholders—basic	(2,042,790)	(469,843)	(2,405,673)	(572,676)
Interest expense attributable to convertible and exchangeable notes ⁽¹⁾	—	—	—	—
Net loss allocated to common stockholders—diluted	\$ (2,042,790)	\$ (469,843)	\$ (2,405,673)	\$ (572,676)
Weighted average common shares outstanding				
Weighted average number of common shares outstanding—basic	471,253	479,228	475,187	479,577
Weighted average effect of dilutive shares ⁽¹⁾⁽²⁾⁽³⁾	—	—	—	—
Weighted average number of common shares outstanding—diluted	471,253	479,228	475,187	479,577
Basic loss per share				
Loss from continuing operations	\$ (4.33)	\$ (0.98)	\$ (5.06)	\$ (1.21)
Income from discontinued operations	—	—	—	0.02
Net loss attributable to common stockholders per basic common share	\$ (4.33)	\$ (0.98)	\$ (5.06)	\$ (1.19)
Diluted loss per share				
Loss from continuing operations	\$ (4.33)	\$ (0.98)	\$ (5.06)	\$ (1.21)
Income from discontinued operations	—	—	—	0.02
Net loss attributable to common stockholders per diluted common share	\$ (4.33)	\$ (0.98)	\$ (5.06)	\$ (1.19)

⁽¹⁾ For both the three months ended June 30, 2020 and 2019, excluded from the calculation of diluted earnings per share is the effect of adding back \$7.1 million of interest expense and 38,112,100 weighted average dilutive common share equivalents for the assumed conversion or exchange of the Company's outstanding convertible and exchangeable notes, as their inclusion would be antidilutive. For the six months ended June 30, 2020 and 2019, excluded from the calculation of diluted earnings per share is the effect of adding back \$14.2 million and \$14.3 million, respectively, and 38,112,100 weighted average dilutive common share equivalents for the assumed conversion or exchange of the Company's outstanding convertible and exchangeable notes, as their inclusion would be antidilutive.

⁽²⁾ The calculation of diluted earnings per share excludes the effect of weighted average unvested non-participating restricted shares of 92,700 and 115,200 for the three and six months ended June 30, 2019, respectively, as the effect would be antidilutive. No unvested non-participating restricted shares were outstanding during the six months ended June 30, 2020. The calculation of diluted earnings per share also excludes the effect of weighted average shares of class A common stock that are contingently issuable in relation to PSUs (Note 19) of 6,047,300 and 459,800 for the three months ended June 30, 2020 and 2019, respectively, and 3,784,000 and 755,700 for the six months ended June 30, 2020 and 2019, respectively.

⁽³⁾ OP Units, subject to lock-up agreements, may be redeemed for registered or unregistered class A common stock on a one-for-one basis. At June 30, 2020 and 2019 there were 53,076,700 and 31,171,300 redeemable OP Units, respectively. These OP Units would not be dilutive and were not included in the computation of diluted earnings per share for all periods presented.

18. Fee Income

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

Fee income as presented in 2019 excluded management fees from the Company's open-end light industrial fund which was included in income from discontinued operations (Note 16) prior to the sale of the Company's light industrial platform in December 2019.

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

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Institutional funds and other investment vehicles	\$ 31,337	\$ 13,033	\$ 61,813	\$ 23,671
Public companies (CLNC, and NRE prior to its sale in September 2019)	7,223	15,038	15,281	30,144
Non-traded REIT	4,431	4,989	8,862	10,095
Other	549	2,373	1,089	2,551
	<u>\$ 43,540</u>	<u>\$ 35,433</u>	<u>\$ 87,045</u>	<u>\$ 66,461</u>

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

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Base management fees (\$40,934, \$32,418, \$82,448 and \$62,620 from affiliates, respectively)	\$ 41,038	\$ 32,612	\$ 82,657	\$ 62,976
Asset management fees (\$727, \$601, \$1,259 and \$1,236 from affiliates, respectively)	1,002	1,230	1,811	1,865
Other fee income (\$1,477, \$248, \$2,531 and \$262 from affiliates, respectively)	1,500	1,591	2,577	1,620
Total fee income	<u>\$ 43,540</u>	<u>\$ 35,433</u>	<u>\$ 87,045</u>	<u>\$ 66,461</u>

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

- Private Funds and similar investment vehicles—generally (a) 1% per annum of limited partners' net funded capital, or (b) 0.9% to 1.75% per annum of investors' committed capital during commitment or investment period and thereafter, of contributed or invested capital;
- CLNC—1.5% per annum of CLNC's stockholders' equity (as defined in its management agreement), with a reduction in fee base to reflect CLNC's reduced book value effective in the beginning of the fourth quarter of 2019;
- Non-Traded REIT—1.5% per annum of most recently published NAV (as may be subsequently adjusted for any special distribution) for NorthStar Healthcare, with \$2.5 million per quarter paid in shares of NorthStar Healthcare common stock at a price per share equal to its most recently published NAV per share (as may be subsequently adjusted for any special distribution); and
- NorthStar Realty Europe ("NRE")—prior to termination of the management contract in connection with the sale of NRE on September 30, 2019, a variable fee of 1.5% per annum of NRE's reported European Public Real Estate Association NAV ("EPRA NAV" as defined in its management agreement) for EPRA NAV up to and including \$2.0 billion, and 1.25% per annum for EPRA NAV amounts exceeding \$2.0 billion.

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

Incentive Fees—The Company may earn incentive fees from CLNC, and prior to its termination, from NRE, determined based on the performance of the investment vehicles subject to the achievement of minimum return hurdles in accordance with the terms set out in their respective governing agreements. A portion of the incentive fees earned by the Company (generally 40% to 50%) is allocable to senior management, investment professionals and certain other employees of the Company, included in carried interest and incentive fee compensation expense. There were no incentive fees earned in the three and six months ended June 30, 2020 and 2019.

Other Fee Income—Other fees include service fees for information technology and operational support services and facilities to portfolio companies, advisory fees, and licensing fee on the Company's proprietary real estate index, a rules-based strategy that invests in common stock of U.S. REITs.

19. Equity-Based Compensation

The Colony Capital, Inc. 2014 Omnibus Stock Incentive Plan (the "Equity Incentive Plan") provides for the grant of restricted stock, performance stock units ("PSUs"), Long Term Incentive Plan ("LTIP") units, RSUs, deferred stock units ("DSUs"), options, warrants or rights to purchase shares of the Company's common stock, cash incentives and other equity-based awards to the Company's officers, directors (including non-employee directors), employees, co-employees, consultants or advisors of the Company or of any parent or subsidiary who provides services to the Company. Shares reserved for the issuance of awards under the Equity Incentive Plan are subject to equitable adjustment upon the occurrence of certain corporate events, provided that this number automatically increases each January 1st by 2% of the outstanding number of shares of the Company's class A common stock on the immediately preceding December 31st. At June 30, 2020, an aggregate 64.1 million shares of the Company's class A common stock were reserved for the issuance of awards under the Equity Incentive Plan.

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

Restricted Stock Units ("RSUs")—RSUs relating to the Company's class A common stock are subject to a performance condition. Vesting of performance-based RSUs occur upon achievement of certain Company-specific metrics over a performance measurement period. Only vested RSUs are entitled to dividends declared and paid on the Company's class A common stock. Fair value of RSUs are based on the Company's class A common stock price on grant date. Equity-based compensation expense is recognized when it becomes probable that the performance condition will be met.

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

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

	2020 PSU Grants	2019 PSU Grants	2018 PSU Grant ⁽⁴⁾
Expected volatility of the Company's class A common stock ⁽¹⁾	34.1%	26.2%	29.0%
Expected annual dividend yield ⁽²⁾	9.3%	8.5% - 8.7%	7.3%
Risk-free rate (per annum) ⁽³⁾	0.4%	2.2% - 2.4%	2.1%

⁽¹⁾ Based upon the Company's historical stock volatility or in combination with historical stock volatility of a specified peer group, or a combination of historical volatility and implied volatility on actively traded stock options of a specified peer group.

⁽²⁾ Based upon a combination of historical dividend yields and current annualized dividends.

⁽³⁾ Based upon the continuously compounded zero-coupon U.S. Treasury yield for the term coinciding with the remaining measurement period of the award as of valuation date.

⁽⁴⁾ Reflects assumptions applied in valuing the award upon modification in February 2019.

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

LTIP Units—LTIP units are units in the Operating Company that are designated as profits interests for federal income tax purposes. Unvested LTIP units do not accrue distributions. Each vested LTIP unit is convertible, at the election of the

holder (subject to capital account limitation), into one common OP Unit and upon conversion, subject to the redemption terms of OP Units (Note 15).

LTIP units issued to certain employees have a service condition only, and are valued based upon the Company's class A common stock price on grant date.

In connection with the acquisition of DBH in July 2019, the Company granted 10 million LTIP units to Mr. Ganzi, co-founder and CEO of DBH and CEO of the Company, subject to both a service condition and a market condition. The LTIP units will vest based upon achievement of the Company's class A common stock price closing at or above \$10.00 over any 90 consecutive trading days prior to the fifth anniversary of the grant date, subject to Mr. Ganzi's continuous employment to the time of such vesting. Fair value of these LTIP units was determined using a Monte Carlo simulation under a risk-neutral premise, with the following assumptions:

Expected volatility of the Company's class A common stock ⁽¹⁾	28.3%
Expected dividend yield ⁽²⁾	8.1%
Risk-free rate (per annum) ⁽³⁾	1.8%

⁽¹⁾ Based upon historical volatility of the Company's stock and those of a specified peer group.

⁽²⁾ Based upon the Company's most recently issued dividend prior to grant date and closing price of the Company's class A common stock on grant date.

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

Equity-based compensation cost on LTIP units is recognized on a straight-line basis over either the service period for awards with a service condition only, or over the derived service period for awards with both a service condition and a market condition. The derived service period is a service period that is inferred from the application of the simulation technique used in the valuation of the award, and represents the median of the terms in the simulation in which the market condition is satisfied.

Deferred Stock Units—Certain non-employee directors may elect to defer the receipt of annual base fees and/or restricted stock awards, and in lieu, receive awards of DSUs. DSUs awarded in lieu of annual base fees are fully vested on their grant date, while DSUs awarded in lieu of restricted stock awards vest one year from their grant date. DSUs are entitled to a dividend equivalent, in the form of additional DSUs based on dividends declared and paid on the Company's class A common stock. Any such additional DSUs will also be credited with additional DSUs as cash dividends are paid, subject to the same restrictions and vesting conditions, if any. Upon separation of service from the Company, vested DSUs are to be settled in shares of the Company's class A common stock. Fair value of DSUs are determined based on the price of the Company's class A common stock on grant date and recognized immediately if fully vested upon grant, or on a straight-line basis over the vesting period as equity based compensation expense and equity.

Equity-based compensation expense, excluding amounts related to the industrial segment in 2019 which is presented as discontinued operations (Note 16), is as follows:

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Compensation expense (including \$580, \$315, \$863 and \$432 amortization of fair value of dividend equivalent rights)	\$ 10,422	\$ 7,577	\$ 18,671	\$ 13,491

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

	Restricted Stock	LTIP Units	DSUs	RSUs ⁽¹⁾	PSUs ⁽²⁾	Total	Weighted Average Grant Date Fair Value	
							PSUs	All Other Awards
Unvested shares and units at December 31, 2019	7,641,708	10,000,000	265,784	—	5,680,195	23,587,687	\$ 3.66	\$ 3.25
Granted	9,736,581		632,159	8,379,888	4,324,375	23,073,003	1.64	1.86
Vested	(5,457,749)		(370,019)	—	—	(5,827,768)	—	4.66
Forfeited	(575,304)		—	—	(53,220)	(628,524)	4.27	6.17
Unvested shares and units at June 30, 2020	11,345,236	10,000,000	527,924	8,379,888	9,951,350	40,204,398	2.78	2.06

⁽¹⁾ Represents the number of RSUs granted that are subject to vesting only upon achievement of performance condition. RSUs that do not meet the performance condition at the end of the measurement period will be forfeited.

⁽²⁾ Represents the number of PSUs granted, which does not reflect potential increases or decreases that could result from the final outcome of the total shareholder return measured at the end of the performance period.

Fair value of equity awards that vested, determined based on their respective fair values at vesting date, was \$3.3 million and \$1.3 million for the three months ended June 30, 2020 and 2019, respectively, and \$13.4 million and \$9.8 million for the six months ended June 30, 2020 and 2019, respectively.

At June 30, 2020, aggregate unrecognized compensation cost for all unvested equity awards was \$58.9 million, which is expected to be recognized over a weighted average period of 2.5 years.

Awards Granted by Managed Companies

CLNC and NRE, both managed by the Company prior to termination of NRE's management agreement concurrent with the sale of NRE in September 2019, issued restricted stock and performance stock units to the Company and certain of the Company's employees (collectively, "managed company awards"). CLNC awards are primarily restricted stock grants that typically vest over a three-year period, subject to service conditions. NRE awards generally had similar terms as the Company's stock awards, except that the NRE performance stock units measured NRE's stock performance against either an absolute total shareholder return threshold or relative to the performance of a specified market index. Employees were entitled to receive shares of NRE common stock if service conditions and/or market conditions were met. Generally, the Company grants the managed company awards that it receives in its capacity as manager to its employees with substantially the same terms and service requirements. Such grants are made at the discretion of the Company, and the Company may consult with the board of directors or compensation committees of the respective managed companies as to final allocation of awards to its employees.

Managed company awards granted to the Company, pending grant by the Company to its employees, are recognized based upon their fair value at grant date as other assets and other liabilities on the consolidated balance sheet. The deferred revenue liability is amortized into other income as the awards vest to the Company.

Managed company awards granted to employees, either directly or through the Company, are recorded as other asset and other liability, and amortized on a straight-line basis as equity-based compensation expense and as other income, respectively, as the awards vest to the employees. The other asset and other liability associated with managed company awards granted to employees are subject to adjustment to fair value at each reporting period, with changes reflected in equity-based compensation and other income, respectively.

Equity-based compensation recognized related to managed company awards was \$3.0 million and \$3.6 million for the three months ended June 30, 2020 and 2019, respectively, and an expense reversal of \$0.4 million and an expense of \$6.4 million for the six months ended June 30, 2020 and 2019, respectively. A corresponding amount is recognized in other income for managed company awards granted to employees (Note 20). At June 30, 2020, aggregate unrecognized compensation cost for unvested managed company awards of CLNC was \$4.3 million, which is expected to be recognized over a weighted average period of 1.3 years.

20. Transactions with Affiliates

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

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

(In thousands)	June 30, 2020	December 31, 2019
Due from Affiliates		
Investment vehicles, portfolio companies and unconsolidated ventures		
Fee income	\$ 31,002	\$ 36,106
Cost reimbursements and recoverable expenses	11,275	14,624
Loan and interest receivable	35,107	—
Employees and other affiliates	513	750
	<u>\$ 77,897</u>	<u>\$ 51,480</u>
Due to Affiliates		
Employees and other affiliates	\$ 1,336	\$ 34,064

Transactions with affiliates include the following:

Fee Income—Fee income earned from investment vehicles that the Company manages and/or sponsors, and may have an equity interest or co-investment, are presented in Note 18.

Cost Reimbursements—The Company received cost reimbursement income related primarily to the following arrangements:

- Direct and indirect operating costs, including but not limited to compensation, overhead and other administrative costs, for managing the operations of non-traded REITs and CLNC, with reimbursements for non-traded REITs limited to the greater of 2% of average invested assets or 25% of net income (net of base management fees);
- Direct costs of personnel dedicated solely to NRE (prior to termination of management agreement concurrent with sale of NRE in September 2019) plus 20% of such personnel costs for related overhead charges, not to exceed, in aggregate, specified thresholds as set out in the NRE management agreement;
- Costs incurred in performing investment due diligence for NorthStar Healthcare and private funds managed by the Company;
- Equity awards granted to employees of the Company by CLNC and NRE (prior to termination of the NRE management agreement), which are presented gross as other income and compensation expense (Note 19);
- Services provided to the Company's unconsolidated investment ventures for servicing and managing their loan portfolios, including foreclosed properties, and services to the Digital Colony Manager joint venture prior to the Company's acquisition of DBH in July 2019; and
- Administrative services provided to certain senior executives of the Company.

Cost reimbursements, included in other income, are as follows. Amounts related to NRE pertain to periods prior to termination of its management agreement in September 2019.

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Retail companies	\$ 896	\$ 689	\$ 1,847	\$ 1,427
Public companies (CLNC, NRE)	2,028	2,663	4,528	5,295
Private investment vehicles and other	2,288	4,344	5,234	7,879
Equity awards of CLNC and NRE (Note 19)	3,311	3,643	(600)	6,583
	<u>\$ 8,523</u>	<u>\$ 11,339</u>	<u>\$ 11,009</u>	<u>\$ 21,184</u>

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

NorthStar Healthcare Credit Facility—The Company has committed to provide NorthStar Healthcare with an unsecured revolving credit facility at market terms with a maximum principal amount of \$35.0 million. The credit facility matures in December 2021 (extended to December 2022 in July 2020), with a six-month extension option. Advances under the credit facility accrue interest at LIBOR plus 3.5%. There is no commitment fee for the unused portion of the facility. The credit facility is intended to provide additional liquidity to NorthStar Healthcare on an as needed basis. In April 2020, the credit facility was drawn for the full amount of \$35.0 million and remained outstanding at June 30, 2020. There were no amounts outstanding at December 31, 2019.

Liquidating Trust—As contemplated in the combination agreement, a certain loan receivable previously held by NorthStar I was not transferred to CLNC, for which the Company acquired a senior participation interest at par, and the remaining junior participation interest ("NorthStar I Retained Asset") was transferred to a liquidating trust. The Company entered into a management services agreement with the liquidating trust to service and assist in the potential sale of the NorthStar I Retained Asset, and to provide administrative services on such terms and conditions as approved by the trustees for a management fee of 1.25% per annum of the net assets of the liquidating trust. Such fee amount is immaterial.

Acquisition of DBH and DataBank—In connection with the acquisition of DBH in July 2019, payment of a portion of the cash consideration to the principals of DBH, including Mr. Ganzi, who became employees or affiliate of the Company post-acquisition, was deferred until the expiration of certain customary seller indemnification obligations (Note 3). The entire deferred consideration of \$32.5 million was paid in May 2020.

In connection with the Company's acquisition in December 2019 of interests in DataBank from third parties (Note 3), Mr. Ganzi and Mr. Jenkins, the Chairman of the Company's digital realty platform, entered into voting agreements with the Company, which provide the Company with majority voting power over DataBank's board. The Company took a series of steps to mitigate conflicts in the transaction, including receiving a fairness opinion on its purchase price from a nationally recognized third party valuation firm. Additionally, in exchange for incentive units owned by Messrs. Ganzi and Jenkins allocable to the DataBank stake acquired by the Company, the Company issued OP Units with a value of \$3 million, which are subject to a multi-year lockup. The value represents consideration paid to Messrs. Ganzi and Jenkins by the Company for such incentive units in connection with its investment in DataBank, which was in addition to the cash consideration paid to third parties by the Company for its acquired interests in DataBank. As a result, the Company will not be subject to future carried interest payments to the DBH principals with respect to the Company's investment in DataBank. In addition, the DataBank transaction was approved by the Company's board of directors.

Arrangements with Company-Sponsored Private Funds—The Company co-invests alongside its sponsored private funds through joint ventures between the Company and the sponsored private fund. These co-investment joint ventures are consolidated by the Company. The Company has capital commitments, as general partner, directly into the private funds and as an affiliate of the general partner, capital commitments satisfied through co-investment joint ventures. In connection with the Company's commitments as an affiliate of the general partner, the Company is allocated a proportionate share of the costs of the private funds such as financing and administrative costs. Such costs expensed during the three and six months ended June 30, 2020 and 2019 were immaterial and relate primarily to the Company's share of the fund's operating costs and deferred financing costs on borrowings of the fund.

Equity Awards of CLNC and NRE—As discussed in Note 19, CLNC and NRE (prior to termination of the NRE management agreement) grant equity awards to the Company and certain of the Company's employees, either directly or indirectly through the Company, are recognized as a gross-up of equity-based compensation expense over the vesting period with a corresponding amount in other income.

Investment in Managed Investment Vehicles—Subject to the Company's related party policies and procedures, senior management, investment professionals and certain other employees may invest on a discretionary basis in investment vehicles sponsored by the Company, either directly in the vehicle or indirectly through the general partner entity. These investments are generally not subject to management fees, but otherwise bear their proportionate share of other operating expenses of the investment vehicles. At June 30, 2020 and December 31, 2019, such investments in consolidated investment vehicles and general partner entities totaled \$7.9 million and \$4.0 million, respectively, reflected in redeemable noncontrolling interests and noncontrolling interests on the balance sheet. For the three months ended June 30, 2020 and 2019, their share of net income was \$0.3 million and \$0.5 million, respectively. For the six months ended June 30, 2020 and 2019, their share was a net loss of \$0.2 million and net income of \$1.0 million, respectively.

Corporate Aircraft—The Company, through its subsidiary, Colony Capital Advisors, LLC, has entered into a time sharing agreement with Thomas J. Barrack, Jr., the Company's Executive Chairman, under which Mr. Barrack may use the Company's aircraft for personal travel. Under this arrangement, Mr. Barrack pays the Company for personal usage based on the incremental cost to the Company, including direct and indirect variable costs, but in no case more than the maximum reimbursement permitted by the Federal Aviation Regulations under the agreement. Mr. Barrack has reimbursed the Company \$0.4 million during the three months ended June 30, 2019, and \$0.4 million and \$0.6 million for the six months ended June 30, 2020 and 2019, respectively. There were no reimbursements in the three months ended June 30, 2020.

21. Commitments and Contingencies

Litigation and Claims

The Company may be involved in litigation and claims in the ordinary course of business. As of June 30, 2020, the Company was not involved in any legal proceedings that are expected to have a material adverse effect on the Company's results of operations, financial position or liquidity.

22. Segment Reporting

The Company's six reportable segments are as follows:

- **Digital Real Estate and Investment Management ("Digital")**—The Company's digital segment is composed of balance sheet equity interests in digital infrastructure and real estate; and digital infrastructure and real estate investment management business. For digital investments on our balance sheet, these assets earn rental income from providing use of space and/or capacity in or on our digital assets through long-term leases, services and other agreements. In the digital investment management business, we earn management fees, generally based on the

amount of assets or capital managed in investment vehicles, and have the potential to earn carried interest based on the performance of such investment vehicles subject to the achievement of minimum return hurdles.

- *Healthcare*—The Company's healthcare segment is composed of a diverse portfolio of senior housing, skilled nursing facilities, medical office buildings, and hospitals. The Company earns rental income from senior housing, skilled nursing facilities and hospital assets that are under net leases to single tenants/operators and from medical office buildings which are both single tenant and multi-tenant. In addition, certain of the Company's senior housing properties are managed by operators under a RIDEA (REIT Investment Diversification and Empowerment Act) structure, which allows the Company to gain financial exposure to underlying operations of the facility in a tax efficient manner versus receiving contractual rent under a net lease arrangement.
- *Hospitality*—The Company's hospitality segment is composed of primarily extended stay and select service hotels located mainly in major metropolitan and high-demand suburban markets in the U.S., with the majority affiliated with top hotel brands such as Marriott and Hilton.
- *CLNC*—This segment is composed of our 36% interest in CLNC, an externally managed commercial real estate credit REIT. CLNC is focused on originating, acquiring, financing and managing a diversified commercial real estate portfolio, consisting primarily of senior mortgage loans, mezzanine loans, preferred equity, debt securities and net leased properties predominantly in the United States.
- *Other Equity and Debt*—This segment is composed of a diversified group of non-digital real estate and real estate-related debt and equity investments, including investments for which the Company acts as a general partner and/or manager ("GP co-investments") and receives various forms of investment management economics on related third-party capital on such investments, other real estate equity and debt investments and other real estate related securities, among other holdings. Over time, the Company expects to monetize the bulk of its existing portfolio as it completes its digital evolution.
- *Other Investment Management*—This segment, which is separate from the digital investment management business that resides in the digital segment, encompasses primarily the Company's management of private real estate credit funds and related co-investment vehicles, CLNC, and NorthStar Healthcare, a public non-traded healthcare REIT. The Company earns management fees, generally based on the amount of assets or capital managed, and contractual incentive fees or potential carried interest based on the performance of the investment vehicles managed subject to the achievement of minimum return hurdles.

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

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

Selected Segment Results of Operations

The results of operations of the Company's digital reportable segment is derived from its equity method investments in the DCP fund and its manager beginning in 2018, the DBH investment management business beginning in July 2019 and the DataBank data center business beginning in December 2019. Effective March 31, 2020, the digital segment also includes operating results from interests in certain existing Colony investment vehicles that were repurposed to execute an investment strategy focused around the digital sector.

Beginning in 2020, the industrial segment no longer constitutes a reportable segment. In December 2019, the Company completed the sale of the light industrial portfolio and its related management platform, which represented the vast majority of the industrial segment. The Company continues to own the bulk industrial assets which remain held for sale. Current and prior period results of the industrial segment and the industrial investment management business which resides in the other investment management segment are presented as discontinued operations on the consolidated statements of operations (Note 16).

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

(In thousands)	Digital	Healthcare	Hospitality	CLNC	Other Equity and Debt	Other Investment Management	Amounts Not Allocated to Segments	Total
Three Months Ended June 30, 2020								
Total revenues	\$ 63,413	\$ 142,680	\$ 57,143	\$ —	\$ 74,428	\$ 30,198	\$ 4,504	\$ 372,366
Property operating expenses	18,055	74,752	63,733	—	37,103	—	—	193,643
Interest expense	8,184	34,699	29,889	—	17,683	—	16,331	106,786
Depreciation and amortization	35,102	36,980	35,462	—	23,381	2,477	1,503	134,905
Impairment loss	—	661,255	660,751	—	152,254	515,000	12,297	2,001,557
Gain on sale of real estate	—	—	—	—	2,868	—	—	2,868
Equity method earnings (losses)	7,940	—	—	(350,241)	(28,525)	(1,709)	—	(372,535)
Equity method losses—carried interest	—	—	—	—	—	(2,324)	—	(2,324)
Income tax benefit (expense)	1,714	(12,136)	(6,691)	—	760	8,697	(64)	(7,720)
Loss from continuing operations	(6,546)	(680,140)	(741,621)	(350,241)	(370,305)	(496,361)	(67,277)	(2,712,491)
Net income (loss) attributable to Colony Capital, Inc. from continuing operations	8,519	(434,410)	(633,863)	(315,484)	(141,671)	(447,068)	(58,763)	(2,022,740)
Net loss attributable to Colony Capital, Inc. from discontinued operations								(1,534)
Net loss attributable to Colony Capital, Inc.								<u>\$ (2,024,274)</u>
Three Months Ended June 30, 2019								
Total revenues	\$ —	\$ 145,896	\$ 227,080	\$ —	\$ 152,066	\$ 43,802	\$ 4,595	\$ 573,439
Property operating expenses	—	63,924	144,691	—	70,625	—	—	279,240
Interest expense	—	57,135	41,591	—	29,216	—	13,796	141,738
Depreciation and amortization	—	40,778	37,008	—	23,166	6,918	1,512	109,382
Provision for loan losses	—	—	—	—	15,003	—	—	15,003
Impairment loss	—	51,324	420	—	32,302	—	649	84,695
Gain on sale of real estate	—	—	140	—	5,937	—	—	6,077
Equity method earnings (losses)	3,147	—	—	(267,912)	25,633	(20,156)	—	(259,288)
Equity method earnings—carried interest	—	—	—	—	—	1,836	—	1,836
Income tax benefit (expense)	—	(596)	(2,006)	—	(406)	266	157	(2,585)
Income (loss) from continuing operations	1,957	(81,520)	(3,505)	(267,912)	(128)	17	(133,051)	(484,142)
Net income (loss) attributable to Colony Capital, Inc. from continuing operations	1,839	(58,616)	(3,330)	(251,792)	(5,957)	600	(123,389)	(440,645)
Net loss attributable to Colony Capital, Inc. from discontinued operations								(1,107)
Net loss attributable to Colony Capital, Inc.								<u>\$ (441,752)</u>

[Table of Contents](#)

(In thousands)	Digital	Healthcare	Hospitality	CLNC	Other Equity and Debt	Other Investment Management	Amounts Not Allocated to Segments	Total
Six Months Ended June 30, 2020								
Total revenues	\$ 127,919	\$ 281,862	\$ 210,669	\$ —	\$ 195,547	\$ 54,497	\$ 9,385	\$ 879,879
Property operating expenses	34,961	141,319	184,728	—	96,268	—	—	457,276
Interest expense	17,586	74,565	69,678	—	38,271	—	30,099	230,199
Depreciation and amortization	71,735	74,440	71,906	—	45,601	5,068	3,013	271,763
Impairment loss	—	709,787	910,913	—	161,828	594,000	12,297	2,388,825
Gain on sale of real estate	—	—	—	—	10,800	—	—	10,800
Equity method earnings (losses)	8,408	—	—	(360,310)	(10,824)	105,893	—	(256,833)
Equity method losses—carried interest	—	—	—	—	—	(20,735)	—	(20,735)
Income tax benefit (expense)	7,051	(12,006)	(4,812)	—	(583)	(5,785)	91	(16,044)
Loss from continuing operations	(25,766)	(744,285)	(1,037,378)	(360,310)	(340,328)	(478,231)	(130,724)	(3,117,022)
Net income (loss) attributable to Colony Capital, Inc. from continuing operations	4,761	(482,422)	(875,095)	(324,559)	(143,123)	(430,709)	(114,026)	(2,365,173)
Net loss attributable to Colony Capital, Inc. from discontinued operations								(1,260)
Net loss attributable to Colony Capital, Inc.								<u>\$ (2,366,433)</u>
Six Months Ended June 30, 2019								
Total revenues	\$ —	\$ 291,670	\$ 423,695	\$ —	\$ 314,754	\$ 83,807	\$ 7,572	\$ 1,121,498
Property operating expenses	—	128,226	281,036	—	140,720	—	—	549,982
Interest expense	—	104,662	83,656	—	61,069	—	27,240	276,627
Depreciation and amortization	—	80,909	73,256	—	47,949	15,587	3,033	220,734
Provision for loan losses	—	—	—	—	18,614	—	—	18,614
Impairment loss	—	51,324	4,270	—	54,074	—	649	110,317
Gain on sale of real estate	—	—	279	—	35,251	—	—	35,530
Equity method earnings (losses)	6,423	—	—	(262,399)	50,206	(19,455)	—	(225,225)
Equity method earnings—carried interest	—	—	—	—	—	6,732	—	6,732
Income tax benefit (expense)	—	1,278	(2,842)	—	(2,480)	360	(99)	(3,783)
Income (loss) from continuing operations	4,973	(88,726)	(29,582)	(262,399)	59,400	17,674	(241,930)	(540,590)
Net income (loss) attributable to Colony Capital, Inc. from continuing operations	4,672	(66,078)	(26,311)	(246,614)	17,932	16,337	(223,998)	(524,060)
Net income attributable to Colony Capital, Inc. from discontinued operations								7,332
Net loss attributable to Colony Capital, Inc.								<u>\$ (516,728)</u>

Total assets and equity method investments excluding investments held for sale (Note 8) of the reportable segments are summarized as follows:

(In thousands)	June 30, 2020		December 31, 2019	
	Total Assets	Equity Method Investments	Total Assets	Equity Method Investments
Digital	\$ 2,354,689	\$ 124,624	\$ 2,160,402	\$ 47,891
Healthcare	4,073,281	—	4,886,374	—
Hospitality	2,781,311	—	3,789,098	—
CLNC	336,513	336,513	725,443	725,443
Other Equity and Debt	5,098,852	1,142,366	5,749,455	1,070,462
Other Investment Management	274,646	23,631	1,085,234	139,977
Amounts not allocated to segments	894,210	3,742	977,505	3,742
Assets held for sale related to discontinued operations	370,032	—	458,673	—
	<u>\$ 16,183,534</u>	<u>\$ 1,630,876</u>	<u>\$ 19,832,184</u>	<u>\$ 1,987,515</u>

Geography

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

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Total income by geography:				
United States	\$ 236,647	\$ 469,237	\$ 794,468	\$ 962,774
Europe	47,447	81,245	91,818	167,503
Other	1,932	1,978	2,809	1,978
Total ⁽¹⁾	<u>\$ 286,026</u>	<u>\$ 552,460</u>	<u>\$ 889,095</u>	<u>\$ 1,132,255</u>

(In thousands)	June 30, 2020	December 31, 2019
Long-lived assets by geography:		
United States	\$ 8,093,889	\$ 9,956,282
Europe	1,410,584	1,508,347
Total ⁽²⁾	<u>\$ 9,504,473</u>	<u>\$ 11,464,629</u>

⁽¹⁾ Total income includes the Company's share of earnings (loss) from its equity method investments (but excludes the Company's impairment of its equity method investments of \$297.0 million and \$247.8 million for the three months ended June 30, 2020 and 2019, respectively, and \$297.8 million and \$250.4 million for the six months ended June 30, 2020 and 2019, respectively); and excludes cost reimbursement income from affiliates and income from discontinued operations. All income from discontinued operations is generated in the United States.

⁽²⁾ Long-lived assets comprise real estate held for investment, real estate related intangible assets, operating lease right-of-use assets and fixed assets, and exclude financial instruments, assets held for sale and investment management related intangible assets. Long-lived assets that are held for sale at June 30, 2020 and December 31, 2019 included \$431 million and \$522 million located in the United States, respectively, and \$252 million and \$283 million located in Europe, respectively.

23. Supplemental Disclosure of Cash Flow Information

(In thousands)	Six Months Ended June 30,	
	2020	2019
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest, net of amounts capitalized of \$428 and \$1,588	\$ 182,062	\$ 263,096
Cash received (paid) for income tax refunds (liabilities), net	(8,099)	14,960
Cash paid for operating leases	13,860	7,652
Supplemental Disclosure of Cash Flows from Discontinued Operations		
Net cash provided by (used in) operating activities of discontinued operations	\$ (36,445)	\$ 95,142
Net cash provided by (used in) investing activities of discontinued operations	37,337	(1,315,308)
Net cash provided by (used in) financing activities of discontinued operations	(34,546)	1,165,015
Supplemental Disclosure of Cash Flows from Investing and Financing Activities		
Dividends and distributions payable	\$ 18,516	\$ 84,221
Improvements in operating real estate in accrued and other liabilities	15,030	17,049
Proceeds from loan repayments and asset sales held in escrow	3,836	1,392
Right-of-use assets and operating lease liabilities established	4,973	129,488
Redemption of OP Units for common stock	1,423	2,096

24. Subsequent Events

Path To Digital

Strategic Partnership in the Company's Digital Investment Management Business

On July 17, 2020, the Company formed a strategic partnership with affiliates of Wafra, Inc. (collectively, "Wafra"), a private investment firm and a global partner for alternative asset managers, in which Wafra made a minority investment in the Company's digital investment management business (the "Digital IM Business"). Wafra, through its investment, will participate in approximately 31.5% of the net management fees and carried interest generated by the Digital IM Business.

Wafra has agreed to assume certain of the Company's existing commitments made to DCP and to make commitments to the successor fund to DCP and to the Company's initial digital credit fund, in an aggregate amount of up to \$150.0 million. Wafra has also agreed to make commitments to the Company's future digital funds and investment vehicles on a pro rata basis with the Company based on Wafra's percentage interest in the Digital IM Business, subject to certain caps.

In addition, the Company issued Wafra five warrants to purchase up to an aggregate of 5% (on a fully-diluted, post-transaction basis) of the Company's class A common stock. Each warrant entitles Wafra to purchase up to 5,352,000 shares of the Company's class A common stock, with staggered strike prices between \$2.43 and \$6.00 for each warrant, exercisable until July 17, 2026.

Consideration paid by Wafra in exchange for its investment in the Digital IM Business and for the warrants is composed of: (i) cash consideration of \$253.6 million paid at closing; and (ii) contingent consideration of approximately \$29.9 million to be paid if the run-rate of earnings before interest, tax, depreciation and amortization ("EBITDA") of the digital investment management business, as defined, is equal to or greater than \$72.0 million as of December 31, 2020.

Under certain circumstances following such time as the Digital IM Business comprises 90% or more of the Company's assets, the Company agreed to use commercially reasonable efforts to facilitate the conversion of Wafra's interest into shares of the Company's class A common stock. There can be no assurances that such conversion would occur or on what terms and conditions such conversion would occur, including whether such conversion, if it did occur in the future, would have any adverse impact on the Company, the Company's stock price, governance and other matters.

In connection with Wafra's investment, the Company also entered into an amended and restated restrictive covenant agreement with each of Marc Ganzi, the Company's CEO, and Ben Jenkins, the chairman and chief investment officer of the Company's digital segment, pursuant to which each of Messrs. Ganzi and Jenkins agreed to certain enhanced non-solicitation provisions and the extension of the term of existing non-competition agreements.

In the event that certain post-closing regulatory approvals are not received within 12 months following the consummation of Wafra's investment (which period may be extended for up to an additional three months under certain circumstances), the Company has the right to cause Wafra's investment in the Digital IM Business to be redeemed, in which case Wafra's carried interest participation rights will terminate and the warrants will be canceled. If such redemption right is exercised, Wafra will have a redemption right with respect to limited partnership commitments previously made in any of the digital funds or investment vehicles.

Wafra's investment provides the Company with permanent capital to pursue strategic digital infrastructure investments and grow the Digital IM Business.

Investment in Hyperscale Data Centers

On July 22, 2020, the Company, alongside an approximate \$1 billion of fee bearing third party capital that the Company raised, invested \$1.21 billion for an approximate 80% equity stake in Vantage Data Center Holdings, LLC's ("Vantage") portfolio of 12 stabilized hyperscale data centers in North America (the "Stabilized VDC" and the related transactions, the "Investment Transactions"). The Company's balance sheet investment is \$185.1 million, representing a 12.3% interest. The management team of Vantage will continue to manage the day-to-day operations of these data centers in exchange for management fees, and subject to certain approval rights held by the Company and the investor group in connection with material actions.

In connection with the Investment Transactions, the Company entered into a series of agreements with Marc Ganzi, the Company's CEO, and Ben Jenkins, the Chairman and Chief Investment Officer of the Company's digital segment, and their respective affiliates, pursuant to which Messrs. Ganzi and Jenkins invested approximately \$8 million and \$2 million, respectively, in the Stabilized VDC alongside the Company and the co-investors on the same economic terms. Such amounts invested represented 40% of carried interest payments received by each of Messrs. Ganzi and Jenkins as a result of the Investment Transactions.

FORWARD-LOOKING STATEMENTS

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

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

- the duration and severity of the current novel coronavirus (COVID-19) pandemic, and its impact on the global market, economic and environmental conditions generally and in the digital and communications technology, healthcare and hospitality real estate, other commercial real estate equity and debt, and investment management sectors;
- the impact of COVID-19 on the Company's operating cash flows, debt service obligations and covenants, liquidity position and valuations of its real estate investments, as well as the increased risk of claims, litigation and regulatory proceedings and uncertainty that may adversely affect the Company;
- whether we will successfully execute our strategic transition to become a digital real estate and infrastructure focused company within the timeframe contemplated or at all, and the impact of such transition on the Company's legacy portfolios and assets, including whether such transition will result in significant further impairments to certain of our investments, including healthcare and hospitality assets and whether such transition and any resulting impairments will be consistent with the Company's REIT status;
- our ability to obtain and maintain financing arrangements, including securitizations, on favorable or comparable terms or at all, including our ability to obtain forbearances and/or debt modifications on our corporate credit facility and our non-recourse mortgage debt;
- the Company's ability to complete anticipated monetizations of non-core assets within the timeframe and on the terms contemplated, if at all;
- the impact of completed or anticipated initiatives related to our strategic shift to the digital industry, including the acquisitions of Digital Bridge Holdings, LLC and an ownership interest in Data Bridge Holdings, LLC, the strategic investment by Wafra, and the formation of certain other investment management platforms, on our company's growth and earnings profile;
- whether we will realize any of the anticipated benefits of our strategic partnership with Wafra, including whether Wafra will make additional investments to our digital investment management business;
- our ability to integrate and maintain consistent standards and controls, including our ability to manage our acquisitions in the digital industry effectively (such as Digital Bridge Holdings, LLC and Data Bridge Holdings, LLC);
- the impact to our business operations and financial condition of realized or anticipated compensation and administrative cost reductions in connection with corporate restructuring;
- our ability to redeploy any proceeds received from the sale of our non-digital or other legacy assets within the timeframe and manner contemplated or at all;
- our business and investment strategy, including the ability of the businesses in which we have a significant investment (such as Colony Credit Real Estate, Inc. (NYSE:CLNC)) to execute their business strategies;
- CLNC's trading price and its impact on the carrying value of the Company's investment in CLNC, including whether the Company will recognize further other-than-temporary impairments on such CLNC investment;

- performance of our investments relative to our expectations and the impact on our actual return on invested equity, as well as the cash provided by these investments and available for distribution;
- our ability to grow our business by raising capital for the companies that we manage;
- our ability to deploy capital into new investments consistent with our digital business strategies, including the earnings profile of such new investments;
- the impact of adverse conditions affecting a specific asset class in which we have investments;
- the availability of attractive investment opportunities;
- our ability to achieve any of the anticipated benefits of certain joint ventures, including any ability for such ventures to create and/or distribute new investment products;
- our ability to satisfy and manage our capital requirements;
- our expected holding period for our assets and the impact of any changes in our expectations on the carrying value of such assets;
- the general volatility of the securities markets in which we participate;
- stability of the capital structure of our healthcare and hospitality portfolios;
- changes in interest rates and the market value of our assets;
- interest rate mismatches between our assets and any borrowings used to fund such assets;
- effects of hedging instruments on our assets;
- the impact of economic conditions on third parties on which we rely;
- any litigation and contractual claims against us and our affiliates, including potential settlement and litigation of such claims;
- our levels of leverage;
- adverse domestic or international economic conditions, including the COVID-19 pandemic, and the impact on the commercial real estate or real-estate related sectors;
- the impact of legislative, regulatory and competitive changes;
- actions, initiatives and policies of the U.S. and non-U.S. governments and changes to U.S. or non-U.S. government policies and the execution and impact of these actions, initiatives and policies, including regulations permitting or requiring forbearance of rent obligations and inhibiting the ability to pursue evictions and obtain late fees from non-paying tenants;
- our ability to maintain our qualification as a real estate investment trust for U.S. federal income tax purposes;
- our ability to maintain our exemption from registration as an investment company under the Investment Company Act of 1940, as amended (the "1940 Act");
- changes in our board of directors or management team, including Chief Executive Officer succession plans and availability of qualified personnel;
- the performance of our investments relative to our expectations and the impact on our actual return on invested equity, as well as the cash provided by these investments and available for distribution;
- our ability to make or maintain distributions to our stockholders; and
- our understanding of our competition.

While forward-looking statements reflect our good faith beliefs, assumptions and expectations, they are not guarantees of future performance. Furthermore, we disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, of new information, data or methods, future events or other changes. Moreover, because we operate in a very competitive and rapidly changing environment, new risk factors are likely to emerge from time to time. We caution investors not to place undue reliance on these forward-looking statements and urge you to carefully review the disclosures we make concerning risks in Part I, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019 and in Part I, Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Part II, Item 1A. "Risk Factors" in this

Quarterly Report. Readers of this Quarterly Report should also read our other periodic filings made with the Securities and Exchange Commission and other publicly filed documents for further discussion regarding such factors.

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

The following discussion should be read in conjunction with our unaudited consolidated financial statements and accompanying notes thereto, which are included in Item 1 of this Quarterly Report, as well as information contained in our Annual Report on Form 10-K for the year ended December 31, 2019, which is accessible on the SEC's website at www.sec.gov.

Overview

We are a global investment firm with a focus on becoming the leading digital real estate provider and funding source for the occupancy, infrastructure, equity and credit needs of the world's mobile communications and data-driven companies. We are headquartered in Los Angeles, with key offices in Boca Raton, New York, Paris and London, and have over 350 employees across 20 locations in 12 countries.

We were organized on May 31, 2016 as a Maryland corporation, and were formed through a tri-party merger (the "Merger") among Colony Capital, Inc. ("Colony"), NorthStar Asset Management Group Inc. ("NSAM") and NorthStar Realty Finance Corp. ("NRF").

We elected to be taxed as a real estate investment trust ("REIT") for U.S. federal income tax purposes commencing with its initial taxable year ended December 31, 2017. We conduct our operations as a REIT, and generally are not subject to U.S. federal income taxes on our taxable income to the extent that we annually distribute all of our taxable income to stockholders and maintain qualification as a REIT, although we are subject to U.S. federal income tax on income earned through our taxable subsidiaries. We also operate our business in a manner that will permit us to maintain our exemption from registration as an investment company under the 1940 Act.

We conduct substantially all of our activities and hold substantially all of our assets and liabilities through our Operating Company. At June 30, 2020, we owned 90% of the Operating Company, as its sole managing member.

Our Business

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

To execute this vision, the Company combined with Digital Bridge Holdings, LLC ("DBH") in July 2019. DBH is an investment manager dedicated to digital real estate and infrastructure, managing approximately \$14 billion of assets under management ("AUM") and approximately \$7 billion of fee earning equity under management ("FEEUM") across six separately capitalized and managed portfolio companies and the \$4 billion Digital Colony Partners fund ("DCP"). As previously disclosed, Marc C. Ganzi, who co-founded DBH, became the Chief Executive Officer ("CEO") of the Company effective July 1, 2020. In connection with Mr. Ganzi's appointment as the Company's CEO, on June 30, 2020, the Board of Directors of the Company (the "Board") appointed Mr. Ganzi to the Board and to serve as President of the Company (in addition to his role as CEO), also effective as of July 1, 2020. Mr. Ganzi is poised to lead the Company's strategic repositioning in becoming the leading platform for digital infrastructure and real estate. Further, the combination with DBH brings its world-class team of investment professionals and management of the DBH portfolio of high performing assets under the combined Digital Colony franchise. Thomas J. Barrack, Jr., who, prior to July 1, 2020, served as the Company's CEO and President, continues to serve in his role as Executive Chairman of the Company and the Board. In addition, Jacky Wu was appointed as the Company's Chief Financial Officer and Treasurer, effective July 1, 2020. Mark M. Hedstrom, who prior to July 1, 2020 served as the Company's Chief Financial Officer and Treasurer, continues to serve in his role as Executive Vice President and Chief Operating Officer of the Company.

At June 30, 2020, the Company has approximately \$46 billion of assets under management, of which \$36 billion is capital managed on behalf of third-party investors and the remainder represents investment interests on the Company's own balance sheet managed on behalf of its stockholders. With respect to investment interests, the Company owns (a) a 20% controlling interest in Data Bridge Holdings, LLC and its wholly-owned subsidiary, DataBank Holdings, Ltd. (collectively, "DataBank"), a leading provider of enterprise-class data center, cloud, and connectivity services, (b) a 70% interest in a portfolio of 357 healthcare properties, (c) a 97% interest in a portfolio of 157 hospitality properties, (d) a 36.4% interest in Colony Credit Real Estate, Inc. (NYSE: CLNC), and (e) interests in various other equity and debt investments, including general partner ("GP") interests in funds sponsored by the Company, commercial real estate equity and debt investments and other real estate related securities. The Company also owns and operates an investment management business with \$16.3 billion of FEEUM, including \$7.8 billion in digital real estate investments and the remainder in traditional commercial real estate debt and equity investments. The Company continues to operate its non-digital business units to maximize cash flows and value over time.

The Company's six reportable segments are as follows:

- *Digital Real Estate and Investment Management ("Digital")*—The Company's digital segment is composed of balance sheet equity interests in digital infrastructure and real estate; and digital infrastructure and real estate investment management business. For digital investments on our balance sheet, these assets earn rental income from providing use of space and/or capacity in or on our digital assets through long-term leases, services and other agreements. In the digital investment management business, we earn management fees, generally based on the amount of assets or capital managed in investment vehicles, and have the potential to earn carried interest based on the performance of such investment vehicles subject to the achievement of minimum return hurdles.
- *Healthcare*—The Company's healthcare segment is composed of a diverse portfolio of senior housing, skilled nursing facilities, medical office buildings, and hospitals. The Company earns rental income from senior housing, skilled nursing facilities and hospital assets that are under net leases to single tenants/operators and from medical office buildings which are both single tenant and multi-tenant. In addition, certain of the Company's senior housing properties are managed by operators under a RIDEA (REIT Investment Diversification and Empowerment Act) structure, which allows the Company to gain financial exposure to underlying operations of the facility in a tax efficient manner versus receiving contractual rent under a net lease arrangement.
- *Hospitality*—The Company's hospitality segment is composed of primarily extended stay and select service hotels located mainly in major metropolitan and high-demand suburban markets in the U.S., with the majority affiliated with top hotel brands such as Marriott and Hilton.
- *CLNC*—This segment is composed of our 36% interest in CLNC, an externally managed commercial real estate credit REIT. CLNC is focused on originating, acquiring, financing and managing a diversified commercial real estate portfolio, consisting primarily of senior mortgage loans, mezzanine loans, preferred equity, debt securities and net leased properties predominantly in the United States.
- *Other Equity and Debt*—This segment is composed of a diversified group of non-digital real estate and real estate-related debt and equity investments, including investments for which the Company acts as a general partner and/or manager ("GP co-investments") and receives various forms of investment management economics on related third-party capital on such investments, other real estate equity and debt investments and other real estate related securities, among other holdings. Over time, the Company expects to monetize the bulk of its existing portfolio as it completes its digital evolution.
- *Other Investment Management*—This segment, which is separate from the digital investment management business that resides in the digital segment, encompasses primarily the Company's management of private real estate credit funds and related co-investment vehicles, CLNC, and NorthStar Healthcare, a public non-traded healthcare REIT. The Company earns management fees, generally based on the amount of assets or capital managed, and contractual incentive fees or potential carried interest based on the performance of the investment vehicles managed subject to the achievement of minimum return hurdles.

Acceleration of Digital Transformation and COVID-19 Considerations

The world continues to face significant healthcare and economic challenges arising from the coronavirus disease 2019, or COVID-19, global pandemic. Efforts to address the pandemic, such as social distancing, closures or reduced capacity of retail and service outlets, hotels, factories and public venues, often mandated by governments, are having a significant impact on the global economy and financial markets across major industries, including many sectors of real estate. In particular, the Company's real estate investments in the hospitality, healthcare and retail sectors have experienced a myriad of challenges, including, but not limited to: significant declines in operating cash flows at the Company's hotel and healthcare properties, which in turn, affect their ability to meet debt service and covenant requirements on investment-level debt (non-recourse to the Company) and ability to refinance or extend upcoming maturities (Note 10); flexible lease payment terms sought by tenants; incremental property operating costs such as labor and supplies in response to COVID-19; potential payment defaults on the Company's loans receivable; and a distressed market affecting real estate values in general. Such adverse impact may continue well beyond the containment of the COVID-19 pandemic. Furthermore, the COVID-19 crisis may also lead to heightened risk of litigation at the investment and corporate level, with an ensuing increase in litigation and related costs.

The sharp decline and volatility in equity and debt markets, and the economic recession due to COVID-19 have adversely affected the valuation of certain of the Company's financial assets carried at fair value, and also resulted in impairment on certain non-financial assets. Such effects include the determination that the Company's equity method investment in CLNC was other-than-temporarily impaired at June 30, 2020 (Note 6), decreases in fair value of debt

securities (Note 6) and loans receivable (Note 12), and impairment of real estate assets in the Company's healthcare, hospitality and other equity and debt segments (Note 4).

Additionally, the COVID-19 crisis has reinforced the critical role and the resilience of the digital real estate and infrastructure sector in a global economy that is increasingly reliant on digital infrastructure. Accordingly, in the second quarter of 2020, the Company determined that it would accelerate its shift to a digitally-focused strategy in order to better position the Company for growth. This digital transformation would require a rotation of the Company's non-digital assets into digital-focused investments. As a result, the Company shortened its assumptions of holding periods on its non-digital assets, in particular its hotel and healthcare assets, which significantly reduced the undiscounted future net cash flows to be generated by these assets below their carrying values at June 30, 2020. The shortfall in estimated future net cash flows from these assets was further exacerbated by the negative effects of COVID-19 on property operations and market values, as noted above. As a result, significant impairment was recognized in the second quarter of 2020 on the Company's hotel and healthcare assets. The acceleration of the Company's digital transformation and the overall reduction in value of the Company's non-digital balance sheet also caused a shortfall in the fair value of the Company's other investment management reporting unit over its carrying value, resulting in significant impairment to the other investment management goodwill in the second quarter of 2020 (Note 7).

The various impairment and fair value decreases collectively accounted for \$2.6 billion of charges in the second quarter of 2020, in addition to an approximately \$0.4 billion charge in the first quarter of 2020, of which \$2.1 billion and \$0.3 billion, respectively, were attributable to the OP. These amounts are reflected within impairment loss, other loss and equity method losses on the statement of operations.

The Company believes that it has materially addressed overall recoverability in value across all of its non-digital assets as of June 30, 2020, applying the Company's best estimates and assumptions at this time based upon external factors known to date and the Company's expected digital transformation timeline. If the extent and duration of the economic effects of COVID-19 negatively affect the Company's financial condition and results of operations beyond the Company's current projections, the estimates and assumptions currently applied by the Company may change, which may lead to further impairment and fair value decreases in its non-digital assets that could be material in the future.

Cooperation Agreement with Blackwells Capital

In March 2020, the Company entered into a cooperation agreement with Blackwells Capital LLC ("Blackwells"), a stockholder of the Company. Pursuant to the cooperation agreement, the Company nominated Jeannie Diefenderfer for election to its board of directors (the "Board") at the 2020 Annual Meeting of Stockholders (the "Annual Meeting") on May 5, 2020, at which Ms. Diefenderfer was elected to the Board. In addition to withdrawing its previously submitted director nominees for election at the Annual Meeting, Blackwells agreed to vote its and its affiliates shares of the Company's stock in accordance with the Board's voting recommendations on all proposals (including in favor of the Board's director nominees), subject to certain limited exceptions, prior to the third anniversary of the agreement. Furthermore, Blackwells agreed to a standstill with respect to the Company until the expiration of the cooperation agreement in March 2030.

Contemporaneously, the Company and Blackwells entered into a joint venture arrangement for the purpose of acquiring, holding and disposing of CLNY common stock. Distributions to be made through the joint venture arrangement effectively represent a settlement of the proxy contest with Blackwells. At the inception of the arrangement, the fair value of future distributions to Blackwells was estimated at \$3.9 million, included in other liabilities on the consolidated balance sheet, and as a settlement loss on the consolidated statement of operations, along with \$1.2 million reimbursement of legal costs to Blackwells in March 2020. The settlement liability is subject to remeasurement at the end of each quarter. Refer to Note 12 of the consolidated financial statements for further description of the settlement liability.

Developments in 2020

During the six months ended June 30, 2020 and through this filing, significant developments affecting our business and results of operations included the following, in addition to the effects of COVID-19 as discussed throughout this Quarterly Report.

Liquidity

We addressed near-term corporate maturities and enhanced our long-term capital structure and liquidity profile as follows:

- Amended our Credit Agreement in June 2020, which reduced aggregate revolving commitments from \$750 million to \$500 million and increased the interest rate on borrowings from LIBOR plus 2.25% to LIBOR plus 2.5% per annum. The amended terms provide for greater financial covenant flexibility and more borrowing base credit for

digital investments. The credit facility is still scheduled to expire in January 2021, with two 6-month extension options. During the extension term(s), the interest rate would increase by 0.25%, and effective March 31, 2021, credit availability would be reduced to \$400 million.

- In July 2020, the OP issued \$300.0 million of exchangeable notes maturing in July 2025 and bearing interest at 5.75% per annum. Net proceeds from this issuance of \$291.0 million were applied to repurchase \$289.7 million of the outstanding principal of the 3.875% convertible notes for total purchase price of \$289.2 million, including accrued interest. This substantially addresses the January 2021 maturity of the 3.875% convertible notes, with \$112.8 million principal outstanding as of the date of this filing, which we expect to address through cash on hand and/or proceeds from future asset monetizations.

Path To Digital

Strategic Partnership in Our Digital Investment Management Business

- In July 2020, formed a strategic partnership with affiliates of Wafra, Inc. (collectively, "Wafra") in which Wafra made a minority investment representing an approximate 31.5% interest in our digital investment management business (the "Digital IM Business"). Wafra paid a consideration of \$254 million for its investment in the Digital IM Business and for warrants issued by the Company to Wafra (assuming the consideration excludes the warrants, this implies an approximately \$805 million valuation of the Digital IM Business). Wafra has agreed to assume certain of the Company's existing commitments made to DCP and to make commitments to the successor fund to DCP and to the Company's initial digital credit fund, in an aggregate amount of up to \$150 million. Wafra has also agreed to make commitments to the Company's future digital funds and investment vehicles on a pro rata basis with the Company based on Wafra's percentage interest in the Digital IM Business, subject to certain caps. Wafra's investment provides us with permanent capital to pursue strategic digital infrastructure investments and grow the Digital IM Business. Refer to Note 24 to the consolidated financial statements for further discussion of the Wafra transaction.

Investment in Hyperscale Data Centers

- In July 2020, alongside an approximate \$1 billion of fee bearing third party capital that we raised, we invested \$1.21 billion for an approximate 80% equity stake in Vantage Data Center Holdings, LLC's ("Vantage") portfolio of 12 stabilized hyperscale data centers in North America. Our balance sheet investment is \$185 million, which represents a 12.3% interest. This investment is our second significant balance sheet investment in a digital operating business and achieves our transformation goals on two fronts, that is the rotation of our balance sheet to digital assets and growing our digital investment management business.

Non-Digital Assets

- In February 2020, sold our equity investment in RXR Realty, LLC for proceeds of \$179 million, net of tax, recording a gain of \$97 million, net of tax.
- In April 2020, recapitalized a co-investment venture which holds common equity in the Albertsons supermarket chain, generating \$72.7 million of proceeds to us and realizing our share of gain of \$29.7 million.
- Recognized approximately \$3.0 billion (\$2.4 billion attributable to OP) of impairment charges and unrealized fair value losses on our non-digital assets in the first six months of 2020, recorded in impairment loss, other losses and equity method losses on the statement of operations, primarily:
 - \$1.78 billion (\$1.46 billion attributable to OP) impairment on real estate and related asset group, primarily hotel and healthcare properties, to reflect shortened holding periods on the assets, attributed primarily to the Company's accelerated digital transformation and further exacerbated by a decline in property operating performance and market values as a result of the economic effects of COVID-19;
 - \$594 million impairment on goodwill in the other investment management segment, driven by acceleration of the Company's digital transformation and significant reduction in the value of its non-digital balance sheet assets;
 - \$275 million impairment on our equity investment in CLNC as the shortfall in market value over carrying value of our CLNC investment is not expected to recover in the near term; and
 - \$281 million (\$54 million attributable to OP) of net unrealized losses on loans receivable carried at fair value as recoverability is affected by increasing uncertainty and deterioration in the economic environment arising from the effects of COVID-19.

Results of Operations

The following table summarizes our results from continuing operations by reportable segment.

Beginning in 2020, the industrial segment no longer constitutes a reportable segment. In December 2019, the Company completed the sale of the light industrial portfolio and its related management platform, which represented the vast majority of the industrial segment. The Company continues to own the bulk industrial assets which remain held for sale. Current and prior period results of the industrial segment and the industrial investment management business which resides in the other investment management segment are presented as discontinued operations on the consolidated statements of operations (Note 16). Discontinued operations generated a net loss attributable to Colony Capital, Inc. of \$1.5 million and \$1.1 million for the three months ended June 30, 2020 and 2019, respectively, and \$1.3 million for the six months ended June 30, 2020, while generating net income attributable to Colony Capital, Inc. of \$7.3 million for the six months ended June 30, 2019.

(In thousands)	Total Revenues		Income (Loss) from Continuing Operations		Net Income (Loss) Attributable to Colony Capital, Inc. from Continuing Operations	
	2020	2019	2020	2019	2020	2019
Three Months Ended June 30,						
Digital	\$ 63,413	\$ —	\$ (6,546)	\$ 1,957	\$ 8,519	\$ 1,839
Healthcare	142,680	145,896	(680,140)	(81,520)	(434,410)	(58,616)
Hospitality	57,143	227,080	(741,621)	(3,505)	(633,863)	(3,330)
CLNC	—	—	(350,241)	(267,912)	(315,484)	(251,792)
Other Equity and Debt	74,428	152,066	(370,305)	(128)	(141,671)	(5,957)
Other Investment Management	30,198	43,802	(496,361)	17	(447,068)	600
Amounts not allocated to segments	4,504	4,595	(67,277)	(133,051)	(58,763)	(123,389)
	<u>\$ 372,366</u>	<u>\$ 573,439</u>	<u>\$ (2,712,491)</u>	<u>\$ (484,142)</u>	<u>\$ (2,022,740)</u>	<u>\$ (440,645)</u>
Six Months Ended June 30,						
Digital	\$ 127,919	\$ —	\$ (25,766)	\$ 4,973	\$ 4,761	\$ 4,672
Healthcare	281,862	291,670	(744,285)	(88,726)	(482,422)	(66,078)
Hospitality	210,669	423,695	(1,037,378)	(29,582)	(875,095)	(26,311)
CLNC	—	—	(360,310)	(262,399)	(324,559)	(246,614)
Other Equity and Debt	195,547	314,754	(340,328)	59,400	(143,123)	17,932
Other Investment Management	54,497	83,807	(477,870)	17,674	(430,709)	16,337
Amounts not allocated to segments	9,385	7,572	(130,724)	(241,930)	(114,026)	(223,998)
	<u>\$ 879,879</u>	<u>\$ 1,121,498</u>	<u>\$ (3,116,661)</u>	<u>\$ (540,590)</u>	<u>\$ (2,365,173)</u>	<u>\$ (524,060)</u>

Selected Balance Sheet Data

The following table summarizes key balance sheet data by reportable segment, excluding assets and related liabilities held for sale.

(In thousands)	Real Estate, net		Loans Receivable ⁽¹⁾		Equity and Debt Investments		Debt, net	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Digital	\$ 845,146	\$ 846,393	\$ —	\$ —	\$ 241,535	\$ 47,891	\$ 515,007	\$ 539,155
Healthcare	3,638,987	4,433,825	48,984	48,270	—	—	2,884,765	2,910,032
Hospitality	2,635,718	3,544,264	—	—	—	—	2,635,393	2,623,306
CLNC	—	—	—	—	336,513	725,443	—	—
Other Equity and Debt	1,868,051	2,036,036	1,349,103	1,518,058	1,220,027	1,396,752	1,924,639	2,061,101
Other Investment Management	—	—	—	—	23,631	139,977	—	—
Amounts not allocated to segments	—	—	—	—	3,742	3,742	1,251,310	850,314
Total	<u>\$ 8,987,902</u>	<u>\$ 10,860,518</u>	<u>\$ 1,398,087</u>	<u>\$ 1,566,328</u>	<u>\$ 1,825,448</u>	<u>\$ 2,313,805</u>	<u>\$ 9,211,114</u>	<u>\$ 8,983,908</u>

⁽¹⁾ Carried at fair value upon adoption of fair value option on January 1, 2020.

Consolidated Results of Operations

Comparison of Three Months Ended June 30, 2020 to Three Months Ended June 30, 2019

(In thousands)	Three Months Ended June 30,		Change
	2020	2019	
Revenues			
Property operating income	\$ 293,816	\$ 488,788	\$ (194,972)
Interest income	22,376	35,055	(12,679)
Fee income	43,540	35,433	8,107
Other income	12,634	14,163	(1,529)
Total revenues	372,366	573,439	(201,073)
Expenses			
Property operating expense	193,643	279,240	(85,597)
Interest expense	106,786	141,738	(34,952)
Investment and servicing expense	11,394	20,017	(8,623)
Transaction costs	75	318	(243)
Depreciation and amortization	134,905	109,382	25,523
Provision for loan loss	—	15,003	(15,003)
Impairment loss	2,001,557	84,695	1,916,862
Compensation expense—cash and equity-based	64,513	42,430	22,083
Compensation expense—carried interest and incentive fee	(1,162)	1,146	(2,308)
Administrative expenses	20,405	20,146	259
Total expenses	2,532,116	714,115	1,818,001
Other income (loss)			
Gain on sale of real estate	2,868	6,077	(3,209)
Other loss, net	(173,030)	(89,506)	(83,524)
Equity method losses	(372,535)	(259,288)	(113,247)
Equity method earnings (losses)—carried interest	(2,324)	1,836	(4,160)
Loss before income taxes	(2,704,771)	(481,557)	(2,223,214)
Income tax expense	(7,720)	(2,585)	(5,135)
Loss from continuing operations	(2,712,491)	(484,142)	(2,228,349)
Loss from discontinued operations	(6,502)	(504)	(5,998)
Net loss	(2,718,993)	(484,646)	(2,234,347)
Net income (loss) attributable to noncontrolling interests:			
Redeemable noncontrolling interests	390	509	(119)
Investment entities	(470,052)	(13,414)	(456,638)
Operating Company	(225,057)	(29,989)	(195,068)
Net loss attributable to Colony Capital, Inc.	(2,024,274)	(441,752)	(1,582,522)
Preferred stock dividends	18,516	27,138	(8,622)
Net loss attributable to common stockholders	\$ (2,042,790)	\$ (468,890)	(1,573,900)

Property Operating Income and Property Operating Expenses

(In thousands)	Three Months Ended June 30,		
	2020	2019	Change
Property operating income:			
Digital	\$ 42,017	\$ —	\$ 42,017
Healthcare	139,983	144,863	(4,880)
Hospitality	57,136	227,016	(169,880)
Other Equity and Debt	54,680	116,909	(62,229)
	<u>\$ 293,816</u>	<u>\$ 488,788</u>	<u>(194,972)</u>
Property operating expenses:			
Digital	\$ 18,055	\$ —	\$ 18,055
Healthcare	74,752	63,924	10,828
Hospitality	63,733	144,691	(80,958)
Other Equity and Debt	37,103	70,625	(33,522)
	<u>\$ 193,643</u>	<u>\$ 279,240</u>	<u>(85,597)</u>

Digital—Amounts represent income and related operating expenses from our DataBank subsidiary that was acquired in December 2019, primarily in connection with colocation rent and data center services.

Healthcare—Property operating income decreased \$4.9 million, driven by sales of 25 net lease properties in 2019 and one in the first quarter of 2020, and to a lesser extent, lower resident fee income as senior housing occupancy declined due to restrictions on new admissions in an effort to contain COVID-19. Property operating expenses increased \$10.8 million, primarily due to \$7.7 million of incremental costs incurred in our senior housing facilities in response to COVID-19. The incremental costs were abated by \$1.6 million of government stimulus funding under the CARES Act Provider Relief Fund, which partially offset the decrease in property operating income. Refer to further discussion in "*—Segment Results—Healthcare.*"

Hospitality—Property operating income and expense decreased \$169.9 million and \$81.0 million, respectively. On a same store basis (excluding the effects of ten select service hotels sold in 2019), property operating income and expense decreased \$159.2 million, or 74%, and \$73.1 million, or 53%, respectively. The decrease in income reflects the effects of COVID-19 with a significant decline in room demand with an average occupancy of 30.2%, a decrease of 62% compared to the same period last year. This was further compounded by lower average daily rate ("ADR"), resulting in revenue per available room, or RevPAR, falling 72% compared to the same period last year. Although we have taken various steps to minimize non-essential operating expenses during this time, the decrease in operating expenses, as expected, was less pronounced as we continue to incur fixed operating costs. Notwithstanding the overall negative results for the second quarter of 2020, operations have recovered from the trough in April 2020 and have since trended positively through July 2020. Refer to further discussion in "*—Segment Results—Hospitality.*"

Other Equity and Debt—Property operating income and expenses decreased \$62.2 million and \$33.5 million, respectively, driven by sales of limited service hotels in our THL Hotel Portfolio, U.S. multi-tenant offices and other properties in our European portfolio, as well as the effects of COVID-19 on the operating results of our THL Hotel Portfolio and a hotel in Spain.

Interest Income

Interest income decreased \$12.7 million, attributed primarily to loans placed on nonaccrual in the second quarter of 2020 as the COVID-19 crisis has led to increased uncertainty over collectability.

Fee Income

Fee income is earned from the following sources:

(In thousands)	Three Months Ended June 30,		
	2020	2019	Change
Institutional funds and other investment vehicles	\$ 31,337	\$ 13,033	\$ 18,304
Public companies (CLNC, NRE prior to its sale in September 2019)	7,223	15,038	(7,815)
Non-traded REITs	4,431	4,989	(558)
Other	549	2,373	(1,824)
	<u>\$ 43,540</u>	<u>\$ 35,433</u>	<u>8,107</u>

Total fee income increased \$8.1 million resulting from:

- net increase of \$18.3 million in fees from institutional funds and investment vehicles, driven by \$19.9 million of fees from DBH (50% of fees from DCP was recognized as equity method income prior to acquisition of DBH), which was acquired in July 2019, partially offset by decreases in fees from liquidating funds.

The increase in fees from institutional funds and investment vehicles was partially offset by:

- \$3.2 million decrease in fees from Colony Credit due to a lower stockholders' equity fee base;
- \$3.8 million of fees from NorthStar Realty Europe ("NRE") in 2019 prior to its sale in September 2019; and
- \$0.6 million decrease in fees from NorthStar Healthcare Income, Inc. ("NorthStar Healthcare") following a decrease in its NAV fee basis effective December 2019; and
- \$1.8 million decrease in other fees related to advisory fees and higher asset management fees in the second quarter of 2019.

Other Income

Other income was \$1.5 million lower, attributed primarily to lower cost reimbursement from affiliates.

Interest Expense

(In thousands)	Three Months Ended June 30,		
	2020	2019	Change
Investment-level financing:			
Digital	\$ 8,184	\$ —	\$ 8,184
Healthcare	34,699	57,135	(22,436)
Hospitality	29,889	41,591	(11,702)
Other Equity and Debt	17,683	29,216	(11,533)
Corporate-level debt	16,331	13,796	2,535
	<u>\$ 106,786</u>	<u>\$ 141,738</u>	<u>(34,952)</u>

Net decrease in interest expense of \$35.0 million is attributed to the following:

Digital—Amount represents interest expense on debt assumed from our DataBank subsidiary that was acquired in December 2019.

Healthcare—Interest expense was \$22.4 million lower as a result of: (i) decrease in LIBOR on predominantly variable rate debt; (ii) interest expense recognized in the second quarter of 2019 from the write-off of debt discount in connection with a June 2019 refinancing; and (iii) debt repayment upon sale of non-core properties in 2019. These decreases were partially offset by interest expense recognized from amortization of deferred financing costs incurred in connection with the June 2019 refinancing.

Hospitality—Interest expense decreased \$11.7 million, driven by a decline in LIBOR on predominantly variable rate debt on our hotel portfolio.

Other Equity and Debt—Interest expense decreased \$11.5 million due to a decline in LIBOR and debt payoffs from sale of properties and resolution of loans receivable.

Corporate-level Debt—Interest expense increased \$2.5 million as a result of writing off a portion of deferred financing costs on our corporate credit facility to reflect a reduction in the facility amount in June 2020, along with a higher average outstanding balance on the facility in 2020. This increase was partially offset by the effect of a decline in LIBOR on our junior subordinated debt and lower unused fees on our credit facility.

Investment and Servicing Expense

Investment and servicing costs were lower by \$8.6 million, attributed primarily to costs related to refinancing of our healthcare debt in 2019 and lower hotel asset management and incentive fees in 2020, which corresponds to the decline in hotel revenues, partially offset by additional bad debt allowance on property level insurance receivable.

Depreciation and Amortization

Higher depreciation and amortization expense is attributed to real estate and intangible assets acquired from DataBank in December 2019 and DBH in July 2019, as well as capital improvements and fixed asset additions to our hotel properties that were completed throughout 2019 and beginning of 2020. These increases were partially offset by

sales of non-core properties, lower real estate basis after impairment charges in 2019, termination of NRE management contract in September 2019 and write-down of NorthStar Healthcare management contract in December 2019.

Impairment Loss

(In thousands)	Three Months Ended June 30,		
	2020	2019	Change
Healthcare	\$ 661,255	\$ 51,324	\$ 609,931
Hospitality	660,751	420	660,331
Other Equity and Debt	152,254	32,302	119,952
Other Investment Management	515,000	—	515,000
Unallocated	12,297	649	11,648
	<u>\$ 2,001,557</u>	<u>\$ 84,695</u>	<u>1,916,862</u>
Impairment loss attributable to noncontrolling interests in investment entities	<u>\$ 279,840</u>	<u>\$ 37,195</u>	

Impairment loss on real estate and goodwill are discussed further in Notes 4 and 7, respectively, to the consolidated financial statements.

Healthcare and Hospitality—In 2020, we recognized impairment of \$661.3 million on healthcare assets and \$660.8 million on hotel assets, resulting from shortened holding period assumptions, attributable to both the Company's accelerated digital transformation, and the risk that the Company is unable to obtain accommodation from lenders on non-recourse mortgage debt that is in default or at risk of default. This resulted in a shortfall in projected future cash flows, which was further exacerbated by a decline in property operating performance and market values as a result of the economic effects of COVID-19, such that the carrying value of these assets would not be recoverable.

In 2019, impairment of (i) \$51.3 million on healthcare assets was based upon a negotiated purchase option exercised by a tenant on three hospitals and preliminary offers received on certain net lease properties, all of which have since been sold; and (ii) \$0.4 million on a hotel was based upon final net proceeds from sale.

Other Equity and Debt—Impairment was \$120.0 million higher, primarily on the THL Hotel Portfolio, various office properties, and a hotel in Spain. The higher impairment was driven by shortened holding period assumptions due to the Company's accelerated digital transformation or risk of default on non-recourse investment level debt; and/or the economic effects of COVID-19 on property operating cash flows and market values.

Other Investment Management—Goodwill in the other investment management segment was written down by \$515.0 million, driven by acceleration of the Company's digital transformation and significant reduction in the value of its non-digital balance sheet assets.

Unallocated—Impairment was recorded on the corporate aircraft in 2020 to reflect recoverable value based upon a shortened holding period and on an office operating lease asset in 2019.

Compensation Expense

The following table provides the components of compensation expense:

(In thousands)	Three Months Ended June 30,		
	2020	2019	Change
Cash compensation and benefits	\$ 51,050	\$ 31,294	\$ 19,756
Equity-based compensation	10,422	7,577	2,845
Incentive and carried interest compensation	(1,162)	1,146	(2,308)
	<u>60,310</u>	<u>40,017</u>	<u>20,293</u>
Compensation grossed up in income and expense			
Equity-based compensation—CLNC and NRE (prior to September 2019) awards	3,041	3,559	(518)
Total compensation expense	<u>\$ 63,351</u>	<u>\$ 43,576</u>	<u>19,775</u>

Total compensation expense increased \$19.8 million, attributed primarily to (i) additional compensation cost following the consolidation of DBH and DataBank, acquired in July and December 2019, respectively; and (ii) \$6.6 million of severance related costs incurred in the second quarter of 2020 in connection with our new cost reduction initiative. These increases were partially offset by a decrease in compensation cost following the cost reduction initiative, sales of NRE in September 2019 and our industrial business in December 2019, and reversal of carried interest compensation in 2020.

Administrative Expenses

There was a marginal increase in administrative expense of \$0.3 million as higher professional service costs and additional expenses in connection with businesses acquired in 2019 were largely offset by savings in business travel and office costs resulting from efforts to reduce the spread of COVID-19.

Gain on Sale of Real Estate

The higher gains in 2019 were from sales of our European properties. The pace of dispositions has slowed considerably in 2020 given the current global economic downturn resulting from efforts to contain COVID-19.

Equity Method Earnings (Losses)

(In thousands)	Three Months Ended June 30,		
	2020	2019	Change
Digital	\$ 7,940	\$ 3,147	\$ 4,793
CLNC	(350,241)	(267,912)	(82,329)
Other Equity and Debt	(28,525)	25,633	(54,158)
Other Investment Management (including carried interest reversal of \$2,324 and income of \$1,836, respectively)	(4,033)	(18,320)	14,287
	<u>\$ (374,859)</u>	<u>\$ (257,452)</u>	<u>(117,407)</u>

Digital—Amounts represent net earnings from interests in (i) our sponsored DCP fund; (ii) through July 2019, Digital Colony Manager, the manager of DCP, prior to its consolidation upon acquisition of DBH; and beginning March 31, 2020, existing Colony investment vehicles that were repurposed to execute an investment strategy focused around the digital sector.

CLNC—We recorded an other-than-temporary impairment on our investment in CLNC of \$274.7 million in 2020 and \$227.9 million in 2019. Our interest in CLNC also generated net loss of \$75.6 million in 2020 (inclusive of \$8.7 million adjustment to reduce the basis difference allocated to non-strategic assets resolved during the second quarter of 2020) and net loss of \$40.0 million in 2019. CLNC's net losses were driven by allowance for loan losses, impairment or unrealized fair value losses on investments, and realized losses from sale of investments and unwinding of hedge positions, further affected by COVID-19 in 2020. Refer to Note 6 to the consolidated financial statements for further discussion of the CLNC impairment and basis adjustment.

Other Equity and Debt—Equity method losses in 2020 compared to earnings in 2019, resulting in a decrease of \$54.2 million, arose from impairment of an investee based upon projected exit strategy, decrease in fair value of investments under the fair value option and our share of investee net losses, all of which reflect the economic effects of COVID-19.

Other Investment Management—Equity method net loss was \$14.3 million lower due to an impairment charge recorded in 2019 on an investee which has since been sold, partially offset by reversal of unrealized carried interest allocation in 2020.

Other Loss, Net

We recorded other net loss of \$173.0 million in 2020 and \$89.5 million in 2019, driven primarily by the following:

Three Months Ended June 30, 2020

- \$284.4 million (\$230.3 million attributable to noncontrolling interests in investment entities) of net unrealized losses on loans receivable carried at fair value as recoverability is affected by increasing uncertainty and deterioration in the economic environment arising from the effects of COVID-19 (fair value option was elected on loans receivable beginning 2020);
- \$21.4 million of unrealized credit losses on commercial real estate ("CRE") debt securities;
- realized gain of \$60.7 million, of which the Company's share is 50%, and recognition of future profit allocation at fair value of \$66.0 million (\$33.7 million attributable to noncontrolling interests in investment entities) from recapitalization of our co-investment venture which holds common stock in Albertsons Companies, Inc. (refer to Note 6 to the consolidated financial statements).

Three Months Ended June 30, 2019

- unrealized loss of \$86.9 million on a non-designated interest rate swap assumed through the Merger that was intended to hedge future refinancing on certain healthcare mortgage debt. Such debt was refinanced in June 2019 and the swap was terminated at the end of 2019.

Income Tax Expense

Income tax expense was higher by \$5.1 million, attributed primarily to (i) valuation allowances established against deferred tax assets in the hospitality and healthcare segments as a result of uncertainties in future realization of tax benefit on net operating losses, taking into consideration the impairment of assets in these segments; partially offset by (ii) deferred tax benefit recognized on taxable losses in the other investment management segment.

Income (Loss) from Discontinued Operations

In 2020, discontinued operations represent (i) results of operations of the bulk industrial portfolio; and (ii) in the second quarter of 2020, final adjustments to proceeds from the December 2019 sale of the light industrial portfolio upon release of escrowed funds, which resulted in a net loss of \$7.4 million, including a corresponding effect on carried interest and related compensation. In 2019, discontinued operations encompassed predominantly results of the light industrial portfolio and the related management platform prior to its sale in December 2019. Refer to Note 16 to the consolidated financial statements.

Consolidated Results of Operations

Comparison of Six Months Ended June 30, 2020 to Six Months Ended June 30, 2019

(In thousands)	Six Months Ended June 30,		Change
	2020	2019	
Revenues			
Property operating income	\$ 719,232	\$ 947,686	\$ (228,454)
Interest income	55,244	81,125	(25,881)
Fee income	87,045	66,461	20,584
Other income	18,358	26,226	(7,868)
Total revenues	879,879	1,121,498	(241,619)
Expenses			
Property operating expense	457,276	549,982	(92,706)
Interest expense	230,199	276,627	(46,428)
Investment and servicing expense	23,572	38,466	(14,894)
Transaction costs	496	2,822	(2,326)
Depreciation and amortization	271,763	220,734	51,029
Provision for loan loss	—	18,614	(18,614)
Impairment loss	2,388,825	110,317	2,278,508
Compensation expense—cash and equity-based	117,547	73,947	43,600
Compensation expense—carried interest and incentive fee	(10,343)	2,418	(12,761)
Administrative expenses	53,163	42,840	10,323
Settlement loss	5,090	—	5,090
Total expenses	3,537,588	1,336,767	2,200,821
Other income (loss)			
Gain on sale of real estate	10,800	35,530	(24,730)
Other loss, net	(176,501)	(138,575)	(37,926)
Equity method losses	(256,833)	(225,225)	(31,608)
Equity method earnings (losses)—carried interest	(20,735)	6,732	(27,467)
Loss before income taxes	(3,100,978)	(536,807)	(2,564,171)
Income tax expense	(16,044)	(3,783)	(12,261)
Loss from continuing operations	(3,117,022)	(540,590)	(2,576,432)
Income (loss) from discontinued operations	(6,028)	25,789	(31,817)
Net loss	(3,123,050)	(514,801)	(2,608,249)
Net income (loss) attributable to noncontrolling interests:			
Redeemable noncontrolling interests	(158)	1,953	(2,111)
Investment entities	(491,801)	36,574	(528,375)
Operating Company	(264,658)	(36,600)	(228,058)
Net loss attributable to Colony Capital, Inc.	(2,366,433)	(516,728)	(1,849,705)
Preferred stock dividends	37,990	54,275	(16,285)
Net loss attributable to common stockholders	\$ (2,404,423)	\$ (571,003)	(1,833,420)

Property Operating Income and Property Operating Expenses

(In thousands)	Six Months Ended June 30,		
	2020	2019	Change
Property operating income:			
Digital	\$ 87,166	\$ —	\$ 87,166
Healthcare	278,232	289,553	(11,321)
Hospitality	210,632	423,571	(212,939)
Other Equity and Debt	143,202	234,562	(91,360)
	<u>\$ 719,232</u>	<u>\$ 947,686</u>	<u>(228,454)</u>
Property operating expenses:			
Digital	\$ 34,961	\$ —	\$ 34,961
Healthcare	141,319	128,226	13,093
Hospitality	184,728	281,036	(96,308)
Other Equity and Debt	96,268	140,720	(44,452)
	<u>\$ 457,276</u>	<u>\$ 549,982</u>	<u>(92,706)</u>

Digital—Amounts represent income and related operating expenses from our DataBank subsidiary that was acquired in December 2019, primarily in connection with colocation rent and data center services.

Healthcare—Property operating income decreased \$11.3 million, driven by sales of 25 net lease properties in 2019 and one in the first quarter of 2020, and to a lesser extent, lower rental income from lease restructurings on certain net leased senior housing and skilled nursing facilities. Property operating expenses increased \$13.1 million, primarily due to incremental costs incurred in our senior housing facilities in response to COVID-19, and to a lesser extent, higher insurance premiums. A small portion of the incremental costs were abated by government stimulus funding under the CARES Act Provider Relief Fund, which partially offset the decrease in property operating income. Refer to further discussion in "*Segment Results—Healthcare*."

Hospitality—Property operating income and expense decreased \$212.9 million and \$96.3 million, respectively. On a same store basis (excluding the effects of ten select service hotels sold in 2019), property operating income and expense decreased \$193.8 million or 48% and \$81.2 million or 31%, respectively. The decrease in income reflects the effects of COVID-19 with significant declines in room demand with an average occupancy of 44.4%, a decrease of 40% compared to the same period last year. This was further compounded by lower ADR resulting in RevPAR falling 47% compared to the same period last year. Although we have taken various steps to minimize non-essential operating expenses during this time, the decrease in operating expenses, as expected, was less pronounced as we continue to incur fixed operating costs. Notwithstanding the overall negative results for the second quarter of 2020, operations have recovered from the trough in April 2020 and have since trended positively through July 2020. Refer to further discussion in "*Segment Results—Hospitality*."

Other Equity and Debt—Property operating income and expenses decreased \$91.4 million and \$44.5 million, respectively, driven by sales of limited service hotels in our THL Hotel Portfolio, U.S. multi-tenant offices and other properties in our European portfolio, as well as the effects of COVID-19 on the operating results of our THL Hotel Portfolio and a hotel in Spain.

Interest Income

Interest income decreased \$25.9 million, attributed to loan payoffs and sales in 2019 and loans placed on nonaccrual in the second quarter of 2020 as the COVID-19 crisis has led to increased uncertainty over collectability.

Fee Income

Fee income is earned from the following sources:

(In thousands)	Six Months Ended June 30,		
	2020	2019	Change
Institutional funds and other investment vehicles	\$ 61,813	\$ 23,671	\$ 38,142
Public companies (CLNC, and NRE prior to its sale in September 2019)	15,281	30,144	(14,863)
Non-traded REIT	8,862	10,095	(1,233)
Other	1,089	2,551	(1,462)
	<u>\$ 87,045</u>	<u>\$ 66,461</u>	<u>20,584</u>

Total fee income increased \$20.6 million resulting from:

- net increase of \$38.1 million in fees from institutional funds and investment vehicles, driven by \$40.2 million of fees from DBH (50% of fees from DCP was recognized as equity method income prior to acquisition of DBH) and Colony Latam, which were acquired in July 2019 and April 2019, respectively, partially offset by decreases in fees from liquidating funds;

The increase in fees from institutional funds and investment vehicles was partially offset by:

- \$6.4 million decrease in fees from Colony Credit due to a lower stockholders' equity fee base;
- \$7.7 million of fees from NRE in 2019 prior to its sale in September 2019;
- \$1.1 million decrease in fees from NorthStar Healthcare following a decrease in its NAV fee basis effective December 2019; and
- \$1.5 million decrease in other fees related primarily to advisory fees earned in the second quarter of 2019.

Other Income

Other income decreased \$7.9 million, attributed primarily to (i) lower other income in connection with CLNC equity awards that were remeasured at fair value based upon CLNC's stock price at period end, and other income recognized in 2019 in relation to NRE equity awards, with such amounts correspondingly recognized in equity-based compensation, as a gross-up of income and expense (refer to Note 19 to the consolidated financial statements for a description of the accounting treatment of managed company awards); and (ii) lower cost reimbursement from affiliates. These decreases were partially offset by hotel management fee income in the first quarter of 2020 from our acquisition of a distressed hotel manager in France in July 2019 within our other equity and debt segment.

Interest Expense

(In thousands)	Six Months Ended June 30,		Change
	2020	2019	
Investment-level financing:			
Digital	\$ 17,586	\$ —	\$ 17,586
Healthcare	74,565	104,662	(30,097)
Hospitality	69,678	83,656	(13,978)
Other Equity and Debt	38,271	61,069	(22,798)
Corporate-level debt	30,099	27,240	2,859
	<u>\$ 230,199</u>	<u>\$ 276,627</u>	<u>(46,428)</u>

Net decrease in interest expense \$46.4 million is attributed to the following:

Digital—Amount represents interest expense on debt assumed from our DataBank subsidiary that was acquired in December 2019.

Healthcare—Interest expense was \$30.1 million lower as a result of: (i) decrease in LIBOR on predominantly variable rate debt; (ii) interest expense recognized in the second quarter of 2019 from the write-off of debt discount in connection with a June 2019 refinancing; and (iii) debt repayment upon sale of non-core properties in 2019. These decreases were partially offset by interest expense recognized from amortization of deferred financing costs incurred in connection with the June 2019 refinancing.

Hospitality—Interest expense decreased \$14.0 million, driven by a decline in LIBOR on predominantly variable rate debt on our hotel portfolio, partially offset by additional debt obtained in connection with debt refinancing in 2019 and higher deferred financing costs expensed as a result of the refinancing.

Other Equity and Debt—Interest expense decreased \$22.8 million due to a decline in LIBOR and debt payoffs from sale of properties and resolution of loans receivable.

Corporate-level Debt—Interest expense increased \$2.9 million as a result of writing off a portion of deferred financing costs on our corporate credit facility to reflect a reduction in the facility amount in June 2020, along with a higher average outstanding balance on the facility in 2020. This increase was partially offset by the effect of a decline in LIBOR on our junior subordinated debt and lower unused fees on our credit facility.

Investment and Servicing Expense

Investment and servicing costs were \$14.9 million lower, attributed primarily to costs related to refinancing of our healthcare debt in 2019, higher un consummated deal costs in 2019 and lower hotel asset management and incentive fees

in 2020, which corresponds to the decline in hotel revenues, partially offset by higher investment expenses incurred by our European portfolio.

Transaction Costs

The higher transaction costs in 2019 of \$2.8 million related to our acquisition of the Latin American investment management business of The Abraaj Group and acquisition of a hotel portfolio in France through a joint venture.

Depreciation and Amortization

Higher depreciation and amortization expense is attributed to real estate and intangible assets acquired from DataBank in December 2019 and DBH in July 2019, as well as capital improvements and fixed asset additions to our hotel properties that were completed throughout 2019 and beginning of 2020. These increases were partially offset by sales of non-core properties, lower real estate basis after impairment charges in 2019, termination of NRE management contract in September 2019 and write-down of NorthStar Healthcare management contract in December 2019.

Impairment Loss

(In thousands)	Six Months Ended June 30,		
	2020	2019	Change
Healthcare	\$ 709,787	\$ 51,324	\$ 658,463
Hospitality	910,913	4,270	906,643
Other Equity and Debt	161,828	54,074	107,754
Other Investment Management	594,000	—	594,000
Unallocated	12,297	649	11,648
	<u>\$ 2,388,825</u>	<u>\$ 110,317</u>	<u>2,278,508</u>
Impairment loss attributable to noncontrolling interests in investment entities	<u>\$ 319,974</u>	<u>\$ 51,346</u>	268,628

Impairment loss on real estate and goodwill are discussed further in Notes 4 and 7, respectively, to the consolidated financial statements.

Healthcare and Hospitality—In 2020, we recognized impairment of \$709.8 million on healthcare assets and \$910.9 million on hotel assets, resulting from shortened holding period assumptions, attributable to both the Company's accelerated digital transformation, and the risk that the Company is unable to obtain accommodation from lenders on non-recourse mortgage debt that is in default or at risk of default. This resulted in a shortfall in projected future cash flows, which was further exacerbated by a decline in property operating performance and market values as a result of the economic effects of COVID-19, such that the carrying value of these assets would not be recoverable.

In 2019, impairment of (i) \$51.3 million on healthcare assets was based upon a negotiated purchase option exercised by a tenant on three hospitals and preliminary offers received on certain net lease properties, all of which have since been sold; and (ii) \$4.3 million on hotel assets was based upon revised expected sales prices or final net proceeds from sale.

Other Equity and Debt—Impairment was \$107.8 million higher, attributed to write-downs in 2020 on the THL Hotel Portfolio and office properties in the U.S, partially offset by a net decrease in impairment on our European portfolio. The higher impairment in 2020 was driven by a shortened holding period assumption due to the Company's accelerated digital transformation or risk of default on non-recourse investment level debt; and/or the economic effects of COVID-19 on property operating cash flows and market values.

Other Investment Management—Goodwill in the other investment management segment was written down by \$594 million, driven by acceleration of the Company's digital transformation and significant reduction in the value of its non-digital balance sheet assets.

Unallocated—Impairment was recorded on the corporate aircraft in 2020 to reflect recoverable value based upon a shortened holding period and on an office operating lease asset in 2019.

Compensation Expense

The following table provides the components of compensation expense.

(In thousands)	Six Months Ended June 30,		
	2020	2019	Change
Cash compensation and benefits	\$ 99,262	\$ 54,086	\$ 45,176
Equity-based compensation	18,671	13,491	5,180
Incentive and carried interest compensation	(10,343)	2,418	(12,761)
	<u>107,590</u>	<u>69,995</u>	<u>37,595</u>
Compensation grossed up in income and expense			
Equity-based compensation—CLNC and NRE (prior to September 2019) awards	(386)	6,370	(6,756)
Total compensation expense	<u>\$ 107,204</u>	<u>\$ 76,365</u>	<u>30,839</u>

Total compensation expense increased \$30.8 million, attributed primarily to (i) additional compensation cost following the consolidation of DBH and DataBank, acquired in July and December 2019, respectively; and (ii) \$6.6 million of severance related costs incurred in the second quarter of 2020 in connection with our new cost reduction initiative. These increases were partially offset by a decrease in compensation cost following the cost reduction initiative, sales of NRE in September 2019 and our industrial business in December 2019, and reversals of carried interest compensation and equity-based compensation on CLNC awards in 2020 (refer to discussion in *Other Income*).

Administrative Expenses

Administrative expense was \$10.3 million higher, largely attributable to higher professional service costs and additional expenses in connection with businesses acquired in 2019, partially offset by savings in business travel and office costs resulting from efforts to reduce the spread of COVID-19.

Settlement Loss

Amount represents fair value of the settlement arrangement with Blackwells at inception in March 2020, including reimbursement of legal costs. Refer to additional discussion in Note 12 to the consolidated financial statements.

Gain on Sale of Real Estate

There were higher gains in 2019 from sales of our European properties and U.S. multi-tenant office buildings. The pace of dispositions have slowed considerably in 2020 given the current global economic downturn resulting from efforts to contain COVID-19.

Gain on sale of \$7.4 million and \$34.7 million in the six months ended June 30, 2020 and 2019, respectively, were attributable to noncontrolling interests in investment entities.

Equity Method Earnings (Losses)

(In thousands)	Six Months Ended June 30,		
	2020	2019	Change
Digital	\$ 8,408	\$ 6,423	\$ 1,985
CLNC	(360,310)	(262,399)	(97,911)
Other Equity and Debt	(10,824)	50,206	(61,030)
Other Investment Management (including carried interest reversal \$20,735 and income of \$6,732, respectively)	85,158	(12,723)	97,881
	<u>\$ (277,568)</u>	<u>\$ (218,493)</u>	<u>(59,075)</u>

Digital—Amounts represent net earnings from interests in (i) our sponsored DCP fund; (ii) through July 2019, Digital Colony Manager, the manager of DCP, prior to its consolidation upon acquisition of DBH; and beginning March 31, 2020, existing Colony investment vehicles that were repurposed to execute an investment strategy focused around the digital sector.

CLNC—We recorded other-than-temporary impairment on our investment in CLNC of \$274.7 million in 2020 and \$227.9 million in 2019.

Our interest in CLNC also generated net loss of \$85.6 million in 2020 (inclusive of \$27.9 million adjustment to reduce the basis difference allocated to non-strategic assets resolved during the six months ended June 30, 2020) and net loss of \$34.5 million in 2019. CLNC's net losses were driven by allowance for loan losses, impairment or unrealized fair value

losses on investments, and realized losses from sale of investments and unwinding of hedge positions, further affected by COVID-19 in 2020.

Refer to Note 6 to the consolidated financial statements for further discussion of the CLNC impairment and basis adjustment.

Other Equity and Debt—Equity method losses in 2020 compared to earnings in 2019, resulting in a decrease of \$61.0 million, arose from impairment of an investee based upon projected exit strategy, decrease in fair value of investments under the fair value option and our share of investee net losses, all of which reflect the economic effects of COVID-19. To a lesser extent, there was also a loss of earnings from investments that were resolved or sold in 2019, partially offset by income from additional acquisition, development and construction ("ADC") loan disbursements.

Other Investment Management—Equity method net income in 2020 was driven by a \$106.1 million gain from sale of our equity investment in RXR Realty in February 2020, partially offset by a reversal of unrealized carried interest allocation. In comparison, equity method net loss was incurred in 2019, driven by impairment charge on an investee that has since been sold, partially offset by unrealized carried interest income.

Other Loss, Net

We recognized other net loss of \$176.5 million in 2020 and \$138.6 million in 2019, driven primarily by the following:

Six Months Ended June 30, 2020

- \$281.3 million (\$227.6 million attributable to noncontrolling interests in investment entities) of net unrealized losses on loans receivable carried at fair value as recoverability is affected by increasing uncertainty and deterioration in the economic environment arising from the effects of COVID-19 (fair value option was elected on loans receivable beginning 2020); and
- \$22.2 million of unrealized credit losses on CRE debt securities; partially offset by
- realized gain of \$60.7 million and recognition of future profit allocation at fair value of \$66.0 million (\$33.7 million attributable to noncontrolling interests in investment entities) from recapitalization of our co-investment venture which holds common equity in the Albertsons supermarket chain (refer to Note 6 to the consolidated financial statements).

Six Months Ended June 30, 2019

- unrealized loss of \$146.1 million on a non-designated interest rate swap assumed through the Merger that was intended to hedge future refinancing on certain healthcare mortgage debt. Such debt was refinanced in June 2019 and the swap was terminated at the end of 2019.

Income Tax Expense

Income tax expense was \$12.3 million higher, attributed primarily to (i) valuation allowances established against deferred tax asset in the hospitality and healthcare segments as a result of uncertainties in future realization of net operating losses, taking into consideration the impairment of assets in these segments; (ii) tax liability on the gain from sale of our equity investment in RXR Realty in February 2020; partially offset by (iii) deferred tax benefit recognized in connection with our DataBank subsidiary acquired in December 2019 and taxable losses in the other investment management segment in the second quarter of 2020.

Income (Loss) from Discontinued Operations

In 2020, discontinued operations represent (i) results of operations of the bulk industrial portfolio; and (ii) in the second quarter of 2020, final adjustments to proceeds from the December 2019 sale of the light industrial portfolio upon release of escrowed funds, which resulted in a net loss of \$7.4 million, including a corresponding effect on carried interest and related compensation. In 2019, discontinued operations encompassed predominantly results of the light industrial portfolio and the related management platform prior to its sale in December 2019. Refer to Note 16 to the consolidated financial statements.

Assets Under Management ("AUM") and Fee Earning Equity Under Management ("FEEUM")

Below is a summary of our third party AUM and FEEUM for our digital and other investment management business.

Type	Products	Description	AUM ⁽¹⁾ (In billions)		FEEUM ⁽²⁾ (In billions)	
			June 30, 2020	December 31, 2019 ⁽³⁾	June 30, 2020	December 31, 2019 ⁽³⁾
Digital segment						
Other Investment Vehicles	Digital real estate and infrastructure	Earns base management fees and service fees; potential for carried interest from DCP	\$ 21.0	\$ 13.5	\$ 7.8	\$ 6.8
Other Investment Management segment						
Institutional funds	Credit funds, opportunistic funds, value-add funds and other co-investment vehicles	Earns base and asset management fees from all managed funds; potential for carried interest on sponsored funds	8.5	8.5	5.6	5.6
Retail Companies	NorthStar Healthcare	Earns base management fees and potential for carried interest	3.4	3.4	1.2	1.2
Public Companies	Colony Credit Real Estate, Inc. ⁽⁴⁾	NYSE-listed credit REIT	3.0	3.5	1.7	2.2
		Earns base management fees and potential for incentive fees				
Subtotal - Other Investment Management segment			14.9	15.4	8.5	9.0
Total Company			\$ 35.9	\$ 28.9	\$ 16.3	\$ 15.8

⁽¹⁾ Assets for which the Company and its affiliates provide investment management services, including assets for which the Company may or may not charge management fees and/or performance allocations. AUM is based on the cost basis of managed investments as reported by each underlying vehicle as of the end of the reporting period and includes uncalled capital commitments. The Company's calculations of AUM may differ from other asset managers, and as a result, may not be comparable to similar measures presented by other asset managers.

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

⁽³⁾ Effective June 30, 2020, we no longer include the Company's share of AUM and FEEUM managed by third party asset managers in which we have an equity interest. AUM and FEEUM for December 31, 2019 have been revised to conform to the current definition.

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

- Total third party FEEUM increased \$0.5 billion to \$16.3 billion at June 30, 2020.
 - There was a \$1.0 billion increase in our digital FEEUM, of which \$0.7 billion arose from DCP's acquisition in February 2020 of Zayo Group Holdings, Inc., a provider of bandwidth infrastructure services in the United States and Europe. Zayo, formerly a publicly-traded company, was taken private as part of the acquisition by DCP.
 - This increase was partially offset by a \$0.4 billion decrease in FEEUM from CLNC as a result of a decrease in CLNC's asset values.
- With the raising of third party capital alongside our balance sheet investment in Vantage's portfolio of stabilized hyperscale data centers in July 2020, our third party digital AUM and FEEUM have increased to \$21.6 billion and \$8.3 billion, respectively.

Segments

The following discussion summarizes key information on our reportable segments.

Digital Real Estate and Investment Management ("Digital")

Digital is a new segment for the Company effective the fourth quarter of 2019, and is where we expect substantial growth to take place, both in terms of the balance sheet and investment management through (a) further investment of capital into digital real estate and infrastructure assets and GP co-investments and (b) net inflows of third-party capital into digital-related investment strategies sponsored by the Company.

Our digital segment is composed of the following as of June 30, 2020:

- *Digital real estate*—A 20% controlling interest in DataBank, acquired in December 2019. DataBank is a leading provider of enterprise-class data centers, connectivity and managed services.

DataBank owns eight data centers, having completed the construction of a new data center in the second quarter of 2020, and have leasehold interests in 12 data centers, operating in nine U.S. markets. This is our inaugural direct balance sheet investment in digital real estate and represents our first step in investing in the edge/colocation data center sector, which will support future growth opportunities through potential add-on acquisitions and greenfield edge data center developments. We earn rental and service income from providing use of space and/or capacity in our digital assets through long-term contracts and related service orders.

- *Digital investment management*—DBH investment management business, acquired in July 2019, which currently manages DCP and six digital real estate portfolio companies, including DataBank.

At June 30, 2020, our digital FEEUM totaled \$7.8 billion. Investment management products may include investment vehicles for co-investment partnerships and other managed assets, and digital credit and liquid securities products in the future. We earn management fees, generally based on the amount of assets or capital managed in investment vehicles, and have the potential to earn carried interest based on the performance of such investment vehicles subject to the achievement of minimum return hurdles.

- *Digital equity investments*—DCP, our first sponsored digital real estate and infrastructure fund, which had its final closing in May 2019; and interests in existing Colony investment vehicles that were repurposed to execute an investment strategy focused around the digital sector.

DCP has total commitments of \$4.06 billion, including our \$250 million commitment, of which we have funded \$115 million through June 30, 2020. Refer to discussion of the Wafra transaction below in connection with our capital commitments to DCP. As of August 4, 2020, DCP has called 77% of commitments, and is invested in ten geographically diversified portfolio companies across North America, South America, and Europe, composed of the digital infrastructure ecosystem of cell towers, data centers, small cells and fiber networks.

Acceleration of Our Digital Transformation

Strategic Partnership in Our Digital Investment Management Business

On July 17, 2020, we formed a strategic partnership with Wafra in which Wafra made a minority investment representing an approximate 31.5% interest in our Digital IM Business. Wafra paid a consideration of \$254 million for its investment in the Digital IM Business and for warrants issued by the Company to Wafra (assuming the consideration excludes the warrants, this implies an approximately \$805 million valuation of the Digital IM Business). Wafra has agreed to assume certain of the Company's existing commitments made to DCP and to make commitments to the successor fund to DCP and to the Company's initial digital credit fund, in an aggregate amount of up to \$150 million. Wafra has also agreed to make commitments to the Company's future digital funds and investment vehicles on a pro rata basis with the Company based on Wafra's percentage interest in the Digital IM Business, subject to certain caps. Wafra's investment provides us with permanent capital to pursue strategic digital infrastructure investments and grow the Digital IM Business. Refer to Note 24 to the consolidated financial statements for further discussion of the Wafra transaction.

Investment in Hyperscale Data Centers

On July 22, 2020, alongside an approximate \$1 billion of fee bearing third party capital that we raised, we invested \$1.21 billion for an approximate 80% equity stake in Vantage's portfolio of 12 stabilized hyperscale data centers in North America. Our balance sheet investment is \$185 million, which represents a 12.3% interest. Following the closing of this transaction, our digital FEEUM increased to \$8.3 billion. This investment is our second significant balance sheet investment in a digital operating business and achieves our transformation goals on two fronts, that is the rotation of our balance sheet to digital assets and growing our digital investment management business.

Balance Sheet Information

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

(In thousands)	June 30, 2020	December 31, 2019
Real estate held for investment	\$ 845,146	\$ 846,393
Deferred leasing costs and identifiable intangibles, net (excluding goodwill)		
Lease intangibles, customer relationships and trade name	179,338	195,291
Investment management intangibles	149,753	162,878
Equity investments	241,535	47,891
Secured debt	515,007	539,155

The increase in equity investments reflect additional funding in DCP, and interests in existing Colony investment vehicles that were repurposed to execute an investment strategy focused on the digital sector effective March 31, 2020.

Operating Performance

Results of operations of our digital segment are as follows.

(In thousands)	Total Revenues ⁽¹⁾		Net Income (Loss)		Net Income (Loss) Attributable to Colony Capital, Inc.	
Three Months Ended June 30,	2020	2019	2020	2019	2020	2019
Digital real estate	\$ 42,021	\$ —	\$ (21,142)	\$ —	\$ (3,795)	\$ —
Digital investment management	20,729	—	2,304	1,833	1,346	1,723
Digital equity investments	663	—	12,292	124	10,968	116
Total	\$ 63,413	\$ —	\$ (6,546)	\$ 1,957	\$ 8,519	\$ 1,839
Six Months Ended June 30,						
Digital real estate	\$ 87,188	\$ —	\$ (39,437)	\$ —	\$ (7,587)	\$ —
Digital investment management	39,908	—	4,414	4,814	3,867	4,523
Digital equity investments	823	—	9,257	159	8,481	149
Total	\$ 127,919	\$ —	\$ (25,766)	\$ 4,973	\$ 4,761	\$ 4,672

⁽¹⁾ Digital real estate revenues in the second quarter of 2020 included the effects of purchase price allocation adjustments to the amortization of above/below-market lease intangibles (see Note 3 to the consolidated financial statements) which reduced revenues by \$3.2 million.

- Prior to July 2019, our digital segment generated only equity method earnings from our 50% interest in Digital Colony Manager which manages DCP, and from our interest in DCP. Digital Colony Manager was consolidated upon acquisition of DBH.
- Revenues from our digital segment in 2020 represent primarily property operating income from DataBank, acquired in December 2019, and fee income from DBH, acquired in July 2019.
- *Digital real estate*—The net loss from our DataBank business in 2020 includes the effect of interest expense from debt financing, and depreciation and amortization expense. Operating results of DataBank excluding these effects are presented below as earnings before interest, tax and depreciation for real estate ("EBITDAre").
- *Digital investment management*—While fee income from our digital investment management business is trending positively in 2020, operating margins have seen a decline as we ramp up resources to support future investment product offerings.
- *Digital equity investments*—Net income from digital equity investments in 2020 includes the results of existing Colony investment vehicles that were repurposed to execute an investment strategy focused on the digital sector, and more notable contributions from DCP as the fund ramps up its investing activities, in particular contribution from DCP's Zayo co-investment that closed in February 2020.

Earnings Before Interest, Tax and Depreciation for Real Estate

EBITDAre generated by our digital real estate business, which currently consists of DataBank, is as follows. A reconciliation of the most directly comparable GAAP measure to EBITDAre is presented in "—Non-GAAP Supplemental Financial Measures."

(In thousands)	Digital Real Estate	
	Three Months Ended June 30, 2020	Six Months Ended June 30, 2020
Total revenues	\$ 42,021	\$ 87,188
Property operating expenses	(18,055)	(34,961)
Transaction, investment and servicing costs	(576)	(773)
Compensation and administrative expense	(10,464)	(23,120)
EBITDAre—Digital real estate	\$ 12,926	\$ 28,334

Healthcare

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

We own between 69.6% and 81.3% of the various portfolios within our healthcare segment.

Portfolio Overview

Our healthcare portfolio is located across 32 states domestically and in the United Kingdom (representing 17% of our portfolio based upon NOI for the second quarter of 2020).

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

(In thousands)	June 30, 2020	December 31, 2019
Real estate		
Held for investment	\$ 3,638,987	\$ 4,433,825
Held for sale	46,259	57,664
Debt	2,884,765	2,910,032

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

	Number of Properties	Capacity	Average Occupancy ⁽¹⁾	Average Remaining Lease Term (Years)
June 30, 2020				
Senior housing—operating ⁽²⁾⁽³⁾	89	6,898 units	79.3%	N/A
Medical office buildings	106	3.8 million sq. ft.	83.4%	4.5
Net lease—senior housing ⁽²⁾	65	3,529 units	83.5%	11.9
Net lease—skilled nursing facilities	88	10,458 beds	82.5%	5.3
Net lease—hospitals	9	456 beds	66.9%	9.9
Total	357			
December 31, 2019				
Senior housing—operating	83	6,388 units	86.5%	N/A
Medical office buildings	106	3.8 million sq. ft.	82.2%	4.8
Net lease—senior housing	71	4,039 units	80.7%	11.5
Net lease—skilled nursing facilities	89	10,601 beds	82.7%	5.8
Net lease—hospitals	9	456 beds	58.0%	10.3
Total	358			

⁽¹⁾ Occupancy represents the property operator's patient occupancy for all types except medical office buildings. Average occupancy is based upon the number of units, beds or square footage by type of facility. Occupancy percentages are presented as follows: (i) as of the last day of the quarter for

medical office buildings; (ii) average for the quarter for senior housing—operating; and (iii) average of the prior quarter for net lease properties as our operators report on a quarter lag.

⁽²⁾ Six senior housing properties were transitioned from net leases into operating properties in the second quarter of 2020.

⁽³⁾ In August 2020, 36 properties, along with the underlying debt, were indirectly conveyed to an affiliate of a lender, as discussed further below.

Held for Sale and Dispositions

We sold a portfolio of net lease skilled nursing facilities totaling 143 beds and a land parcel in the first quarter of 2020 in our effort to monetize non-core assets in our healthcare segment. We received gross proceeds of \$7.5 million, from which we paid off \$6.5 million of associated debt.

At June 30, 2020, real estate properties with aggregate carrying value of \$46.3 million were held for sale, comprising one portfolio of net lease skilled nursing facilities totaling 766 beds that was encumbered with \$45.1 million of debt.

Financing

At June 30, 2020, our healthcare portfolio was financed by \$2.92 billion of outstanding debt principal, of which \$0.4 billion was fixed rate debt and \$2.52 billion was variable rate debt, bearing a combined weighted average interest rate of 3.88% per annum.

Of the total healthcare debt at June 30, 2020, \$203.0 million was in default. Subsequently, in August 2020, the Company indirectly conveyed the equity of certain of its healthcare borrower subsidiaries, comprising 36 assets in its senior housing operating portfolio and \$157.9 million of the aforementioned defaulted healthcare debt (based on outstanding balance at June 30, 2020), to an affiliate of the lender, which released the Company from all rights and obligations with respect to those healthcare assets and corresponding debt. As of the date of this filing, \$45.1 million of healthcare debt remains in default.

Operating Performance

Results of operations of our healthcare segment are as follows:

(In thousands)	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
Total revenues	\$ 142,680	\$ 145,896	\$ (3,216)	\$ 281,862	\$ 291,670	\$ (9,808)
Net loss	(680,140)	(81,520)	(598,620)	(744,285)	(88,726)	(655,559)
Net loss attributable to Colony Capital, Inc.	(434,410)	(58,616)	(375,794)	(482,422)	(66,078)	(416,344)

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

While there was a loss of earnings from sales of net leased properties in 2019 and operating profits declined in 2020, as discussed below, the net losses in all periods were driven by significant impairment charges, in particular \$661.3 million and \$709.8 million in the three and six months ended June 30, 2020, respectively, due to a shortened holding period assumption.

Net Operating Income

NOI for our healthcare segment is derived as follows and reconciled to the most directly comparable GAAP measure in "*—Non-GAAP Supplemental Financial Measures.*"

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Total revenues	\$ 142,680	\$ 145,896	\$ 281,862	\$ 291,670
Straight-line rent and amortization of above- and below-market lease intangibles and ground lease asset	(8,071)	(4,817)	(12,037)	(10,044)
Interest income	(71)	—	(98)	—
Other income	—	(36)	—	(36)
Property operating expenses	(74,752)	(63,924)	(141,319)	(128,226)
NOI—Healthcare	\$ 59,786	\$ 77,119	\$ 128,408	\$ 153,364

NOI by healthcare portfolio is as follows:

(\$ in thousands)	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2020	2019	\$	%	2020	2019	\$	%
Senior housing—operating	\$ 8,987	\$ 16,468	\$ (7,481)	(45.4)%	\$ 25,840	\$ 33,803	\$ (7,963)	(23.6)%
Medical office buildings	13,368	13,481	(113)	(0.8)%	26,359	25,905	454	1.8 %
Net lease—senior housing	12,845	15,290	(2,445)	(16.0)%	27,149	30,669	(3,520)	(11.5)%
Net lease—skilled nursing facilities	22,572	26,895	(4,323)	(16.1)%	45,095	52,639	(7,544)	(14.3)%
Net lease—hospitals	2,014	4,985	(2,971)	(59.6)%	3,965	10,348	(6,383)	(61.7)%
NOI—Healthcare	\$ 59,786	\$ 77,119	(17,333)	(22.5)%	\$ 128,408	\$ 153,364	(24,956)	(16.3)%

NOI decreased \$17.3 million and \$25.0 million in the three and six months ended June 30, 2020, respectively, of which \$5.7 million and \$11.5 million, respectively, are attributed to the sales of 25 net lease properties in 2019 and one in the first quarter of 2020.

The remaining decrease in NOI resulted primarily from:

- lower rental income from lease restructurings on certain net leased senior housing and skilled nursing facilities; and
- in our senior housing operating portfolio, resident fee income decreased as occupancy declined while operating costs increased, both as a result of COVID-19, as discussed further below.

Effects of COVID-19 on our Healthcare Segment

Our first priority has been, and continues to be, the health and safety of the residents and staff at our communities. We remain focused on supporting our operating partners during this challenging time. Concurrently, we are actively managing capital needs and liquidity to mitigate the financial impact of COVID-19 on our healthcare business.

At this time, we understand from our operators and managers that our communities as a whole continue to experience a moderate level of confirmed COVID-19 cases. The incidence of confirmed cases in our portfolio may continue and could accelerate depending on the duration, scope and depth of COVID-19.

The effect of COVID-19 varies by asset class in the Company's healthcare portfolio. Specifically, efforts to address COVID-19 have in some cases forced temporary closures of medical offices, restricted the admission of new residents to senior housing facilities, especially in communities that have experienced infections, and caused incurrence of unanticipated costs and other business disruptions. The Company will be directly impacted by these factors in its RIDEA assets, and indirectly impacted in its net leased assets as these factors influence tenants' ability to pay rent.

- In our medical office portfolio, beginning in April 2020, a number of tenants failed to make rent payments or make timely payments, and some sought more flexible payment terms or rent concessions as a result of the COVID-19 crisis. Local governments in certain jurisdictions have implemented or are considering implementing programs that permit or require forbearance of rent payments by tenants affected by COVID-19. The Company is currently engaged with affected tenants on a case-by-case basis to evaluate and respond to the current environment. The Company has agreed to provide the affected tenants with a deferral of rent, generally for two to three months, with deferred rent to be repaid in monthly installments over periods of four to 18 months. This resulted in an increase in lease income receivable totaling \$0.3 million as of June 30, 2020. All lease income receivable, including straight-line rents, are subject to the Company's policy for evaluation of collectability based upon creditworthiness of the lessee.
- In our senior housing operating portfolio, statutory or self-imposed restrictions began to limit admission of new residents into our communities starting in March 2020 in an effort to contain COVID-19. Also, we continue to face challenges from existing communities that have experienced infections, heightened risk of resident and staff illness and resident move-outs, particularly in those communities that have experienced infections. There is typically a period of time where restrictions on admissions continue to be imposed in communities that have experienced infections until such time that infections are no longer detected. As a result, we anticipate a decline in occupancy to continue as the rate of resident move-outs continue to outpace new resident admissions.
- Operating costs in our senior housing operating portfolio have risen as our healthcare operators take action to protect their residents and staff, specifically higher labor costs, as well as higher usage and cost of personal protective equipment, and medical and sanitation supplies. We incurred \$7.7 million of such incremental costs in

the second quarter of 2020, of which \$1.6 million was abated through government stimulus funding under the CARES Act Provider Relief Fund.

The challenges faced by our healthcare operators and our tenants as a result of COVID-19 will continue to put pressure on future revenues and operating margins in our healthcare segment.

As necessary, we will engage in discussions with our lenders on the deferral of payment obligations, and/or waiver of defaults for any potential failure in the future to satisfy certain financial or other covenants.

Given the ongoing nature of the pandemic, the extent of the financial effects and how prolonged the effects will be to our healthcare business is uncertain at this time, and largely dependent on the duration and severity of the COVID-19 crisis.

Hospitality

Our hotel portfolio consists primarily of extended stay hotels and premium branded select service hotels located in both major metropolitan markets and high-demand suburban markets throughout the U.S. The majority of our hotels are affiliated with top hotel brands such as Marriott and Hilton.

We own between 89.7% and 100% of the various portfolios within our hospitality segment.

We are currently engaged with a third party advisor to evaluate strategic and financial alternatives to maximize the value of our hospitality portfolio, including the THL Hotel Portfolio in the other equity and debt segment, while balancing the need to preserve liquidity and prioritize the growth of our digital business. We do not anticipate allocating material amounts of the Company's own capital to our hospitality portfolios, but may elect to contribute capital on a limited basis, including in the THL Hotel Portfolio, where we determine it would be meaningful to protect the value of these portfolios.

Portfolio Overview

Our hotel portfolio is located across 26 states in the U.S., with concentrations in Texas (13.9%), California (12.9%), and Florida (12.6%), based upon revenues in the three months ended June 30, 2020.

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

<i>(In thousands)</i>	June 30, 2020	December 31, 2019
Real estate		
Held for investment	\$ 2,635,718	\$ 3,544,264
Held for sale	—	16,155
Debt	2,635,393	2,623,306

A majority of our portfolio is affiliated with top hotel brands. Composition of our hotel portfolio by brand at June 30, 2020, based upon the number of rooms, is as follows:

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

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

Type	June 30,		Three Months Ended June 30,			Six Months Ended June 30,		
	Number of Hotel Properties	Number of Rooms	Average Occupancy	ADR ⁽¹⁾	RevPAR ⁽²⁾	Average Occupancy	ADR ⁽¹⁾	RevPAR ⁽²⁾
2020								
Select service	87	11,737	21.7%	\$ 88	\$ 19	38.2%	\$ 114	\$ 44
Extended stay	66	7,936	44.7%	97	43	54.8%	113	62
Full service	4	966	13.3%	167	22	34.5%	173	60
Total	157	20,639	30.2%	95	29	44.4%	116	51
2019								
Select service	94	12,762	76.0%	\$ 128	\$ 98	71.5%	\$ 127	\$ 91
Extended stay	66	7,936	83.0%	135	112	78.6%	132	104
Full service	4	966	78.2%	168	132	74.1%	170	126
Total	164	21,664	78.6%	133	104	74.2%	131	97

⁽¹⁾ ADR is calculated by dividing room revenue by total rooms sold.

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

Financing

At June 30, 2020, our hotel portfolio was financed by \$2.67 billion of predominantly variable rate debt, bearing a weighted average interest rate of 3.29% per annum. Refer to further discussion below on the effects of COVID-19.

Operating Performance

Results of operations of our hospitality segment are as follows:

(In thousands)	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
Total revenues	\$ 57,143	\$ 227,080	\$ (169,937)	\$ 210,669	\$ 423,695	\$ (213,026)
Net loss	(741,621)	(3,505)	(738,116)	(1,037,378)	(29,582)	(1,007,796)
Net loss attributable to Colony Capital, Inc.	(633,863)	(3,330)	(630,533)	(875,095)	(26,311)	(848,784)

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

While there was a loss of earnings from sales of ten properties in 2019 and operating performance declined due to COVID-19, as discussed below, the significant net losses in 2020 resulted from impairment charges of \$660.8 million and \$910.9 million in the three and six months ended June 30, 2020, respectively, driven by a shortened holding period assumption.

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

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

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Total revenues	\$ 57,143	\$ 227,080	\$ 210,669	\$ 423,695
Straight-line rent and amortization of above- and below-market lease intangibles and ground lease asset	(16)	316	298	626
Interest income	—	(6)	—	(6)
Other income	—	(3)	—	(3)
Property operating expenses	(63,733)	(144,691)	(184,728)	(281,036)
NOI before FF&E Reserve—Hospitality	\$ (6,606)	\$ 82,696	\$ 26,239	\$ 143,276

NOI before FF&E Reserve by hotel type is as follows:

(\$ in thousands)	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2020	2019	\$	%	2020	2019	\$	%
Select service	\$ (9,792)	\$ 45,701	\$ (55,493)	(121.4)%	\$ 5,975	\$ 79,882	\$ (73,907)	(92.5)%
Extended stay	4,691	32,723	(28,032)	(85.7)%	20,079	55,570	(35,491)	(63.9)%
Full service	(1,505)	4,272	(5,777)	(135.2)%	185	7,824	(7,639)	(97.6)%
NOI before FF&E Reserve—Hospitality	\$ (6,606)	\$ 82,696	\$ (89,302)	(108.0)%	\$ 26,239	\$ 143,276	\$ (117,037)	(81.7)%

NOI before FF&E Reserve decreased \$89.3 million and \$117.0 million in the three and six months ended June 30, 2020, respectively, of which \$3.2 million and \$4.3 million, respectively, are attributed to the sales of ten select service properties in 2019. The decrease otherwise reflects the effects of COVID-19, with significant declines in room demand. For the three and six months ended June 30, 2020, average occupancy fell 62% and 40%, respectively, compared to the same period last year, to 30.2% and 44.4%, respectively. This was further compounded by lower ADR, resulting in a decrease in RevPAR of 72% and 47% for the three and six months ended June 30, 2020, respectively, compared to the same periods last year.

Notwithstanding the overall negative results for the second quarter of 2020, operations have recovered from the trough in April 2020, with NOI before FF&E Reserve turning a slight positive in June 2020, as illustrated below. Improvements in occupancy from 21.8% in April 2020 to 39.1% in June 2020 was driven by extended stay demand and also weekend leisure demand, while demand from corporate business travel remains muted.

(\$ in thousands)	Second Quarter 2020			
	April	May	June	Total
Average occupancy	21.8%	29.7%	39.1%	30.2%
NOI before FF&E Reserve	\$ (6,331)	\$ (1,249)	\$ 974	\$ (6,606)

Efforts to Mitigate Effects of COVID-19 on our Hospitality Segment and THL Hotel Portfolio in Other Equity and Debt Segment

Through the date of this filing, all of our hotels are operating, but at significantly reduced levels; however, we may decide or be required to temporarily suspend operations at some or all of our hotels in the future.

Operating Performance

The fallout from COVID-19 began to negatively affect room demand and occupancy in March 2020, with significant effects on our revenues and operating cash flows beginning April 2020, as discussed above.

Liquidity

In order to conserve capital and improve liquidity:

- We have taken various steps to minimize non-essential operating expenses, including where applicable, reduction of services, closure of amenities and floor spaces, and keeping only essential resources on the ground, with our hotel operators having furloughed a substantial number of personnel.
- We are deferring all non-essential capital expenditures in 2020 of approximately \$85 million for our hospitality segment and \$10 million for our THL Hotel Portfolio, which will provide notable cost savings in the near term.

- Following the onset of the COVID-19 crisis, we have not made certain debt service payments on our non-recourse debt. Through the date of this filing, we have successfully executed interest forbearance on some of our debt, after which a remaining combined total of \$3.03 billion is in default in our hospitality segment and the THL Hotel Portfolio. The remaining \$482.4 million of debt in our hospitality segment was not in default as of the date of this filing. We have received notices of acceleration with respect to defaulted debt of \$780.0 million in our hospitality segment and \$842.7 million related to the THL Hotel Portfolio. The \$780.0 million accelerated debt in the hospitality segment is secured by a portfolio of 48 select service and extended stay hotels, and receivers have been or are expected to be appointed for all of these assets. In connection with the remaining defaulted debt, we continue to engage in active negotiations with the respective lenders or servicers to seek various relief, including executing or extending interest forbearance, temporary use of FF&E and other capital expenditure reserves to fund interest payments and hotel operations (such reserves total \$35.1 million in our hospitality segment as of June 30, 2020), and execution of debt modifications, including extension of upcoming maturities in 2020, or make other arrangements, as appropriate. There can be no assurance that we will be successful in any of the negotiations with our lenders or servicers.

Due to uncertainties as to the duration and severity of the economic fallout from COVID-19, at this time, we are unable to estimate with any meaningful precision the extent of the economic and financial impact of COVID-19 to our hospitality business and operations, and how prolonged the impact would be. We cannot predict when business will return to normal levels when the effects of COVID-19 subside.

Colony Credit Real Estate, Inc.

The following table summarizes our ownership interest (on a fully diluted basis) and carrying value in CLNC.

<i>(In thousands, except %)</i>	June 30, 2020	December 31, 2019
Ownership in CLNC		
Number of shares of common stock and units in CLNC's operating subsidiary	47,936	\$ 47,936
Interest %	36.4%	36.4%
Carrying value of CLNC investment	\$ 336,513	\$ 725,443

Our carrying value in CLNC reflects its market value as of June 30, 2020. The \$388.9 million decrease in carrying value in the first six months of 2020 resulted from an impairment charge recorded in the second quarter of 2020, our share of CLNC's net loss, and dividends received in the first quarter of 2020.

Our equity method loss from CLNC is as follows.

<i>(In thousands)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Equity method loss				
Share of CLNC's net loss	\$ (75,570)	\$ (40,008)	\$ (85,639)	\$ (34,495)
Other-than-temporary impairment	(274,671)	(227,904)	(274,671)	(227,904)
	<u>\$ (350,241)</u>	<u>\$ (267,912)</u>	<u>\$ (360,310)</u>	<u>\$ (262,399)</u>

Our share of CLNC's net loss was net of \$8.7 million and \$27.9 million to reduce the basis difference allocated to non-strategic assets resolved during the three and six months ended June 30, 2020, respectively (Note 6 to the consolidated financial statements). CLNC's net loss was driven by allowance for loan losses, impairment or unrealized fair value losses on investments, and realized losses from sale of investments and unwinding of hedge positions, further affected by COVID-19 in 2020.

Other-Than-Temporary Impairment Assessment

In the second quarter of 2020, the Company determined that its investment in CLNC was other-than-temporarily impaired, and recorded an impairment charge of \$274.7 million, measured as the excess of carrying value over market value of its investment in CLNC based upon CLNC's closing stock price on the last trading day of the quarter of \$7.02 per share on June 30, 2020. Refer to further discussion of the impairment on our CLNC investment in Note 6 to the consolidated financial statements.

CLNC Business Update

Michael J. Mazzei was appointed Chief Executive Officer and President of CLNC effective April 1, 2020. Mr. Mazzei brings 35 years of experience, knowledge of navigating through cycles, and strong executive leadership in the commercial real estate finance and mortgage REIT business.

Following the onset of the COVID-19 crisis, CLNC suspended its monthly stock dividend beginning April 2020 in an effort to conserve available liquidity, a move that is in line with many other mortgage REITs. In the second quarter of 2020, CLNC executed on a number of strategic initiatives that generated additional liquidity while reducing recourse financing to further fortify its balance sheet under the current challenging economic environment.

Other Equity and Debt

This segment is composed of a diversified group of non-digital real estate and real estate-related debt and equity investments, including investments for which the Company acts as a general partner and/or manager ("GP co-investments") and receives various forms of investment management economics on related third-party capital on such investments, other real estate equity and debt investments and other real estate related securities, among other holdings.

Over time, the Company expects to monetize the bulk of its existing portfolio as it completes its digital evolution.

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

(In thousands)	June 30, 2020	December 31, 2019
Real estate		
Held for investment	\$ 1,868,051	\$ 2,036,036
Held for sale	263,023	353,724
Equity and debt investments		
Limited partnership interests in our sponsored and co-sponsored funds	54,978	63,102
Other equity investments ⁽¹⁾	1,131,100	1,276,059
CRE debt securities	33,949	57,591
Loans receivable ⁽²⁾	1,349,103	1,518,058
Debt ⁽³⁾	1,924,639	2,061,101

⁽¹⁾ Significant investments include acquisition, development and construction loans (\$575.6 million) and preferred equity investments (\$140.3 million).

⁽²⁾ Carried at fair value upon adoption of fair value option on January 1, 2020.

⁽³⁾ Includes debt carrying value of \$155.3 million related to real estate held for sale.

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

(In thousands)	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
Total revenues	\$ 74,428	\$ 152,066	\$ (77,638)	\$ 195,547	\$ 314,754	\$ (119,207)
Net income (loss)	(370,305)	(128)	(370,177)	(340,328)	59,400	(399,728)
Net income (loss) attributable to Colony Capital, Inc.	(141,671)	(5,957)	(135,714)	(143,123)	17,932	(161,055)

- Net income from the other equity and debt segment has decreased over time as we monetized our other equity and debt portfolio throughout 2019, and also reflects the effects of COVID-19 on the operating results of the THL Hotel Portfolio in 2020. However, the large net loss in 2020 resulted primarily from (i) significant unrealized losses on loans receivable carried at fair value; and (ii) real estate impairment, in particular on the THL Hotel Portfolio and a U.S. net lease property. Refer to further discussion in "*Results of Operations*."
- Generally, in 2020, we expect a slower pace of dispositions given the current global economic downturn resulting from efforts to contain COVID-19; nevertheless, we do intend to accelerate the sale of these non-core assets where reasonable values can be attained. Most recently, in April 2020, we recapitalized a co-investment venture which holds common equity in the Albertsons supermarket chain, generating \$72.7 million of proceeds to us and realizing our share of gain of \$29.7 million.
- In connection with the THL Hotel Portfolio, operations have recovered from the trough in April 2020 when we recorded negative NOI before FF&E with average occupancy at 25%. Beginning in May, NOI before FF&E has turned positive with average occupancy recovering to 48% in June, and this positive trend has continued into July.

A discussion of our efforts to mitigate the effects of COVID-19 on the THL Hotel Portfolio is included within the Hospitality segment above.

Other Investment Management

This segment, which is separate from the digital investment management business that resides in the digital segment, encompasses primarily the Company's management of private real estate credit funds and related co-investment vehicles, CLNC, and NorthStar Healthcare, a public non-traded healthcare REIT. The Company earns management fees, generally based on the amount of assets or capital managed, and contractual incentive fees or potential carried interest based on the performance of the investment vehicles managed subject to the achievement of minimum return hurdles.

As part of the Company's ongoing transition and rotation to an investment management and operating business focused on digital real estate and infrastructure, the Company continues to pivot away from its non-digital investment management business.

Balance Sheet Information

Equity investments on the balance sheet of our other investment management segment totaling \$23.6 million at June 30, 2020 and \$140.0 million at December 31, 2019 generally consist of our general partner and co-general partner interests in non-digital investment vehicles we sponsor or co-sponsor, and interests in other real estate asset managers.

Operating Performance

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

(In thousands)	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Change	2020	2019	Change
Total revenues ⁽¹⁾	\$ 30,198	\$ 43,802	\$ (13,604)	\$ 54,497	\$ 83,807	\$ (29,310)
Net income (loss)	(496,000)	2,176	(498,176)	(477,870)	21,972	(499,842)
Net income (loss) attributable to Colony Capital, Inc.	(446,743)	2,628	(449,371)	(430,384)	20,376	(450,760)

⁽¹⁾ Includes cost reimbursement income from CLNC, NRE (prior to its sale in September 2019) and retail companies of \$2.9 million and \$3.4 million for the three months ended June 30, 2020 and 2019, respectively, \$6.4 million and \$6.7 million for the six months ended June 30, 2020 and 2019, which are recorded gross as income and expense in the results of operations.

Significant net losses were incurred in 2020. While we recognized a \$96.9 million gain, net of tax, from the sale of our equity investment in RXR Realty in February 2020, this was offset by significant goodwill impairment of \$79.0 million and \$515.0 million in the first and second quarters of 2020, respectively, a reversal of carried interest allocation and decrease in fee income. Refer to discussion of the various components in "—Results of Operations."

Non-GAAP Supplemental Financial Measures

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

Funds from Operations

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

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

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

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net loss attributable to common stockholders	\$ (2,042,790)	\$ (468,890)	\$ (2,404,423)	\$ (571,003)
Adjustments for FFO attributable to common interests in Operating Company and common stockholders:				
Net loss attributable to noncontrolling common interests in Operating Company	(225,057)	(29,989)	(264,658)	(36,600)
Real estate depreciation and amortization	131,722	159,496	262,245	313,898
Impairment of real estate	1,474,262	87,600	1,782,530	113,222
Loss (gain) on sales of real estate	4,919	(7,088)	(3,014)	(62,322)
Less: Adjustments attributable to noncontrolling interests in investment entities ⁽¹⁾	(329,601)	(88,705)	(411,930)	(123,979)
FFO attributable to common interests in Operating Company and common stockholders	\$ (986,545)	\$ (347,576)	\$ (1,039,250)	\$ (366,784)

⁽¹⁾ The components of adjustments attributable to noncontrolling interests in investment entities for FFO are as follows:

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
FFO adjustments attributable to noncontrolling interests in investment entities:				
Real estate depreciation and amortization	\$ 46,499	\$ 55,646	\$ 94,214	\$ 107,456
Impairment of real estate	279,840	37,195	319,974	51,346
Loss (gain) on sales of real estate	3,262	(4,136)	(2,258)	(34,823)
	\$ 329,601	\$ 88,705	\$ 411,930	\$ 123,979

EBITDAre

We calculate EBITDAre for our digital real estate segment in accordance with standards established by NAREIT, which defines EBITDAre as net income or loss calculated in accordance with GAAP, excluding (i) interest expense; (ii) income tax benefit (expense); (iii) depreciation and amortization; (iv) gains on disposition of depreciated real estate, including gains or losses on change of control; (v) impairment write-downs of depreciated real estate and of investments in unconsolidated affiliates caused by a decrease in value of depreciated real estate in the affiliate; and (vi) including similar adjustments for equity method investments to reflect the Company's share of EBITDAre of unconsolidated affiliates

EBITDAre represents a widely known supplemental measure of performance, EBITDA, but for real estate entities, which we believe is particularly helpful for generalist investors in REITs. EBITDAre depicts the operating performance of a real estate business independent of its capital structure, leverage and noncash items, which allows for comparability across real estate entities with different capital structure, tax rates and depreciation or amortization policies. Additionally, exclusion of gains on disposition and impairment of depreciated real estate, similar to FFO, also provides a reflection of on-going operating performance and allows for period-over-period comparability.

As with other non-GAAP measures, the usefulness of EBITDAre may be limited. For example, EBITDAre focuses on profitability from operations, and does not take into account financing costs, and capital expenditures needed to maintain operating real estate.

NOI

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

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

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

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

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

Reconciliation of Non-GAAP Financial Measures

The following tables present reconciliations of net loss of the digital real estate segment to EBITDAre, and net loss of the healthcare and hospitality segments to NOI.

(In thousands)	Digital Real Estate	Healthcare		Hospitality ⁽¹⁾	
	Three Months Ended June 30, 2020	Three Months Ended June 30,		Three Months Ended June 30,	
		2020	2019	2020	2019
Net loss	\$ (21,142)	\$ (680,140)	\$ (81,520)	\$ (741,621)	\$ (3,505)
Adjustments:					
Straight-line rent and amortization of above- and below-market lease intangibles and ground lease asset	—	(8,071)	(4,817)	(16)	316
Interest income	—	(71)	—	—	(6)
Other income	—	—	(36)	—	(3)
Interest expense	8,170	34,699	57,135	29,889	41,591
Transaction, investment and servicing costs	—	907	9,097	799	2,712
Depreciation and amortization	28,571	36,980	40,778	35,462	37,008
Impairment loss	—	661,255	51,324	660,751	420
Compensation and administrative expense	—	1,749	2,301	1,793	2,183
Gain on sale of real estate	—	—	—	—	(140)
Other (gain) loss, net	—	342	2,261	(354)	114
Income tax (benefit) expense	(2,673)	12,136	596	6,691	2,006
EBITDAre / NOI / NOI before FF&E Reserve	\$ 12,926	\$ 59,786	\$ 77,119	\$ (6,606)	\$ 82,696

(In thousands)	Digital Real Estate	Healthcare		Hospitality ⁽¹⁾	
	Six Months Ended June 30, 2020	Six Months Ended June 30,		Six Months Ended June 30,	
		2020	2019	2020	2019
Net loss	\$ (39,437)	\$ (744,285)	\$ (88,726)	\$ (1,037,378)	\$ (29,582)
Adjustments:					
Straight-line rent and amortization of above- and below-market lease intangibles and ground lease asset	—	(12,037)	(10,044)	298	626
Interest income	—	(98)	—	—	(6)
Other income	—	—	(36)	—	(3)
Interest expense	17,572	74,565	104,662	69,678	83,656
Transaction, investment and servicing costs	—	3,805	12,205	2,220	4,296
Depreciation and amortization	58,602	74,440	80,909	71,906	73,256
Impairment loss	—	709,787	51,324	910,913	4,270
Compensation and administrative expense	—	4,232	3,954	4,300	4,087
Gain on sale of real estate	—	—	—	—	(279)
Other (gain) loss, net	—	5,993	394	(510)	113
Income tax (benefit) expense	(8,403)	12,006	(1,278)	4,812	2,842
EBITDAre / NOI / NOI before FF&E Reserve	\$ 28,334	\$ 128,408	\$ 153,364	\$ 26,239	\$ 143,276

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

Liquidity and Capital Resources

Second Quarter 2020 Update

We have substantially addressed our near-term corporate maturity obligations and have enhanced our long-term capital structure and liquidity profile through (i) the June 2020 amendment of our corporate credit facility which right-sizes availability and provides enhanced financial flexibility; and (ii) issuance of \$300 million of exchangeable notes by the OP and concurrent repurchase of \$290 million of convertible notes due in January 2021 which allowed us to reduce our near term maturity obligations while also preserving \$300 million of liquidity.

As of August 5, 2020, our liquidity position was approximately \$0.9 billion, composed of cash on hand and the full \$500 million available under our corporate credit facility. Cash on hand included \$252 million of final net proceeds from Wafra's minority investment in our digital investment management business, which provides us with permanent capital for growing our digital business.

None of our investment level financing are recourse to the Company, and instead are secured by underlying commercial real estate or mortgage loans receivable. Generally, we do not apply corporate level cash to service investment level debt.

Additionally, we have begun executing a new cost reduction program that has to-date addressed annual run-rate cost savings of approximately \$38 million, mostly from headcount and compensation related cost reductions.

While the Company is in compliance with its corporate debt covenants and currently has sufficient liquidity to meet its operational needs, general concerns over credit and liquidity continue to permeate the financial markets in an economic downturn environment. The Company continues to evaluate opportunities to maintain and strengthen its liquidity position through the current economic recession.

Liquidity Needs and Sources of Liquidity

Our current primary liquidity needs are to fund:

- our general partner commitments to our future investment vehicles and co-investment commitments to other investment vehicles;
- acquisitions of our target digital assets for our balance sheet and third party capital and related ongoing commitments;
- principal and interest payments on our debt;
- our operations, including compensation, administrative and overhead costs;

- capital expenditures for our non-digital and digital real estate investments;
- distributions to our common and preferred stockholders (to the extent distributions have not been temporarily suspended); 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 corporate revolving credit facility;
- cash flow generated from our investments, both from operations and return of capital;
- fees received from our investment management business, including incentive or carried interest payments, if any;
- proceeds from full or partial realization of investments and/or businesses, particularly from investments in the Other Equity and Debt segment;
- investment-level financing;
- proceeds from public or private equity and debt offerings; and
- third party co-investors in our consolidated investments and/or businesses.

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.

Liquidity Needs

Investment Commitments

Our share of commitments in connection with our investment activities as of June 30, 2020 include the following:

- \$38 million of lending commitments to borrowers (subsequent to June 30, 2020, we no longer have funding obligations on \$6 million of previously outstanding lending commitments pursuant to an agreement with the borrower);
- \$50 million to joint venture investments, including ADC loan arrangements accounted for as equity method investments; and
- \$229 million of remaining capital commitments to Company sponsored and third party sponsored funds, of which \$135 million is for DCP, our inaugural fund dedicated to a digital strategy.

Generally, we expect to fund our investment commitments through cash on hand and/or proceeds from future asset monetization.

As it relates to our commitment to DCP, our original commitment totals \$250 million, of which we have funded \$115 million through June 30, 2020. In connection with our strategic partnership with Wafra, Wafra is expected to assume \$80 million of our total commitment to DCP. The Wafra transaction is described in more detail in Note 24 to the consolidated financial statements.

Dividends

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

Common Stock—Our board of directors declared a dividend of \$0.11 per share of common stock for the first quarter of 2020. The Company suspended dividends on its class A common stock beginning with the second quarter of 2020. Under the terms of the Company's amended credit facility, the Company is restricted from paying common dividends other than to maintain the Company's status as a REIT or to reduce income tax payments. The Company will continue to monitor its financial performance and liquidity position, and as economic conditions improve, the Company will reevaluate its dividend policy in consultation with its revolver lending group.

Preferred Stock—We are required to make quarterly cash distributions on our outstanding preferred stock, with a weighted average dividend rate of 7.16% per annum, as follows.

Description	Dividend Rate Per Annum	Shares Outstanding June 30, 2020 (In thousands)	Quarterly Cash Distributions	
			Total (In thousands)	Per Share
Series G	7.5%	3,450	\$ 1,617	\$ 0.4687500
Series H	7.125%	11,500	5,121	0.4453125
Series I	7.15%	13,800	6,167	0.4468750
Series J	7.125%	12,600	5,611	0.4453125
		41,350	\$ 18,516	

In June 2020, the Board declared dividends on all series of preferred stock for the second quarter of 2020, which was paid in July 2020. In August 2020, the Board declared dividends on all series of preferred stock for the third quarter of 2020.

Sources of Liquidity

Cash From Operations

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

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

Following the onset of COVID-19, our hotel properties in the hospitality segment incurred negative operating cash flows in April and May 2020, recovering to a slight positive operating cash flow in June 2020. As discussed in "*Segment Results—Hospitality*", we have taken various steps to minimize operating expenses, as appropriate, in order to minimize operating cash needs. At this time, we do not anticipate allocating material amounts of the Company's own capital to our hospitality portfolios, but may elect to contribute capital on a limited basis, where we determine it would be meaningful to protect the value of these portfolios.

Asset Monetization

We periodically monetize our investments through asset sales that are opportunistic in nature or to recycle capital from non-core assets, in particular, assets in our other equity and debt segment.

Generally, in 2020, we expect a slower pace of dispositions given the current global economic downturn; nevertheless, we do intend to accelerate the sale of these non-core assets where reasonable values can be attained.

Non-Recourse Investment-Level Financing

We have various forms of investment-level financing across our digital real estate, healthcare, hospitality and other equity and debt segments, which are non-recourse to the Company, as described in more detail in Note 10 to the consolidated financial statements.

As discussed in "*Segment Results—Hospitality*," in order to minimize cash needs, we did not make debt service payments on non-recourse debt financing our hotel properties, which resulted in the default of a combined \$3.03 billion of debt in our hospitality segment and the THL Hotel Portfolio in the other equity and debt segment. We continue to engage in active negotiations with the respective lenders or servicers to seek various relief. We have not and do not intend to apply corporate level cash to service investment level debt. As noted, the defaulted debt is non-recourse to the Company.

Corporate Credit Facility

As described in Note 10 to the consolidated financial statements, the Credit Agreement was amended on June 29, 2020, which reduced aggregate revolving commitments from \$750 million to \$500 million and increased the interest rate on borrowings from LIBOR plus 2.25% to LIBOR plus 2.5% per annum. The amended terms provide for greater financial covenant flexibility and more borrowing base credit for digital investments. The credit facility is still scheduled to expire in

January 2021, with two 6-month extension options. During the extension term(s), the interest rate would increase by 0.25%, and effective March 31, 2021, credit availability would be reduced to \$400 million.

The maximum amount available at any time is limited by a borrowing base of certain investment assets. As of the date of this filing, the full \$500 million is available to be drawn under the credit facility.

Additionally, through the date of this filing, we are in compliance with all financial covenants under the credit facility.

Convertible and Exchangeable Notes

In July 2020, the OP issued \$300.0 million of exchangeable notes with maturity in July 2025 and bearing interest at 5.75% per annum. Net proceeds from this issuance of \$291.0 million was applied to repurchase \$289.7 million of the outstanding principal of the 3.875% convertible notes for total purchase price of \$289.2 million, including accrued interest. This substantially addresses the January 2021 maturity of the 3.875% convertible notes, with \$112.8 million principal outstanding as of the date of this filing, which we expect to address through cash on hand and/or proceeds from future asset monetizations.

As of the date of this filing, we have total outstanding principal of \$626.4 million on our convertible and exchangeable senior notes, with a weighted average of 3.6 years remaining to maturity, and bearing weighted average interest of 5.16% per annum.

Junior Subordinated Debt

Our junior subordinated debt represents an obligation of a subsidiary of the OP that holds healthcare, hospitality and other non-core assets, as described in more detail in Note 10 to the consolidated financial statements. Colony Capital, Inc. and its operating company, Colony Capital Operating Company, LLC, are not guarantors on the junior subordinated debt. As of June 30, 2020, we have total outstanding principal of \$280 million on our junior subordinated debt, with a weighted average of 15.9 years remaining to maturity, and bearing weighted average interest rates of 3.17%.

Public Offerings

We may offer and sell various types of securities under our shelf registration statement. These securities may be issued from time to time at our discretion based on our needs and depending upon market conditions and available pricing. There are no planned public offerings of securities at this time.

Cash Flows

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

(In thousands)	Six Months Ended June 30,	
	2020	2019
Net cash provided by (used in):		
Operating activities	\$ 42,312	\$ 139,151
Investing activities	114,565	(858,190)
Financing activities	(329,490)	579,735

Operating Activities

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

Our operating activities generated net cash inflows of \$42.3 million compared to \$139.2 million in the six months ended June 30, 2020 and 2019, respectively.

This can be attributed in part to operating cash flows in connection with our industrial business that was sold in December 2019.

- Specifically, the six months ended June 30, 2019 had included \$95.1 million of operating cash inflows from our industrial business. The digital real estate business that was acquired in December 2019 using proceeds from the industrial sale is a much smaller portfolio, thereby contributing less operating cash flows in comparison.
- In contrast, the six months ended June 30, 2020 included the payment of \$39.9 million of accrued carried interest compensation in connection with carried interest realized from the sale of our light industrial portfolio.

Additionally, operating cash flows were negatively affected by the fallout from COVID-19 in the second quarter of 2020, particularly in our hospitality and healthcare business, as discussed in "*—Segment Results.*"

Investing Activities

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

Our investing activities generated net cash inflows of \$114.6 million compared to net cash outflows of \$858.2 million in the six months ended June 30, 2020 and 2019, respectively.

- *Real estate investments*—The significant net cash outflows in the six months ended June 30, 2019 was driven by outflows of \$1.1 billion for acquisition, net of sales, of real estate; in particular, acquisition of a combined \$1.1 billion light and bulk industrial portfolio in February 2019. Our entire light industrial portfolio was sold in December 2019. In contrast, our real estate investment activities in the six months ended June 30, 2020 generated net cash inflows of \$38.1 million from sales, net of acquisitions.
- *Equity investments*—Another significant contributor of net cash inflows in the six months ended June 30, 2020 was \$203.7 million from our equity investments, driven by \$179.1 million net proceeds from sale of our investment in RXR Realty in February 2020 and \$87.4 million from recapitalization of our joint venture investment in Albertsons in April 2020, representing amounts recognized as return of investment. In the six months ended June 30, 2019, we had net cash inflows of \$30.2 million from equity investments, primarily proceeds from sales.
- *Debt investments*—Lastly, our loan and securities portfolio generated net cash outflows of \$116.8 million in the six months ended June 30, 2020 compared to net cash inflows of \$230.8 million in the six months ended June 30, 2019 when loan repayments outpaced loan disbursements.

Financing Activities

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

Financing activities generated net cash outflows of \$329.5 million compared to net cash inflows of \$579.7 million in the six months ended June 30, 2020 and 2019, respectively.

- The significant net cash inflows in the six months ended June 30, 2019 was driven by borrowings exceeding debt repayments by \$660.3 million, specifically \$735 million of borrowings to fund a large industrial portfolio acquisition in February 2019, a majority of which was sold in December 2019.
- While borrowings exceeded debt repayments in the six months ended June 30, 2020 by \$224.8 million, primarily due to a net draw of \$400 million on our corporate credit facility, we also settled the December 2019 redemption of our Series B and E preferred stock for \$402.9 million in January 2020 using proceeds from our industrial sale.
- Cash outflows for common stock repurchases were also higher in the six months ended June 30, 2020 totaling \$24.7 million compared to \$10.7 million in the six months ended June 30, 2019.
- Additionally, net contributions from noncontrolling interests of \$97.1 million contributed to overall net cash inflows in the six months ended June 30, 2019, while net contributions from noncontrolling interests was much lower at \$28.4 million in the six months ended June 30, 2020.

Contractual Obligations, Commitments and Contingencies

There were no material changes outside the ordinary course of business to the information regarding specified contractual obligations contained in our Form 10-K for the year ended December 31, 2019.

Guarantees and Off-Balance Sheet Arrangements

In connection with financing arrangements for certain unconsolidated ventures, we provided customary non-recourse carve-out guarantees. In addition, we have entered into guarantee or contribution agreements with certain hotel franchisors or operating partners, pursuant to which we guaranteed or agreed to contribute to the franchisees' obligations, including payments of franchise fees and marketing fees, for the term of the agreements. We believe that the likelihood of making any payments under the guarantees is remote.

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

Risk Management

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

Underwriting and Investment Process

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

Specifically, as part of our underwriting process, we evaluate and review the following data, including, but not limited to: financial data including historical and budgeted financial statements, tenant or customer quality, lease terms and structure, renewal probability, capital expenditure plans, sales pipeline, technical/energy requirements and supply, local and macroeconomic market conditions, ESG, leverage and comparable transactions, as applicable. For debt investments, we also analyze metrics such as loan-to-collateral value ratios, debt service coverage ratios, debt yields, sponsor credit ratings and performance history.

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

Allocation Procedures

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

Portfolio Management

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

We use many methods to actively manage our risk to preserve our income and capital, including, but not limited to, maintaining dialogue with tenants, operators, partners and/or borrowers and performing regular inspections of our collateral and owned properties. With respect to our healthcare properties, we consider the impact of regulatory changes on operator performance and property values. During a quarterly review, or more frequently as necessary, investments are monitored and identified for possible asset impairment or loan loss reserves, as applicable, based upon several factors, including missed or late contractual payments, significant declines in property operating performance and other data which may indicate a potential issue in our ability to recover our invested capital from an investment. In addition, we may utilize services of certain strategic partnerships and joint ventures with third parties with relevant expertise to assist our portfolio management.

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

Interest Rate and Foreign Currency Hedging

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

Critical Accounting Policies and Estimates

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

Other than adoption of new accounting standards, in particular, *Topic 326 Financial Instruments—Credit Losses*, which are discussed in Note 2 to our consolidated financial statements in Item 1 of this Quarterly Report, there have been no changes to our critical accounting policies or those of our unconsolidated joint ventures since the filing of our Annual Report on Form 10-K for the year ended December 31, 2019.

The application of critical accounting policies that required significant management judgment, estimates and assumptions are discussed further in the following notes to the consolidated financial statements.

- Impairment of real estate—Note 4
- Other-than-temporary impairment on equity method investments—Note 6
- Fair value measurement of loans receivable under fair value option—Note 12
- Credit loss on available for sale debt securities—Note 6
- Impairment of goodwill and intangible assets—Note 7

We believe that all of the underlying decisions and assessments applied were reasonable at the time made, based upon information available to us at that time. Due to the inherently judgmental nature of the various projections and assumptions used, the unpredictability of economic and market conditions, and the uncertainties over the duration and severity of the resulting economic effects of COVID-19, actual results may differ from estimates, and changes in estimates and assumptions could have a material effect on our financial statements in the future.

Recent Accounting Updates

The impact of accounting standards adopted in 2020 and the potential impact of accounting standards to be adopted in the future are described in Note 2 to our consolidated financial statements in Item 1 of this Quarterly Report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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

Credit Risk

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

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

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

Interest Rate and Credit Curve Spread Risk

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

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

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

We have financing arrangements with various financial institutions bearing variable rate interest indexed primarily to 1 and 3-month LIBOR and 1 and 3-month Euribor. We limit our exposure to interest rate increases for our debt primarily through the use of interest rate caps. At June 30, 2020, we did not have any outstanding interest rate swap positions. The interest rate sensitivity table below illustrates the hypothetical impact of changes in the index rates in 1% increments on our interest expense in a one year period, assuming no changes in our debt principal as it stood at June 30, 2020, and taking into account the effects of interest rate caps and contractual floors on indices. The maximum decrease in the

interest rates is assumed to be the actual applicable indices at June 30, 2020, all of which were under 1% at June 30, 2020.

(\$ in thousands)	+2.00%	+1.00%	Maximum Decrease in Applicable Index
Increase (decrease) in interest expense	\$ 164,968	\$ 83,906	\$ (12,925)
Amount attributable to noncontrolling interests in investment entities	44,945	23,082	(3,123)
Amount attributable to Operating Company	\$ 120,023	\$ 60,824	\$ (9,802)

Foreign Currency Risk

We have foreign currency rate exposures related to our foreign currency-denominated investments held predominantly by our foreign subsidiaries and to a lesser extent, by U.S. subsidiaries. Changes in foreign currency rates can adversely affect the fair values and earnings of our non-U.S. holdings. We generally mitigate this foreign currency risk by utilizing currency instruments to hedge our net investments in our foreign subsidiaries. We had previously employed 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 as hedging instruments on our foreign subsidiary investments. During the quarter ended June 30, 2020, we settled all our outstanding foreign currency hedges and replaced them with put options purchased through upfront premiums.

At June 30, 2020, we had approximately €491.8 million and £267.6 million or a total of \$0.9 billion, in net investments in our European subsidiaries. A 1% change in these foreign currency rates would result in a \$8.5 million increase or decrease in translation gain or loss included in other comprehensive income in connection with investments in our European subsidiaries, and a \$0.3 million gain or loss in earnings in connection with a GBP denominated loan receivable held by a U.S subsidiary.

A summary of the foreign exchange contracts in place at June 30, 2020, including notional amounts and key terms, is included in Note 11 to the consolidated financial statements. The maturity dates of these instruments approximate the projected dates of related cash flows for specific investments. Termination or maturity of currency hedging instruments may result in an obligation for payment to or from the counterparty to the hedging agreement. We are exposed to credit loss in the event of non-performance by counterparties for these contracts. To manage this risk, we select major international banks and financial institutions as counterparties and perform a quarterly review of the financial health and stability of our trading counterparties. Based on our review at June 30, 2020, we do not expect any counterparty to default on its obligations.

Inflation

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

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

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

As required by Rule 13a-15(b) of the Exchange Act, we have evaluated, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, the effectiveness of our

disclosure controls and procedures. Based upon our evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at June 30, 2020.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act) during the quarter ended June 30, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We continue to evaluate the policies, processes, systems and operations of DataBank that was acquired in December 2019.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

The Company may be involved in litigations and claims in the ordinary course of business. As of June 30, 2020, the Company was not involved in any material legal proceedings.

Item 1A. Risk Factors.

For a discussion of our potential risks and uncertainties, please refer to the “Risk Factors” section in our Annual Report on Form 10-K for the year ended December 31, 2019, which is available on the SEC’s website at www.sec.gov. The Company is providing the following additional risk factors to supplement the risk factors included in Item 1A. of the Annual Report:

The current pandemic of the novel coronavirus (COVID-19) and the volatility it has created, has significantly disrupted our business and is expected to continue to significantly, and may materially adversely, impact and disrupt our business, income, cash flow, results of operations, financial condition, liquidity, prospects and ability to service our debt obligations, and our ability to pay dividends and other distributions to our stockholders. Future outbreaks of highly infectious or contagious diseases or other public health crises could have similar adverse effects on our business.

In December 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced in Wuhan, China. COVID-19 has since spread globally, including to every state in the United States. On March 11, 2020, the World Health Organization declared COVID-19 a pandemic, and on March 13, 2020, the United States declared a national emergency with respect to COVID-19.

The COVID-19 pandemic has had, and another pandemic in the future could have, repercussions across regional and global economies and financial markets. The outbreak of COVID-19 has significantly adversely impacted global economic activity and has contributed to significant volatility and negative pressure in financial markets. The impact of the outbreak has been rapidly evolving and, as cases of COVID-19 have continued to be identified, many countries, including the United States, have reacted by instituting quarantines, restricting and banning travel or transportation, mandating business and school closures, limiting size of gatherings and canceling sporting, business and other events and conferences.

While our company continues to pivot to a digitally-focused strategy, a significant portion of our assets consist of, and our revenues are derived from, real estate investments, including healthcare and hospitality assets. The COVID-19 pandemic has impacted states and cities where we and our tenants operate our and their respective healthcare, hospitality and other businesses and where our properties are located. The preventative measures taken to alleviate the public health crisis, including significant restrictions on travel between the United States and specific countries, and “shelter-in-place” or “stay-at-home” orders issued by local, state and federal authorities, has significantly disrupted global travel and supply chains, and has adversely impacted global commercial activity across many industries, including in particular the travel, group meeting and conference, lodging and hospitality industries, and has disrupted, and is anticipated to further disrupt, operations and businesses in the healthcare industries, as discussed further below. Furthermore, although certain countries and U.S. states began to ease stay-at-home restrictions towards the end of the second quarter of 2020, resurgences in the numbers of cases of COVID-19 have subsequently led to the reinstatement, or potential for reinstatement, of such restrictions.

The occupancy rates of and revenues generated by our hospitality properties depends on the ability and willingness of guests to travel to our hotels. The spread of COVID-19 has not only decreased guests’ willingness to travel, but also prevented guests from traveling to visit or stay at our hotels as a result of federal travel, social distancing or mandated “shelter-in-place” or “stay-at-home” orders and even as such orders have begun to be lifted in the United States, demand for travel has and is expected to continue to be adversely impacted. Similarly, some tenants in our medical office buildings within our healthcare portfolio have and may continue to seek concessions from us for paying lease charges as a result of such restrictions. In addition, COVID-19 has impacted occupancy at our healthcare properties, as inquiries, tours and move-ins have all declined.

In addition, COVID-19 has had an adverse impact on the business and financial condition of publicly-traded mortgage REITs, including CLNC, the Company’s managed mortgage REIT and in which it owns an approximate 36% interest. The borrowers of CLNC’s real estate debt investments, including in the office, industrial, multifamily and hotel industries, have and will continue to be affected to the extent that COVID-19’s continued spread reduces occupancy, increases the cost of operation, results in limited hours or necessitates the closure of such properties. In addition,

governmental measures, such as quarantines, states of emergencies, restrictions on travel, stay-at-home orders, and other measures taken to curb the spread of the COVID-19 may negatively impact the ability of CLNC's borrowers or tenants to continue to obtain necessary goods and services or provide adequate staffing, which may also adversely affect CLNC's loan investments and operating results. Many mortgage REITs have suspended dividends to stockholders. In April 2020, CLNC announced that to conserve available liquidity, it would suspend its monthly stock dividend beginning with the monthly period ending April 30, 2020. As a result, our CLNC investment will not generate any dividend income and it is uncertain as to when, if ever, CLNC will resume paying distributions to stockholders, including us. In addition, the Company's Core FFO is directly impacted by CLNC's performance as a result of the Company's ownership interest in CLNC and, to the extent CLNC continues to experience operational challenges as a result of COVID-19, our Core FFO will similarly be adversely impacted.

Further, CLNC's stock price fell significantly in March and April 2020 due to the significant volatility in equity markets resulting from COVID-19. Along with other publicly traded mortgage REITs, CLNC has seen a rebound in its stock price in May and June 2020, but its stock continues to trade below pre-COVID-19 levels. At June 30, 2020 (prior to any impairment), the carrying value of our CLNC investment was \$611 million, or \$12.75 per share, which was in excess of its market value of \$337 million. With increasing uncertainty over the extent and duration of the COVID-19 pandemic, and the timeline for a recovery in the U.S economy, the Company believes that it is unlikely that the shortfall in market value relative to carrying value of its investment in CLNC would recover in the near term. As a result, the Company recognized an \$275 million other-than-temporary impairment on its CLNC investment in the second quarter 2020, which was in addition to the \$228 million other-than-temporary impairment on its CLNC investment recognized in the second quarter 2019. If the trading price of CLNC's class A common stock were to suffer further declines, to levels below our current carrying value for a prolonged period of time, as a result of COVID-19 or otherwise, an additional other-than-temporary impairment may be recognized in the future.

The difficult market and economic conditions created by COVID-19 are expected to adversely impact our ability to effectuate our business objectives and strategies. A key component of our business strategy is to monetize certain non-digital, non-core assets in our other equity & debt segment. Many experts predict that the outbreak will trigger, or may have already triggered, a prolonged period of global economic slowdown or a global recession. A sustained downturn in the U.S. economy could negatively impact our ability to consummate asset monetizations within the timeframe and at the values previously anticipated. In addition, the ability to raise capital for our current or anticipated digital-focused investment vehicles may be delayed or adversely impacted by the market and economic conditions which could prevent us from executing our digital pivot and growing our digital business.

The inability to consummate asset monetizations could adversely affect our liquidity and ability to meet our debt obligations or pay dividends to stockholders. For example, in May 2020, we announced the suspension of our common stock dividend for the second quarter of 2020 as the Company's board of directors and management believe it is prudent to conserve cash during the current period of uncertainty. In addition, in connection with the recent amendment to the Company's corporate credit facility, we are prohibited from, among other things, paying dividends, other than (i) paying dividends to maintain the Company's REIT status, (ii) reducing the payment of income taxes and (iii) paying dividends on the Company's preferred stock. As a result, for the term of the corporate credit facility, the Company is prohibited from paying dividends on its common stock, subject to certain limited exceptions. Nonetheless, all permissible distributions are made at the discretion of the Company's board of directors in accordance with Maryland law and depend on our financial condition; debt and equity capital available to us; our expectations for future capital requirements and operating performance; restrictive covenants in our financial or other contractual arrangements, including those in our corporate credit facility; maintenance of our REIT qualification; restrictions under Maryland law; and other factors as our board of directors may deem relevant from time to time.

As a result of these and other factors, we expect our cash flows generated by our real estate investments, particularly in the hospitality and healthcare industries, to be negatively impacted. Because a substantial portion of our income is derived from these businesses as well as our proceeds from asset monetizations, our business, income, cash flow, results of operations, financial condition, liquidity, prospects and ability to service our debt obligations and our ability to pay dividends and other distributions to our stockholders has been and will continue to be adversely affected if revenues at our hospitality and healthcare properties continue to decline or we are unable to complete certain asset monetizations.

In addition, as COVID-19 has demonstrated the global economy's dependence on digital real estate and infrastructure, the Company has determined to accelerate its shift to a digitally-focused strategy. In doing so, the Company may dispose of its legacy assets and portfolios and continue to focus on the growth of the Company's investment management business focused on digital real estate and infrastructure. This transition may be inconsistent with the Company's status as a REIT. If the Company ceases to qualify as a REIT, it would become subject to U.S. federal income tax on its net taxable income and generally would no longer be required to distribute any of the Company's

net taxable income to Colony stockholders, which may have adverse consequences on the Company's total return to Colony stockholders.

Furthermore, our corporate credit facility requires us to maintain various financial covenants, including minimum tangible net worth, liquidity levels and financial ratios. The recent amendment to our corporate credit facility, among other things, modified certain financial covenants and reduced the aggregate amount of revolving commitments available under the corporate credit facility. Notwithstanding such amendment, based on the decline in performance in our hospitality and healthcare portfolios we are currently experiencing as a result of the COVID-19 pandemic and given the limited visibility to the future recovery of demand in the hospitality industry, there is a range of possible outcomes which may result in a breach of certain financial covenants prior to the initial maturity of January 2021. In addition, if we determine to exercise our initial extension option on the corporate credit facility, the aggregate amount of revolving commitments available under the corporate credit facility will be reduced to \$400 million on March 31, 2021. To the extent that we are unable to effectuate asset monetizations in our other equity and debt segment as discussed above, we may be forced to allocate capital to repaying any outstanding balance on the corporate credit facility (either at the initial maturity, in connection with an extension on March 31, 2021, or the final maturity) that otherwise may have been used to invest in and grow the Company's digital real estate and infrastructure business. If we anticipate a potential breach, we expect to seek an amendment or waiver from our lenders. There is no assurance that our efforts to obtain such an amendment or waiver would be successful. Furthermore, any amendment or waiver may lead to increased costs, decreased borrowing capacity, increased interest rates, additional restrictive covenants and other similar lender protections. The occurrence of any of the foregoing could materially and adversely impact our liquidity and business operations.

Additionally, non-recourse mortgage debt in the hospitality, healthcare and other real estate equity segment with aggregate outstanding principal of \$3.28 billion as of the date of this report was either in payment default or was not in compliance with certain debt and/or lease covenants, as discussed further below. Other than with respect to certain healthcare and hospitality portfolio described below, the Company is in active negotiations with the respective lenders to execute forbearances or debt modifications; however, there is no assurance that our efforts to obtain forbearances or debt modifications will be successful. For example, as of the date of this report and as further described below, we have consensually transferred certain healthcare assets to lenders in exchange for a release of \$158 million in borrowings secured by such assets and receivers have started to be appointed at various assets within the Inland Hotel Portfolio. In addition, we have entered into customary non-recourse carve-out guarantees, which provide for these otherwise non-recourse borrowings to become partially or fully recourse against certain of the Company's affiliates in connection with certain limited trigger or "bad boy" events. Although we believe that "bad boy" carve-out guaranties are not guaranties of payment in the event of foreclosure or other actions of the foreclosing lender that are beyond the borrower's control, some lenders in the real estate industry have recently sought to make claims for payment under such guaranties. In the event such a claim were made against us under a "bad boy" carve-out guaranty, following foreclosure on mortgages or related loans, and such claim were successful, our business and financial results could be materially adversely affected.

In addition, the COVID-19 pandemic, or a future pandemic, could have material and adverse effects on our business, income, cash flow, results of operations, financial condition, liquidity, prospects and ability to service our debt obligations and has, and may continue to have, a material and adverse effect on our ability to pay dividends and other distributions to our stockholders due to, among other factors:

- difficulty accessing debt and equity capital on attractive terms, or at all, and a severe disruption and instability in the global financial markets or deteriorations in credit and financing conditions may affect our access to capital necessary to fund business operations or address maturing liabilities on a timely basis and our tenants/borrowers' abilities to fund their business operations and meet their obligations to us;
- difficulty raising capital and attracting investors at our current and any future managed investment vehicles due to the volatility and instability in global financial markets may constrain the success of our managed investment vehicles and consequently our ability to sustain and grow our investment management business;
- the financial impact has and could continue to negatively impact our ability to pay dividends to our stockholders or could result in a determination to reduce the size of one or more dividends, such as is the case with (i) our decision to suspend the dividend on our common stock for the second quarter of 2020 and (ii) certain restrictions on our ability to pay dividends on our common stock pursuant to the recent amendment to our corporate credit facility;
- the financial impact could negatively impact our future compliance with financial covenants of our corporate credit facility and other debt agreements and could result in a default and potentially an acceleration of indebtedness, which non-compliance could also negatively impact our ability to make additional borrowings under our revolving credit facility or otherwise pay dividends to our stockholders;

- the worsening of estimated future cash flows due to a change in our plans, policies, or views of market and economic conditions as it relates to one or more of our adversely impacted properties could result in the recognition of substantial impairment charges imposed on our assets;
- the credit quality of our tenants/borrowers could be negatively impacted and we may significantly increase our allowance for doubtful accounts;
- a general decline in business activity and demand for real estate transactions could adversely affect our ability or desire to grow our digital business or dispose of non-core assets as part of our asset monetization and digital pivot strategy;
- potential impairments on our real estate assets or ceasing to own real estate assets as a result of foreclosure or otherwise may impact our ability to maintain our REIT qualification or are exemption from the 1940 Act;
- CLNC's trading price and the impact on the carrying value of the Company's investment in CLNC, including whether the Company will recognize further other-than-temporary impairments on such CLNC investment in addition to those recognized in the second quarter 2020;
- we have and may continue to implement reductions in our workforce, which could adversely impact our ability to conduct our operations effectively;
- unanticipated costs and operating expenses and decreased anticipated revenue related to compliance with regulations, such as inability to litigate non-paying tenants, additional expenses related to staff working remotely, requirements to provide employees with additional mandatory paid time off and increased expenses related to sanitation measures performed at each of our properties, as well as additional expenses incurred to protect the welfare of our employees, such as expanded access to health services;
- our level of dependence on the Internet, stemming from employees working remotely, and increases in malware campaigns and phishing attacks preying on the uncertainties surrounding COVID-19, which may increase our vulnerability to cyber attacks;
- increased risk of litigation, particularly with respect to our healthcare properties, related to the COVID-19 pandemic;
- we, and in particular the success of our pivot to a digital real estate and infrastructure focused strategy, depend, to a significant extent, upon the efforts of our senior management team, including DBH's key personnel. If one or more members of our senior management team or the DBH team become sick with COVID-19, the loss of services of such member could adversely affect our business; and
- the potential negative impact on the health of our personnel, particularly if a significant number of them are impacted, could result in a deterioration in our ability to ensure business continuity during a disruption.

Moreover, the impact of COVID-19 pandemic may also exacerbate many of the risks identified under the section entitled "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2019.

Risks Related to Our Hospitality Business. The effects of the COVID-19 pandemic on the hospitality industry are unprecedented with global demand for lodging drastically reduced and occupancy levels reaching historic lows. Many hotels have had to temporarily suspend operations or operate at reduced levels. As of the date of this report, all of our hotel properties remain open but are operating at reduced levels; however, we may determine or be required to temporarily suspend the operations at hotels in the future as a result of the COVID-19 pandemic.

In addition, in order to reduce operating costs and improve efficiency, hotel operators, including our hotel operators, have furloughed a substantial number of personnel and may, in the future, furlough more of its personnel. Such steps and other hotel personnel work schedule changes that may be made in the future to reduce costs for us or our hotel operators or franchisors, may have other consequences such as negatively impacting the reputation and demand for our hotels or operational challenges if our operators are unable to re-hire furloughed personnel, all of which could have an adverse impact on our ability to improve performance and operations at our hotels when the COVID-19 pandemic subsides. In addition, if we are unable to access capital to make physical improvements to our hotels, the quality of our hotels may suffer, which may negatively impact demand for our hotels. Our third-party hotel managers may also face demands or requests from labor unions for additional compensation or other terms as a result of COVID-19 that could increase costs, and while we do not directly employ or manage employees at our hotels, we could incur costs in connection with such labor disputes or disruptions as our COVID-19 mitigation plans are implemented. We cannot predict when business levels will return to normalized levels when the effects of the pandemic subside. There also can be no guarantee that the demand for lodging, and consumer confidence in travel

generally, will recover as quickly as other industries. As a result, the revenues from our hospitality portfolio have declined significantly and we expect this trend to continue.

Furthermore, we have significant non-recourse borrowings outstanding on our hospitality properties (including the THL Hotel Portfolio). As of the date of this report, \$3.03 billion in aggregate principal amount of such borrowings (representing the majority of borrowings on our hospitality properties) is in default as a result of the failure to make interest payments in light of the impact COVID-19 has had on our hospitality properties. In addition, as of the date of this report, we received notices of acceleration with respect to an aggregate of \$1.6 billion of such borrowings (including borrowings on the Inland Portfolio). Further, we were not successful in our negotiations with the lender of the mortgage debt collateralized by a portfolio of 48 extended stay and select service hotel properties known as the Inland Portfolio, and receivers have been or are expected to be appointed for all of the assets in the Inland Portfolio. During the period while the receivers are in place, we will no longer be in control of the operations of the Inland Portfolio even while still owning the assets. We are in active discussions with the lenders on our other non-recourse borrowings in our hospitality portfolio and for certain hospitality properties, we have entered into forbearance agreements permitting us not to make interest payments for a specified period of time. However, if we are unable to restructure these borrowings or receive forbearance or other accommodations from our lenders, we may be required to repay outstanding obligations, including penalties, prior to the stated maturity, be subject to cash flow sweeps or potentially have assets foreclosed upon. For the quarter ended June 30, 2020, we incurred \$728 million in impairments on hospitality properties (including the THL Hotel Portfolio) primarily related to assets which are anticipated to be divested or sold in the near term and have fair market values below their respective carrying values. Moreover, depending on, among other factors, the status of ongoing negotiations with lenders, our anticipated holding periods for such assets and cash flow projections, we may take additional impairments on hospitality properties.

In addition, we have agreed to guarantee or contribute to guaranteed payments of franchise fees and marketing fees to our hotel franchisors. In certain instances, such guarantee or contribution agreements may also include an obligation to pay liquidated damages to the hotel franchisor on an early termination of the applicable franchise agreement. In the event that a lender forecloses on our hospitality properties (including in the case of the Inland Portfolio which is currently in or expected to be in receivership), we may not be released from these payment guarantees or liquidated damages obligations and we may not have any control over whether a franchise agreement is terminated.

Risks Related to Our Healthcare Business. We anticipate that the impact of the COVID-19 pandemic will vary by asset class within our healthcare portfolio. Many of the tenants in our medical office buildings suspended non-essential activities, and accordingly sought rent relief. In our senior housing and skilled nursing facilities, occupancy, which is the primary driver of revenues, has declined and may continue to decline during the pandemic as limitations on admissions and fewer inquiries and tours have caused a significant reduction in move-ins, while COVID-19 at the same time increases the risk of resident illness and move-outs. In addition, operating costs at our senior housing and skilled nursing facilities have increased to secure adequate staffing and personal protective equipment. We do not know to what extent, if any, federal relief programs may alleviate these concerns. We will be directly impacted by these factors in our RIDEA assets, or indirectly impacted in our net leased assets as these factors influence our tenants' ability and willingness to pay rent. We may be forced to restructure tenants' long-term lease obligations or suffer adverse consequences from the bankruptcy, insolvency or financial deterioration of one or more of our tenants, operators, borrowers or managers. As a result, we expect a significant decline in revenues, net operating income and cash flow generated by operations from our healthcare portfolio.

We have significant non-recourse borrowings outstanding on our healthcare properties. As of the date of this report, we have conveyed to an affiliate of our lender a portfolio of 36 assets in a consensual transfer to obtain a release on \$158 million in aggregate principal amount in borrowings (as discussed above) and have another \$45 million in aggregate principal amount of such borrowings in default. As the impact of COVID-19 continues to influence performance at our healthcare properties, we may experience additional defaults and may be subject to cash flow sweeps. Any such defaults will negatively impact our liquidity and may increase our risk of loss associated with our healthcare properties. We have entered into forbearance agreements suspending debt service payments for a limited period of time for certain portfolios, subject to satisfaction of certain conditions, and are in active discussions with other lenders, where necessary, regarding deferral of payment obligations and forbearance/waiver of non-payments defaults for failure to satisfy certain financial or other covenants. However, if COVID-19 continues to impact performance and we are unable to obtain accommodations from our lenders, we may be required to repay outstanding obligations, including penalties, prior to the stated maturity, or potentially have assets foreclosed upon.

From time to time, we are involved in legal proceedings, lawsuits and other claims. We may also be named as defendants in lawsuits arising out of our alleged actions or the alleged actions of our tenants and operators for which such tenants and operators have agreed to indemnify, defend and hold us harmless. We may be subject to increased

risk of litigation and liability claims as a result of the COVID-19 pandemic and our operating partners' response efforts. Some of these claims may result in large damage awards, which may not be sufficiently covered by insurance or indemnity obligations. Any such litigation may have a material adverse effect on our business, results of operations and financial condition.

Given the ongoing nature of the outbreak, at this time we cannot reasonably estimate the magnitude of the ultimate impact that COVID-19 will have on our business, financial performance and operating results. We believe COVID-19's adverse impact on our business, financial performance and operating results will be significantly driven by a number of factors that we are unable to predict or control, including, for example: the severity and duration of the pandemic; the pandemic's impact on the U.S. and global economies; the timing, scope and effectiveness of additional governmental responses to the pandemic; the timing and speed of economic recovery, including the availability of a treatment or vaccination for COVID-19; and the negative impact on our fund investors, vendors and other business partners that may indirectly adversely affect us.

We may not realize the anticipated benefits of the Wafra strategic partnership.

The strategic partnership with Wafra in our Digital IM Business is expected to result in certain benefits to us, including, among others, providing us with liquidity to pursue strategic digital investments and grow our digital assets under management as well as enhancing our ability to accelerate our digital transformation. There can be no assurance, however, regarding when or the extent to which we will be able to realize these and any other benefits we expect from the transaction, which may be difficult, unpredictable and subject to delays. For example, Wafra has agreed to pay contingent consideration of approximately \$29.9 million if the Digital IM Business meets certain performance criteria as of December 31, 2020; however, there can be no assurance that the Digital IM Business will satisfy such criteria in order for the additional consideration to be earned by the Company.

In addition, pursuant to the strategic partnership documentation, in the event that certain post-closing regulatory approvals are not received by July 17, 2021 (which period may be extended for up to an additional three months under certain circumstances), we will have the right to redeem the entirety of Wafra's equity investment (in which case, the carried interest participation rights acquired by Wafra will terminate), and we will have the right to cancel the warrants issued to Wafra. Further, pursuant to the strategic partnership documentation, Wafra has certain redemption rights which, if exercised, would require the Company to repurchase Wafra's equity investment, carried interest participation rights and warrants. Wafra's redemption rights are triggered upon the occurrence of certain events including key person or cause events under the governing documentation of certain Digital Colony investment vehicles and, for a limited period, upon Marc Ganzi, the Company's CEO and President, and Ben Jenkins, the Chairman and Chief Investment Officer of the Company's digital segment, ceasing to fulfill certain time and attention commitments to the Digital IM Business. If such redemption rights are exercised (either by the Company in connection with the failure to obtain post-closing regulatory approvals or by Wafra in connection with a key person or cause event), Wafra will also have a redemption right with respect to any sponsor commitments previously made to the Company's funds and vehicles. No assurance can be given that such redemption events, if triggered, would arise at a time when the Company will have the cash on hand or other available liquidity (including availability under the Company's corporate credit facility) to satisfy the redemptions, which could result in the Company being forced to allocate capital away from other potential opportunities or uses that we would otherwise consider to be the most effective use of such capital.

Additionally, under certain circumstances following such time as our Digital IM Business comprises 90% or more of the Company's assets, we have agreed to use commercially reasonable efforts to cooperate with Wafra to facilitate the conversion of Wafra's equity investment into the Company's Class A common stock. There can be no assurances that such conversion would occur or on what terms and conditions such conversion would occur, including whether such conversion, if it did occur in the future, would have any adverse impact on the Company, the Company's stock price, governance and other matters.

If any or all of the risks described above, including the risk that the redemption obligations are triggered, were to materialize, the Company's results of operations, financial position and/or liquidity could be materially and adversely affected.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**Recent Sales of Unregistered Securities; Use of Proceeds from Registered Securities**

Redemption of Membership Units in OP ("OP Units")—Holders of OP Units have the right to require the OP to redeem all or a portion of their OP Units for cash or, at our option, shares of our class A common stock on a one-for-one basis. During the three months ended June 30, 2020, we issued 184,395 shares of our class A common stock to an educational institution pursuant to a redemption request for the same number of OP Units. Such shares of class A common stock were issued in reliance on Section 4(a)(2) of the Securities Act of 1933, as amended.

Purchases of Equity Securities by Issuer and Affiliated Purchasers

The Company's common stock repurchase program expired in May 2020. There were no purchases by the Company of its class A common stock in the second quarter of 2020.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit Number	Description
3.1	Articles of Amendment and Restatement of Colony NorthStar, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on January 10, 2017)
3.2	Articles of Amendment of Colony Capital, Inc. (fka Colony NorthStar, Inc.), as amended (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q filed on August 9, 2018)
3.3	Amended and Restated Bylaws of Colony Capital, Inc. (fka Colony NorthStar, Inc.) (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on June 25, 2018)
3.4	Articles Supplementary designating Colony NorthStar, Inc.'s 7.15% Series I Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share, par value \$0.01 per share (incorporated by reference to Exhibit 3.2 to the Company's Form 8-A filed on June 5, 2017)
3.5	Articles Supplementary designating Colony NorthStar, Inc.'s 7.125% Series J Cumulative Redeemable Perpetual Preferred Stock, liquidation preference \$25.00 per share, par value \$0.01 per share (incorporated by reference to Exhibit 3.3 to Colony NorthStar, Inc.'s Registration Statement on Form 8-A filed on September 22, 2017)
4.1	Form of Class A Common Stock Purchase Warrant of Colony Capital, Inc. (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on July 23, 2020)
4.2	Indenture, dated as of July 21, 2020, among Colony Capital Operating Company, LLC, Colony Capital, Inc. and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on July 23, 2020)
4.3	Form of 5.75% Exchangeable Senior Notes due 2025 (included in Exhibit 4.2)
10.1*	Amendment No.2 to Advisory Agreement dated as of June 22, 2020 by and among NorthStar Healthcare Income, Inc., NorthStar Healthcare Income Operating Partnership, LP, CNI NSHC Advisors, LLC and Colony Capital, Inc. (f/k/a Colony Northstar, Inc.)
10.2	Fourth Amendment, dated as of June 29, 2020, to the Second Amended and Restated Credit Agreement dated as of January 10, 2017 among Colony Capital Operating Company, LLC, the Subsidiary Borrowers from time to time party thereto, the several lenders from time to time parties thereto and JPMorgan Chase Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 1, 2020)
10.3	Investment Agreement, dated as of July 7, 2020, by and among Colony Valhalla Partners I-A Holdings, L.P., a Delaware limited partnership, Colony Valhalla Partners I-B Holdings, L.P., a Delaware limited partnership, Colony Valhalla Partners II Holdings, L.P., a Delaware limited partnership, CBRE Caledon Valhalla Aggregator Holdings LP, a Delaware limited partnership and Vantage Data Centers Holdings, LLC, a Delaware limited liability company (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 13, 2020)

[Table of Contents](#)

Exhibit Number	Description
10.4*	Investment Agreement, dated as of July 17, 2020, by and among W-Catalina (S) LLC, Colony Capital Operating Company, LLC, Colony Capital, Inc. (for the limited purposes set forth therein) and the Initial Wafra Representative (as defined therein)
10.5	Carry Investment Agreement, dated as of July 17, 2020, by and among W-Catalina (C) LLC, Colony Capital Operating Company, LLC, Colony DCP (CI) Bermuda, LP, a Bermuda limited partnership, Colony DCP (CI) GP, LLC (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on July 23, 2020)
10.6	Investor Rights Agreement, dated as of July 17, 2020, by and among Colony Capital, Inc., Colony Capital Operating Company, LLC, Colony Capital Digital Holdco, LLC, Colony DC Manager, LLC and W-Catalina (S) LLC (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on July 23, 2020)
10.7	Carried Interest Participation Agreement, dated as of July 17, 2020, by and among Colony DCP (CI) Bermuda, LP, Colony DCP (CI) GP, LLC, Colony Capital, Inc., Colony Capital Operating Company, LLC, W-Catalina (S) LLC and W-Catalina (C) LLC (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed on July 23, 2020)
10.8	Amended and Restated Restrictive Covenant Agreement, dated as of July 17, 2020, by and between Colony Capital, Inc. and Marc Ganzi (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed on July 23, 2020)
10.9	Acknowledgment Letter, dated as of July 17, 2020, by and among Marc Ganzi, W-Catalina (S) LLC, W-Catalina (C) LLC and Colony Capital, Inc. (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed on July 23, 2020)
10.10	Registration Rights Agreement, dated as of July 21, 2020, by and among Colony Capital Operating Company, LLC, Colony Capital, Inc. and the initial purchasers party thereto (incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K filed on July 23, 2020)
10.11*	Joinder and Amendment to Letter Agreement, dated as of July 22, 2020, by and among Digital Bridge Holdings, LLC, CC Valhalla Investor, LLC, Marc Ganzi, Benjamin Jenkins and the other parties named therein
10.12*	Assignment and Contribution Agreement, dated as of July 22, 2020, by and among Marc Ganzi, Benjamin Jenkins, MCG Analog, LLC, the Ganzi Extended Family Trust, BJJ Analog, LLC, DB Aviator Manager Rollover Holdings, L.P., DCR YieldCo Holdings, LP and DCR and Aviator Holdings GP, LLC
10.13*	Amended and Restated Partnership Agreement of DB Aviator Manager Rollover Holdings, L.P., dated as of July 22, 2020, by and among Colony Valhalla GP, LLC, Colony Capital Acquisitions, LLC, MCG Analog, LLC, Ganzi Extended Family Trust, BJJ Analog, LLC and Valhalla Management Holdings, LLC
31.1*	Certification of Marc C. Ganzi, Chief Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Jacky Wu, Chief Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Marc C. Ganzi, Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Jacky Wu, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS**	XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
104**	Cover Page Interactive Data File

*Filed herewith.

** The document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

SIGNATURES

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

Dated: August 10, 2020

COLONY CAPITAL, INC.

By: _____ /s/ Marc C. Ganzi
Marc C. Ganzi
Chief Executive Officer and President
(Principal Executive Officer)

By: _____ /s/ Jacky Wu
Jacky Wu
Chief Financial Officer (Principal Financial Officer)

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

AMENDMENT NO. 2
TO
ADVISORY AGREEMENT

THIS AMENDMENT NO. 2 (this "Amendment") is made and entered into as of June 22, 2020, and amends that certain Advisory Agreement, dated as of June 30, 2014, as amended by Amendment No. 1, dated December 20, 2017 (as amended, the "Advisory Agreement"), by and among NorthStar Healthcare Income, Inc., a Maryland corporation (the "Company"), NorthStar Healthcare Income Operating Partnership, LP, a Delaware limited partnership (the "Operating Partnership"), CNI NSHC Advisors, LLC, a Delaware limited liability company (the "Advisor"), as successor to NSAM J-NSHC Ltd, an Isle of Jersey limited company, and, solely in connection with the obligations set forth in Section 12.03 and Article 13 of the Advisory Agreement, Colony Capital, Inc. (f/k/a Colony NorthStar, Inc.), a Maryland corporation ("CLNY"), as successor to NorthStar Asset Management Group Inc., a Delaware corporation. Capitalized terms used but not defined herein shall have the meanings set forth in the Advisory Agreement.

RECITALS

WHEREAS, pursuant to Section 18.02 of the Advisory Agreement, the Advisory Agreement may not be changed or modified except by an instrument in writing signed by the parties thereto, or their respective successors or permitted assigns; and

WHEREAS, each of the Company, the Operating Partnership, the Advisor and CLNY desires to amend the Advisory Agreement as set forth in this Amendment.

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements contained herein, the sufficiency of which is hereby acknowledged by all parties, the parties hereto agree as follows:

AGREEMENT

1. Amendment to Agreement.

- (a) Article 1 of the Advisory Agreement is hereby amended by deleting the definition of "Disposition Fee" in its entirety.
- (b) Section 8.03 of the Advisory Agreement is hereby deleted in its entirety and replaced with the following:

"8.03 [RESERVED]."

- (c) Section 9.01(xi) of the Advisory Agreement is hereby deleted in its entirety and replaced with the following:

“(xi) Personnel and related employment costs incurred by the Advisor or its Affiliates in performing the services described in Article 3 hereof, including but not limited to reasonable salaries and wages, benefits and overhead of all employees directly involved in the performance of such services, provided that no reimbursement shall be made for costs of such employees of the Advisor or its Affiliates to the extent that such employees (A) perform services for which the Advisor receives Acquisition Fees or (B) serve as executive officers of the Company;”

(d) Section 12.03 of the Advisory Agreement is hereby deleted in its entirety and replaced with the following:

“12.03 Investment Opportunities and Allocation. The Advisor shall be required to use commercially reasonable efforts to present a continuing and suitable investment program to the Company that is consistent with the investment policies and objectives of the Company, but neither the Advisor nor any Affiliate of the Advisor shall be obligated generally to present any particular Investment opportunity to the Company even if the opportunity is of a character that, if presented to the Company, could be taken by the Company. In the event an Investment opportunity is identified, the allocation procedures set forth under the caption “Conflicts of Interest—Allocation of Investment Opportunities” in any Prospectus (as it may be amended from time to time) or, following the termination of the Offering, in any report filed by the Company with the SEC disclosing such procedures, as they may be amended from time to time, shall govern the allocation of the opportunity among the Company, CLNY, any of their Affiliates and any investment vehicles sponsored or managed by CLNY or any of their Affiliates.”

(e) Article 13 of the Advisory Agreement is hereby deleted in its entirety and replaced with the following:

“ARTICLE 13

THE NORTHSTAR NAME

CLNY and its Affiliates have a proprietary interest in the name “NorthStar.” CLNY hereby grants to the Company a non-transferable, non-assignable, non-exclusive royalty-free right and license to use the name “NorthStar” during the term of this Agreement. Accordingly, and in recognition of this right, if at any time the Company ceases to retain CLNY or one of its Affiliates to perform advisory services for the Company, the Company will, promptly after receipt of written request from the Sponsor, cease to conduct business under or use the name “NorthStar” or any derivative thereof and the Company shall change its name and the names of any of its subsidiaries to a name that does not contain the name “NorthStar” or any other word or words that might, in the reasonable discretion of CLNY, be susceptible of indication of some form of relationship between the Company and CLNY or any its Affiliates. At such time, the Company will also make any changes to any trademarks, servicemarks or other marks necessary to remove any references to the word “NorthStar.” Consistent with the foregoing, it is specifically recognized that CLNY or one or more of its Affiliates has in the past and may in the future organize, sponsor or otherwise permit to exist other investment vehicles (including vehicles for investment in healthcare-related real estate assets) and financial and service organizations having “NorthStar” as a part of their name, all without the need for any consent (and without the right to object thereto) by the Company. CLNY shall govern Company’s use of the name “NorthStar” and the Company’s use of the “NorthStar” name will be in strict accordance with any quality standards and specifications that may be established by Advisor and communicated to Company from time to time.”

2. Miscellaneous.

(a) *Effectiveness of Amendment.* This Amendment shall be effective on June 30, 2020.

(b) *Counterparts; Signature.* This Amendment may be executed in any number of counterparts and by the different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument. Delivery of an executed counterpart of a signature page of this Amendment by facsimile or electronic means shall be effective as delivery of a manually executed counterpart of this Amendment.

(c) *Governing Law.* This Amendment shall be governed by and construed in accordance with Section 18.04 of the Advisory Agreement.

(d) *Continued Effect.* Except as specifically set forth herein, all other terms and conditions of the Advisory Agreement shall remain unmodified and in full force and effect, the same being confirmed and republished hereby. In the event of any conflict between the terms of the Advisory Agreement and the terms of this Amendment, the terms of this Amendment shall control.

[Signatures on following page.]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date set forth above.

NorthStar Healthcare Income, Inc.

By: /s/ Ann B. Harrington
Ann B. Harrington
General Counsel and Secretary

NorthStar Healthcare Income Operating Partnership, LP

By: NorthStar Healthcare Income, Inc., its General
Partner

By: /s/ Ann B. Harrington
Ann B. Harrington
General Counsel and Secretary

CNI NSHC Advisors, LLC

By: /s/ Mark M. Hedstrom
Mark M. Hedstrom
Vice President

Colony Capital, Inc.

By: /s/ Mark M. Hedstrom
Mark M. Hedstrom
Executive Vice President and Chief Operating
Officer

[Signature Page to Amendment No. 2 to Advisory Agreement]

INVESTMENT AGREEMENT

by and among

W-CATALINA (S) LLC

COLONY CAPITAL OPERATING COMPANY, LLC

COLONY CAPITAL, INC.
(FOR THE LIMITED PURPOSES SET FORTH HEREIN)

AND

W-CATALINA (S) LLC, AS THE INITIAL WAFRA REPRESENTATIVE

Dated as of July 17, 2020

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I	
DEFINITIONS	
Section 1.1	Definitions 3
ARTICLE II	
PURCHASE AND SALE	
Section 2.1	Purchase and Sale 23
Section 2.2	Closing 23
Section 2.3	Deliveries at Closing 24
Section 2.4	Contingent Consideration Payment 25
Section 2.5	Purchase Price Allocation 27
Section 2.6	Tax Withholding 27
ARTICLE III	
CONVERTIBLE PREFERRED INTERESTS; DCMH	
Section 3.1	Convertible Preferred Interests 28
Section 3.2	Special Reserve 28
Section 3.3	Tax Treatment 28
ARTICLE IV	
REPRESENTATIONS AND WARRANTIES OF COLONY CAPITAL AND CCOC	
Section 4.1	Organization 29
Section 4.2	Authority; Validity of Agreements; No Violations 29
Section 4.3	Title 30
Section 4.4	Compliance with Law 30
Section 4.5	Legal Proceedings 30
Section 4.6	Brokers and Finders 30
ARTICLE V	
REPRESENTATIONS AND WARRANTIES REGARDING THE DIGITAL COLONY COMPANIES	
Section 5.1	Organization, Etc. 31
Section 5.2	Capital Structure 31
Section 5.3	Authority; Validity of Agreements 33
Section 5.4	Consents and Approvals 33
Section 5.5	No Conflicts 33
Section 5.6	Financial Statements and Records 34

Section 5.7	Absence of Undisclosed Liabilities	35
Section 5.8	Absence of Certain Changes	35
Section 5.9	Assets	37
Section 5.10	Real Property	38
Section 5.11	Material Contracts	38
Section 5.12	Legal Proceedings	39
Section 5.13	Affiliate Transactions	39
Section 5.14	Compliance with Law; Government Regulation	40
Section 5.15	Digital Colony Funds	44
Section 5.16	Clients	47
Section 5.17	Taxes	47
Section 5.18	Benefit Plans; Employees	49
Section 5.19	Intellectual Property and Information Technology	51
Section 5.20	Insurance	53
Section 5.21	Net Working Capital	53
Section 5.22	Distributions	53
Section 5.23	Brokers and Finders	53
Section 5.24	Small Business Administration Loans	53
Section 5.25	Employment Matters	54
Section 5.26	No Other Representations or Warranties; Non-Reliance	54

ARTICLE VI

REPRESENTATIONS AND WARRANTIES OF BUYER

Section 6.1	Organization	55
Section 6.2	Authority; Validity of Agreements; No Violations	55
Section 6.3	Sufficient Funds	56
Section 6.4	Investment	56
Section 6.5	Legal Proceedings	56
Section 6.6	Compliance with Law; Government Regulation	56
Section 6.7	Brokers and Finders	57
Section 6.8	No Other Representations or Warranties; Non-Reliance	57

ARTICLE VII

COVENANTS

Section 7.1	Announcement	58
Section 7.2	Expenses	58
Section 7.3	Further Assurances	59
Section 7.4	Post-Closing Restructuring	59
Section 7.5	Tax Matters	60
Section 7.6	Certain Filings	60
Section 7.7	[Reserved]	61
Section 7.8	CFIUS	61

ARTICLE VIII

SURVIVAL; POST-CLOSING OBLIGATIONS

Section 8.1	Expiration of Representations, Warranties and Covenants	62
Section 8.2	Result of Breach of Representation or Warranty; Indemnification	63
Section 8.3	Limitations	64
Section 8.4	Claims Notice	67
Section 8.5	Exclusive Remedy	70
Section 8.6	Tax Treatment	70
Section 8.7	Indemnity Payment	70
Section 8.8	Buyer Insurance Policy	70

ARTICLE IX

MISCELLANEOUS

Section 9.1	Amendments; Extension; Waiver	71
Section 9.2	Entire Agreement	71
Section 9.3	Construction and Interpretation	71
Section 9.4	Severability	72
Section 9.5	Notices	72
Section 9.6	Binding Effect; No Assignment	73
Section 9.7	Counterparts	73
Section 9.8	Specific Performance	73
Section 9.9	No Third Party Beneficiaries	74
Section 9.10	Governing Law	74
Section 9.11	Consent to Jurisdiction; Waiver of Jury Trial	74
Section 9.12	No Recourse	74

Exhibits

Exhibit A	Investment Vehicles Sponsored by Excluded Assets or Specified Investments
Exhibit B	Illustrative Run-Rate EBITDA Computation
Exhibit C	Expense Amounts

Annexes

Annex A	Convertible Preferred Interests
Annex B	Warrants
Annex C	Press Release / Investor Announcement
Annex D	Digital Bridge Entities
Annex E	Tax Returns

INVESTMENT AGREEMENT

This INVESTMENT AGREEMENT, dated as of July 17, 2020, is by and among (i) (x) W-Catalina (S) LLC, a Delaware limited liability company (the “Buyer”), (ii) Colony Capital Operating Company, LLC, a Delaware limited liability company (“CCOC”), (iii) solely for the purposes of Sections 2.3(e), 2.3(f), 2.3(g), 2.3(h), 2.3(k), 5.24, Article IV and Article IX hereof, Colony Capital, Inc., a Maryland corporation (“Colony Capital”), and (iv) the Buyer, in its capacity as the “Initial Wafra Representative” (each of the Persons described in the foregoing clauses (i) – (iv), a “Party” and collectively, the “Parties”).

W I T N E S S E T H:

WHEREAS, prior to the date hereof CCOC has formed or caused the formation of Digital Colony Management Holdings, LLC, a Delaware limited liability company (“DCMH”), as a wholly owned indirect Subsidiary of CCOC;

WHEREAS, prior to the date hereof, DCMH has formed Special Reserve LLC, a Delaware limited liability company (“Special Reserve”), as a wholly owned direct Subsidiary of DCMH;

WHEREAS, prior to or following the formation of DCMH but prior to the date hereof, Digital Bridge Holdings, LLC, a Delaware limited liability company (“Digital Bridge”) and indirect Subsidiary of CCOC, distributed one (1) Class A Unit in Digital Bridge DCP I Carry LLC to its immediate parent, Colony Capital Digital Holdco, LLC, a Delaware limited liability company and wholly owned indirect Subsidiary of CCOC (“CCDH”);

WHEREAS, following the distribution referenced immediately above, but prior to the date hereof, Digital Colony Management, LLC, a Delaware limited liability company and wholly owned indirect Subsidiary of CCOC, distributed (i) to CCDH, 50% of its interest in the ordinary share capital of Digital Colony UK 1 Limited, a private company limited by shares, incorporated in England, and wholly owned indirect Subsidiary of CCOC (“DCUK 1”), and 50% of its interest in the ordinary share capital of Digital Colony UK 2 Limited, a private company limited by shares, incorporated in England and wholly owned indirect Subsidiary of CCOC (“DCUK 2”), and (ii) to Colony DC Manager, LLC, a Delaware limited liability company and wholly owned indirect Subsidiary of CCOC (“CDCM” and, together with CCDH, the “Colony DCMH Members”), 50% of its interest in the ordinary share capital of DCUK 1 and 50% of its interest in the ordinary share capital of DCUK 2 to CDCM;

WHEREAS, following the distribution referenced immediately above, but prior to the date hereof, CCDH contributed one (1) Class A Unit of Digital Colony Management, LLC and the entirety of its 100% interest in Digital Bridge to DCMH in exchange for Common Interests, representing, following the consummation of the transactions described herein, 34.25% of the equity interests in DCMH on a fully-diluted, as converted basis (calculated without giving effect to the issuance of any equity interests under any Management Incentive Plan);

WHEREAS, contemporaneously with the contributions referenced immediately above, CDCM, contributed one (1) Class B Unit of Digital Colony Management, LLC to DCMH in exchange for Common Interests, representing, following the consummation of the transactions described herein, 34.25% of the equity interests in DCMH on a fully-diluted, as converted basis (calculated without giving effect to the issuance of any equity interests under any Management Incentive Plan);

WHEREAS, contemporaneously with the contributions referenced above, CCOC has formed or caused the formation of Colony DCP (CI) Bermuda, LP, a Bermuda limited partnership ("NewCo (Carry)"), and Colony DCP (CI) GP, LLC, a Delaware limited liability company and the general partner of NewCo (Carry) (the "Carry GP"), and CFI RE Holdco, LLC, a Delaware limited liability company and direct Subsidiary of CCOC and the sole limited partner of NewCo (Carry), contributed the entirety of its 50% interest in Colony DCP Holdco, LLC, a Delaware limited liability company and indirect Subsidiary of CCOC, to NewCo (Carry) (the transactions described above, the "Restructuring");

WHEREAS, following the Restructuring, upon the terms and subject to the conditions set forth in this Agreement, at the Closing, CCOC desires to cause DCMH to issue to the Buyer, and the Buyer desires to subscribe for and acquire from DCMH, (i) Common Interests representing, as of the Closing, the applicable Specified Percentage of the equity interests in DCMH, on a fully-diluted as converted basis (calculated without giving effect to the issuance of any equity interests under any Management Incentive Plan) and (ii) Convertible Preferred Interests which, upon Conversion, will represent the applicable Specified Percentage of the equity interests in DCMH on a fully-diluted, as converted basis (calculated without giving effect to the issuance of any equity interests under any Management Incentive Plan);

WHEREAS, concurrently with the execution and delivery of this Agreement, (i) the Buyer, DCMH, Colony Capital, CCDH and CDCM are entering into that certain Investor Rights Agreement of DCMH, dated as of the date hereof (the "DCMH Investor Rights Agreement"), and (ii) W-Catalina (C) LLC, the Carry GP, NewCo (Carry) and CCOC are entering into that certain Carried Interest Participation Agreement, dated as of the date hereof (the "Carried Interest Participation Agreement");

WHEREAS, concurrently with the execution and delivery of this Agreement, the Buyer, DCMH, CCDH and CDCM are entering into that certain First Amended and Restated Limited Liability Company Agreement of DCMH, dated as of the date hereof ("A&R DCMH Agreement");

WHEREAS, concurrently with the execution and delivery of this Agreement, Colony Capital is issuing to Wafra Strategic Holdings LP (the "Warrantholder") the Warrants (as defined herein);

WHEREAS, concurrently with the execution and delivery of this Agreement, W-Catalina (SP) LLC and Colony DCP Investor, LLC are entering into the Agreement of Purchase and Sale, dated as of the date hereof (“Fund I Specified Investment Purchase Agreement”);

WHEREAS, concurrently with the execution and delivery of this Agreement, each Managing Director is entering into an Acknowledgement Letter, dated as of the date hereof (the “Acknowledgement Letter”);

WHEREAS, concurrently with the execution and delivery of this Agreement, Ben Jenkins is entering into that certain Amended and Restated Employment Agreement, dated as of the date hereof (the “A&R Employment Agreement”); and

WHEREAS, concurrently with the execution and delivery of this Agreement, the Managing Directors are entering into those certain Amended and Restated Restrictive Covenant Agreements, dated as of the date hereof (the “A&R Restrictive Covenant Agreements”).

NOW THEREFORE, in consideration of the mutual covenants, representations, warranties and agreements contained herein and in the Ancillary Agreements, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be bound hereby, the Parties hereto hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions. As used in this Agreement, the following terms shall have the meanings set forth below:

“2020 Financial Statements” has the meaning set forth in Section 2.4(a).

“A&R DCMH Agreement” has the meaning set forth in the Recitals.

“A&R Employment Agreement” has the meaning set forth in the Recitals.

“A&R Restrictive Covenant Agreements” has the meaning set forth in the Recitals.

“Accounting Expert” has the meaning set forth in Section 2.4(c).

“Acknowledgement Letter” has the meaning set forth in the Recitals.

“Advisers Act” means the Investment Advisers Act of 1940, as amended, and the rules and regulations promulgated thereunder by the SEC.

“Affiliate” means, with respect to any Person, any other Person that directly or indirectly through one or more intermediaries Controls, is Controlled by or is under common Control with such other Person; provided, that an “Affiliate” of a natural person also includes such person’s Related Persons; provided, further, that with respect to WINC, “Affiliates” shall only mean such Person’s Controlled Affiliates. For the avoidance of doubt, neither Buyer or any of its Affiliates,

nor any Portfolio Company, shall be deemed an Affiliate of any of the Digital Colony Companies, the Digital Colony Funds, the Colony Capital Group, any of the Managing Directors, Successor or any of their respective Affiliates, and none of the Digital Colony Companies, the Colony Capital Group, the Managing Directors, Successors or any of their respective Affiliates shall be deemed an Affiliate of Buyer or any of its Affiliates.

“Aggregate Fee-Related Revenue” means the sum of the Fee-Related Revenue for all Digital Colony Clients.

“Agreement” means this Agreement, including the Schedules and any Annexes and Exhibits hereto, as such may be amended or restated from time to time.

“Ancillary Agreements” means any agreement, instrument or Contract entered into (whether on or following the date hereof) in connection with this Agreement, including the DCMH Investor Rights Agreement, the Carry Investment Agreement, the Carried Interest Participation Agreement, the A&R DCMH Agreement, the Warrants, the A&R Employment Agreement, the A&R Restrictive Covenant Agreements, the Acknowledgement Letters, the Fund I Specified Investment Purchase Agreement, the Purchaser Side Letter and the Specified / Warehouse Investment Side Letter.

“Anti-Corruption Laws” has the meaning set forth in Section 5.14(r).

“Applicable Fee Rate” means the applicable annual management fee rate (expressed as a percentage) set forth in a Digital Colony Client’s Investment Management Agreement in effect as of December 31, 2020 and covering the period January 1 through March 31, 2021, adjusted for the actual rates charged to the applicable Digital Colony Client including the effect of any current or temporary fee discounts, launching of successor funds or other reductions in any applicable side letter or similar agreement

“Available Cash” has the meaning set forth in the A&R DCMH Agreement.

“Balance Sheet Management Proceeds” has the meaning set forth in the DCMH Investor Rights Agreement.

“Bankruptcy and Equity Exception” has the meaning set forth in Section 4.2(a).

“Burdensome Condition” means any actions or undertakings necessary to obtain the CFIUS Approval or any other approval or Permit from a Governmental Authority that, pursuant to a mitigation agreement, security agreement, letter of assurance, or otherwise, would impose requirements on any of the DCP Parties that individually or in the aggregate, (i) would reasonably be expected to have an adverse effect in any material respect on the financial condition or results of operations of the Digital Colony Companies, taken as a whole or (ii) otherwise would reasonably be expected to impair or restrict the DCP Parties’ ability to conduct the day-to-day business and affairs of the DCP Parties and their respective Affiliates in any material respect, including any direct or indirect or pending (as of the date of this Agreement) portfolio companies of investment funds advised or managed by one or more Affiliates of any of the DCP Parties or any investment funds advised or managed by one or more of the DCP Parties.

“Business Day” means a day other than a Saturday, Sunday or other day on which commercial banks in New York, New York are authorized or required by law to close.

“Business IT Assets” has the meaning set forth in Section 5.19(e).

“Business Services Fees Amount” means for each Digital Colony Client, the amount of any business services fees paid by such Digital Colony Client in respect of the Digital Colony Business during the period commencing on December 1, 2020 and ending on (but including) December 31, 2020 pursuant to (i) any business services agreements in existence as of the Closing and (ii) any business services agreements entered into subsequent to the Closing, to the extent that such business services agreements are entered into the ordinary course of business consistent with past practice and are substantially similar to the business services agreements in existence as of the Closing. The Business Services Fees Amount shall exclude fees from any Digital Colony Client that has withdrawn or exited or requested to withdraw or exit as an investor in the applicable Digital Colony Fund or for which a Digital Colony Company or any member of the Colony Capital Group has received written notice of an intention to submit such a withdrawal or exit notice.

“Buyer” has the meaning set forth in the Preamble and includes any permitted successor or assign thereof.

“Buyer Fundamental Representations” has the meaning set forth in Section 8.1.

“Buyer Indemnitees” means the Buyer, WINC and each of their respective Affiliates (including, for the avoidance of doubt, W-Catalina (C) LLC, a Bermuda limited liability company) (without giving effect to the second proviso of the definition of Affiliates for purposes of this definition), together with each of their respective directors, officers, employees, stockholders, members, partners, agents, representatives, successors and permitted assigns (each in their capacity as such).

“Buyer Insurance Policy” means, collectively, (i) the Buyer-Side Representations and Warranties Insurance Policy Number 100039225 issued by QBE Specialty Insurance Co. to the Buyer, (ii) the Excess Buyer-Side Representations and Warranties Insurance Policy Number RWBX000307 issued by Everest Indemnity Insurance Company to the Buyer and (iii) the Excess Buyer-Side Representations and Warranties Insurance Policy Number ET111-001-930 issued by Euclid Transactional, LLC to the Buyer.

“Carried Interest” has the meaning set forth in the Carried Interest Participation Agreement.

“Carried Interest Participation Agreement” has the meaning set forth in the Recitals.

“Carry GP” has the meaning set forth in the Recitals.

“Carry Investment Agreement” means that certain Investment Agreement, dated as of the date hereof, by and among W-Catalina (C) LLC, a Bermuda limited liability company, CCOC and Colony Capital.

“Cash Compensation” has the meaning set forth in the DCMH Investor Rights Agreement.

“CCDH” has the meaning set forth in the Recitals.

“CCOC” has the meaning set forth in the Preamble.

“CCOC Retention” has the meaning set forth in Section 8.3(a).

“CCOC Supplemental Indemnification” has the meaning set forth in Section 8.3(a).

“CDCM” has the meaning set forth in the Recitals.

“CFIUS” means the interagency Committee on Foreign Investment in the United States.

“CFIUS Approval” means that any review or investigation by CFIUS of the Contemplated Transactions shall have been concluded, and either (i) CFIUS has issued a written notice to the parties that it has concluded all action under the DPA and has determined that there are no unresolved issues of national security with respect to the Contemplated Transactions, or (ii) CFIUS shall have sent a report to the President of the United States requesting the President’s decision and the President shall have announced a decision not to take any action to suspend, prohibit, or place any limitations on the Contemplated Transactions, or the time permitted by Law for such action shall have lapsed, in either case, permitting the Contemplated Transactions, including the Conversion.

“CFIUS Notice” has the meaning set forth in Section 7.8(a)(i).

“CFIUS Redemption Amount” has the meaning set forth in Annex A

“CFIUS Redemption Date” has the meaning set forth in Annex A.

“CFIUS Redemption Right” has the meaning set forth in Annex A.

“Client” means any Person to which any Digital Colony Company provides investment management or investment advisory services, including any sub-advisory services, administration services, business services or similar services, including each Digital Colony Fund.

“Client Assets” means as to any Digital Colony Client as of December 31, 2020, the amount of a Digital Colony Client’s assets used as the basis for determining management fees payable to the Digital Colony Companies pursuant to such Digital Colony Client’s Investment Management Agreement or the applicable governing agreements of a Digital Colony Fund. Client Assets shall exclude any amounts that are subject to pending withdrawal or distribution in connection with an exit, or in respect of which a Digital Colony Company or any member of the Colony Capital Group has received written notice of an intention to submit such a withdrawal or exit notice.

“Client Contract” means a Contract under which any Digital Colony Company provides services to a Client.

“Closing” has the meaning set forth in Section 2.2.

“Closing Date” has the meaning set forth in Section 2.2.

“Code” means the U.S. Internal Revenue Code of 1986, as amended.

“Colony Capital” has the meaning set forth in the Preamble.

“Colony Capital Group” means Colony Capital and its Subsidiaries and other Controlled Affiliates other than the Digital Colony Companies, the Digital Colony Funds and any Portfolio Companies.

“Colony DCMH Members” has the meaning set forth in the Recitals.

“Colony FCA Approval” means, with respect to Digital Colony Management, LLC, any required change-of-control approvals to be granted by the Financial Conduct Authority of the United Kingdom (the “FCA”) pursuant to Sections 185 (unconditional approval), 187 (approval with conditions) or 189 (deemed approval) of the Financial Services and Markets Act of 2000 (as amended) and relating to the DCMH UK Adviser Entities and the Contemplated Transactions.

“Common Interests” means common equity interests in DCMH.

“Common Interests Consideration Amount” has the meaning set forth in Section 2.1(a).

“Compliance with Law Cap” has the meaning set forth in Section 8.3(a).

“Compliance with Law Representation” has the meaning set forth in Section 8.1.

“Confidentiality Agreement” means that certain Confidentiality Agreement, effective as of April 9, 2020, by and between Colony Capital Acquisitions, LLC, a Delaware limited liability company and Wafra Inc., a Delaware corporation.

“Confidential Information” has the meaning set forth in the DCMH Investor Rights Agreement.

“Consent” means, as the context requires, any consent, approval, authorization, waiver, permit, license, grant, agreement, exemption or order of, or registration, declaration or filing with, any Person, including any Governmental Authority.

“Contemplated Transactions” means the transactions contemplated by this Agreement and the Ancillary Agreements.

“Contingent Consideration Amount” means \$29,925,000.

“Contingent Consideration Threshold Amount” means \$72,000,000.

“Contingent Indemnification Amount” has the meaning set forth in Section 8.3(f).

“Contract” means any agreement, contract, arrangement, understanding, obligation or commitment to which a Person is bound or to which its assets or properties are subject, whether oral or written, and any amendments and supplements thereto.

“Control” or “Controlled” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, as trustee or executor, or otherwise. For purposes of this definition, a general partner or managing member of a Person shall be deemed to Control such Person.

“Conversion” means the conversion of the Convertible Preferred Interests into Common Interests.

“Conversion Date” means the date on which the Convertible Preferred Interests shall automatically convert into Common Interests upon CFIUS Approval.

“Convertible Preferred Interests” means convertible preferred equity interests in DCMH, convertible into the right to receive the applicable Specified Percentage in DCMH.

“Convertible Preferred Interests Consideration Amount” has the meaning set forth in Section 2.1(a).

“Data Security Requirements” has the meaning set forth in Section 5.19(f).

“DCMH” has the meaning set forth in the Recitals.

“DCMH Investor Rights Agreement” has the meaning set forth in the Recitals.

“DCMH UK Adviser Entities” means Digital Colony UK Advisors 1 LLP, Digital Colony UK 1 Limited and Digital Colony UK 2 Limited.

“DCP Parties” has the meaning set forth in Section 7.8(a)(iv).

“Deductible” has the meaning set forth in Section 8.3(a).

“Digital Bridge” has the meaning set forth in the Recitals.

“Digital Bridge Acquisition Agreement” means that certain Contribution and Purchase Agreement, dated as of July 25, 2019, by and among Colony Capital Acquisitions, LLC, certain of its wholly-owned subsidiaries, the members of Digital Bridge Holdings, LLC and CCOC and any related agreements pursuant to which Colony Capital acquired Digital Bridge.

“Digital Bridge Entities” means, individually and collectively as the context may require, each of the Persons set forth on Annex D hereto.

“Digital Colony Business” means (i) the sponsorship of and investment in Digital Colony Funds as well as the provision of investment management, investment advisory or other services to Digital Colony Funds, (ii) Specified Investments and Warehouse Investments, (iii) any other business operated under the “Digital Colony” or “Digital Bridge” names (or any successor name thereto) or any other business operated by the Digital Colony Companies, or (iv) any other investment management business of Colony Capital for which Digital Colony Personnel described

in clause (x) of the definition of Digital Colony Personnel or the resources or assets of the Digital Colony Companies are utilized in a material manner.

“Digital Colony Client” means any Client (other than a Digital Colony Fund) that is an investment advisory or investment management client by virtue of having made any investment in, or capital commitment to, a Digital Colony Fund and having a duly executed and effective investment management or similar agreement for asset management services in place with the Digital Colony Companies (an “Investment Management Agreement”) as of December 31, 2020.

“Digital Colony Companies” or “Digital Colony Company” has the meaning set forth in the DCMH Investor Rights Agreement. For purposes of Article V, “Digital Colony Companies” or “Digital Colony Company” shall refer solely to those Persons in existence as of the date of this Agreement.

“Digital Colony Fund” means any current or future investment entity, fund, account, or other vehicle including any general or limited partnership, corporation account, trust, limited liability company or other Entity, whether or not dedicated to a single investor, and whether formed prior to, on or after the date hereof primarily investing in Digital Infrastructure (including, for the avoidance of doubt, Warehouse Investments or Specified Investments unless excluded pursuant to clause (ii) of the following sentence), including public and private equity, credit or other structured investments, and in each case that are organized, sponsored, promoted, managed or advised by any of the Digital Colony Companies, Digital Colony Personnel or Colony Capital, the Managing Directors or Successors. For the avoidance of doubt, “Digital Colony Fund” does not include (i) any Portfolio Company or (ii) the Excluded Assets and the activities related to the Excluded Assets specifically described herein or any entity created by Colony Capital for purposes of making a Specified Investment undertaken by Colony Capital in accordance with the terms of the Specified / Warehouse Investment Side Letter, except to the extent investment vehicles with a nexus to such Excluded Asset or Specified Investment are sponsored as set forth on Exhibit A. For purposes of Article V, “Digital Colony Fund” shall refer solely to those Persons in existence as of the date of this Agreement.

“Digital Colony Indemnitees” has the meaning set forth in Section 8.2(b).

“Digital Colony Investment Management Entities” means, individually and collectively as the context may require, each of the Persons set forth on Schedule I under the heading “Investment Management Entities” in Schedule I of the DCMH Investor Rights Agreement (other than DCMH).

“Digital Colony Material Adverse Effect” means any change, event, occurrence, effect or condition that, individually or in the aggregate, has had or would reasonably be expected to have a material adverse effect on the condition (financial or otherwise), properties, assets, Liabilities, business, management or results of operations of the Digital Colony Business, taken as a whole; provided, however, that none of the following, either alone or in combination, shall be taken into account in determining whether a Digital Colony Material Adverse Effect has occurred or would reasonably be likely to occur: (i) any change in the United States or foreign economies, financial, credit or securities markets or political or regulatory conditions; (ii) any change in the investment management industry; (iii) any change after the date of this Agreement in Laws applicable to any

of the Digital Colony Companies or their Clients or in GAAP; (iv) conditions arising after the date hereof as a result of hostilities, acts of war, sabotage, terrorism or military actions, or any escalation or worsening of any of the foregoing, or as a result of any pandemic, epidemic or plague or other public health event; (v) the investment performance of the Digital Colony Companies or their Clients or any failure of the Digital Colony Companies or their Clients to meet projections or forecasts, in each case in and of themselves (it being understood that the underlying cause of such investment performance or any such failure shall not (subject to the other provisions of this definition) be excluded); or (vi) any public announcement of the transactions contemplated by this Agreement; provided that, in the case of the matters described in clauses (i) through (iv) above, any such change, condition, event, circumstance or development (as the case may be) shall be taken into account in determining whether a “Digital Colony Material Adverse Effect” has occurred or would reasonably be likely to occur to the extent they have a disproportionate effect on the Digital Colony Business or the Digital Colony Companies compared to other businesses of similar size operating in the investment management industry.

“Digital Colony Personnel” means (x) all employees (including for this purpose, any Person that is not an employee but serves in a substantially equivalent capacity to an employee) of the Digital Colony Companies (but excluding all Persons described in the following clause (y) other than any such Person who devotes all or substantially all of his or her time or attention to the Digital Colony Business), and (y) any Managing Director or Successor and all employees of the Colony Capital Group (excluding employees described in clause (x), above) that devote material time and attention or otherwise are material to the Digital Colony Business.

“Digital Colony Representative” means CCOC or such other Digital Colony Company as may be designated from time to time by the Digital Colony Representative, with prior written notice to the Wafra Representative.

“Digital Infrastructure” means without geographic limitation, assets primarily related to mobile and internet communications, including spectrum, macro cell towers, data centers, fiber networks, small cell networks and other assets related thereto, including digital billboards, indoor CBRS infrastructure, satellites, spectrum and subsea cables, which includes businesses primarily related thereto, and any operating companies that specialize in, or have a material focus on, providing services (including online and software applications) for such Digital Infrastructure.

“Dispute” has the meaning set forth in Section 2.4(b).

“Dispute Notice” has the meaning set forth in Section 2.4(b).

“Dispute Period” has the meaning set forth in Section 2.4(b).

“Distribution Agreement” means any Contract for the distribution, placement or sales of shares, interests or units of a Digital Colony Fund, including any Contract with a placement agent.

“DPA” means Section 721 of the Defense Production Act of 1950, as amended (50 U.S.C. §4565), and all rules and regulations thereunder, including those codified at 31 C.F.R. Parts 800 and 802.

“Encumbrance” means, whether arising under any Contract or otherwise, any security interests, liens, pledges, mortgages, hypothecations, assessments, restrictions on title, voting trust agreements, options, preemptive rights, rights of first offer, proxies, title defects, rental, credit, factoring or conditional sale or other agreements on deferred terms, charges or other restrictions or limitations on transfer of title, or encumbrances of any nature whatsoever, other than any restrictions on transfer generally arising under any applicable federal or state securities Laws.

“Entity” means a Person that is not a natural person.

“Equity Rights” means, with respect to a Person, any outstanding equity securities, options, warrants, calls, rights, conversion rights, preemptive rights, rights of first refusal, redemption rights, repurchase rights, “tag-along” or “drag-along” rights, stock appreciation, restricted stock, phantom equity, profits interests or similar rights, commitments, agreements, arrangements or undertakings of such Person.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“ERISA Affiliate” has the meaning set forth in Section 5.18(a).

“Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

“Excluded Assets” means (i) the limited partnership interests (together with the remaining commitments related thereto) in any of the Digital Colony Funds held by Colony Capital, the Managing Directors, any current or former Digital Colony Personnel or any of their affiliates (except to the extent the Buyer will be acquiring any of the same from CCOC (including the Identified Sponsor Commitments), or in respect of which the Buyer will have an economic entitlement, in either case, as described herein), (ii) the investments and interests in Carried Interest in any Digital Bridge investment vehicles or investments of the Managing Directors, any current or former Digital Bridge professionals or any of their affiliates, in each case, that were not acquired by Colony Capital as part of its acquisition of Digital Bridge, (iii) Colony Capital’s investment in DataBank, Ltd., (iv) the investments to be made by Colony Capital, the Managing Directors, any current or former Digital Colony Personnel or current or former employees of members of the Colony Capital Group in the transaction known as “Project Valhalla” as announced on July 6, 2020, and any Carried Interest in respect thereof to be allocated to Colony Capital or any of the foregoing persons, (v) any Specified Investment to the extent that the Buyer does not elect to participate therein (but, for the avoidance of doubt, any Fee Revenue that is paid or payable to a Digital Colony Management Party (as defined in the DCMH Investor Rights Agreement) in respect of such Specified Investment shall not be considered an Excluded Asset) and (vi) any investments warehoused by Colony Capital for transfer to the Digital Colony Funds (A) at the Closing or (B) after the Closing, with respect to the capital and return on capital associated with warehoused investments opted out of by the Buyer; provided, that, DCMH shall have the right at all times to acquire such warehoused assets on behalf of a Digital Colony Fund at the price such asset was acquired plus a cost of carry implemented in accordance with past practice (in which case such assets will cease to be Excluded Assets once acquired). For the avoidance of doubt, Excluded Assets shall not include investment vehicles with a nexus to such Excluded Assets that are sponsored as set forth in Exhibit A of this Agreement.

“FCA” has the meaning set forth in the definition of “Colony FCA Approval” set forth in this Section 1.1.

“FCA Approval” means, collectively, the Wafra FCA Approval and the Colony FCA Approval.

“Fee-Related Revenue” means an amount pursuant to an Investment Management Agreement or the applicable governing agreements of a Digital Colony Fund, as of December 31, 2020, equal to the sum of (i) the product of the applicable Client Assets multiplied by the Applicable Fee Rate and (ii) without duplication of any amounts included in clause (i), the product of twelve multiplied by the Business Services Fees Amount.

“Fee Revenue” has the meaning set forth in the DCMH Investor Rights Agreement.

“Filings” means all registrations, reports, prospectuses, proxy statements, financial statements, marketing literature, statements, notices and other filings and information required to be filed by it with any Governmental Authority, including all amendments or supplements to any of the above.

“Final Run-Rate EBITDA” has the meaning set forth in Section 2.4(e).

“Financial Statements” means (i) the audited financial statements of Digital Bridge Holdings, LLC for the periods ended December 31, 2017 and December 31, 2018 (ii) the unaudited consolidated balance sheet of Digital Bridge Holdings, LLC for the period ended July 25, 2019 and the related consolidated statement of profit and loss for the period from January 1, 2019 through July 25, 2019, (iii) the unaudited consolidated balance sheet of Digital Colony Management, LLC for the periods ended December 31, 2018 and July 25, 2019 and the related consolidated statement of profit and loss for the periods ended December 31, 2018 and from January 1, 2019 through July 25, 2019, (iv) the unaudited consolidated balance sheet of the Digital Bridge Entities as of December 31, 2019, and the related unaudited consolidated statement of profit and loss for the period from July 26, 2019 through December 31, 2019, and (v) the unaudited consolidated balance sheet of the Digital Bridge Entities as of March 31, 2020 (the “Most Recent Balance Sheet”), and the related unaudited consolidated statement of profit and loss for the fiscal quarter ended March 31, 2020, (vi) the unaudited consolidated balance sheet of DCP Holdco LLC for the periods ended December 31, 2018 and December 31, 2019 and for the period from January 1, 2020 through March 31, 2020 and the related consolidated statement of profit and loss for the periods ended December 31, 2018 and December 31, 2019 and for the period from January 1, 2020 through March 31, 2020 and (vii) the unaudited consolidated balance sheet of DCP Investor, LLC for the periods ended December 31, 2018 and December 31, 2019 and for the period from January 1, 2020 through March 31, 2020 and the related consolidated statement of profit and loss for the periods ended December 31, 2018 and December 31, 2019 and for the period from January 1, 2020 through March 31, 2020.

“Flagship Funds” means (i) Digital Colony Partners, L.P., a Delaware limited partnership, and (ii) any successor Digital Colony Fund in the flagship fund series that has held a bona fide initial closing on third-party commitments (together with its parallel, feeder and alternative

investment vehicles, if any, and co-investment vehicles that are funds formed to invest alongside such partnership in select portfolio investments).

“Fundamental Representations” has the meaning set forth in Section 8.1.

“Fund Documentation” means, with respect to each Digital Colony Fund, its limited partnership agreement, memorandum and articles of incorporation, other constitutional documents or Organizational Documents, trust documents, Side Letters, subscription documents, agreements pursuant to which services of any type are provided (whether management, investment management or agency investment advisory), Distribution Agreements, custodial account agreements, register and transfer agency agreements, loan financing and security agreements, and its private placement memorandum (including any supplements thereto).

“Fund I Specified Investment Purchase Agreement” has the meaning set forth in the Recitals.

“GAAP” means United States generally accepted accounting principles and practices as in effect from time to time and applied consistently throughout the periods involved.

“Governmental Authority” means any nation or government, any foreign or domestic federal, state, county, municipal or other political instrumentality or subdivision thereof and any foreign or domestic Entity or body exercising executive, legislative, judicial, regulatory, administrative or taxing functions of or pertaining to government, including any court or tribunal, any arbitrator (public or private), and any Self-Regulatory Organization.

“Group Interests” has the meaning set forth in Section 5.2(a).

“Identified Sponsor Commitments” has the meaning set forth in the Carry Investment Agreement.

“Indebtedness” means, with respect to a Person: (i) any indebtedness for borrowed money, whether or not having recourse to the borrower; (ii) any other indebtedness of such Person which is evidenced by a note, bond, debenture or similar instrument; (iii) all obligations of such Person under any financing leases, but excluding, for the avoidance of doubt, any liabilities under operating leases; (iv) any obligation under any factoring, securitization or other similar facility or arrangement; (v) any reimbursement obligation with respect to letters of credit (including standby letters of credit to the extent drawn upon), drawn upon bankers’ acceptances or similar facilities; (vi) any obligation to pay the deferred purchase price of property or services, including any earn-out or similar obligations (vii) all net cash payment obligations of such Person under interest rate, commodity, foreign currency and financial markets swaps, options, futures, derivatives and other hedging obligations; and (viii) any guarantees or “keep-well” or similar agreements or arrangements of such Person for the obligations or liabilities of another Person of the type described in clauses (i) through (vii) above; provided, that Indebtedness shall not include any of the foregoing indebtedness or other obligations (1) incurred by any Digital Colony Fund in the ordinary course of business and in accordance with its investment strategy or (2) of any Portfolio Company, in each case, to the extent not incurred in violation of the Organizational Documents of the applicable Digital Colony Funds.

“Indemnifying Party” has the meaning set forth in Section 8.4(a).

“Indemnitee” has the meaning set forth in Section 8.4(a).

“Indemnity Claim” has the meaning set forth in Section 8.3(a).

“Initial Wafra Representative” has the meaning set forth in the Preamble.

“Insurance Policies” has the meaning set forth in Section 5.20.

“Intellectual Property” means, in all jurisdictions worldwide, (i) patents (ii) trademarks, service marks, domain names, trade dress, trade names and the goodwill symbolized thereby or associated therewith, (iii) copyrights and works of authorship, (iv) confidential and proprietary information, including trade secrets, know-how and customer lists and (v) registrations, applications, renewals, extensions, reissues, divisions, continuations, continuations-in-part and reexaminations for any of the foregoing in (i)-(iv).

“Investment Company Act” means the Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder by the SEC.

“Investment Management Agreement” has the meaning set forth in the definition of “Digital Colony Client” in this Section 1.1.

“IP Contracts” means all Contracts concerning Intellectual Property or IT Assets to which any Digital Colony Company is a party or beneficiary or by which any Digital Colony Company, or any of their properties or assets, may be bound, including (i) all licenses of Intellectual Property to or from any Person, (ii) Contracts between any Person and any Digital Colony Company relating to the transfer, development, maintenance or use of Intellectual Property or IT Assets, or the development or transmission of data, and (iii) consents, settlements, decrees, orders, injunctions, judgments and rulings governing the use, validity or enforceability of Intellectual Property or IT Assets.

“IRS” means the United States Internal Revenue Service.

“IT Assets” means software, systems, servers, computers, hardware, firmware, middleware, networks, data communications lines, routers, hubs, switches and all other information technology equipment, and all associated documentation.

“Knowledge of the Digital Colony Companies” means the actual knowledge of each of the Managing Directors, Jeff Ginsberg, Geoffrey Goldschein, and Jacky Wu within the scope of his or her employment responsibilities, as well as the knowledge of any of the foregoing personnel would have after reasonable inquiry of his or her respective direct reports having primary managerial and supervisory responsibilities over the applicable subject matter. “Knowledge of the Digital Colony Companies” does not require CCOC or the Digital Colony Companies to conduct, have conducted, obtain or have obtained any non-infringement, inventorship, invalidity, freedom-to-operate or any other opinions of counsel of any nature, formal or informal, in each case, with respect to patents, or any searches regarding patents, including any subject matter, ownership, competitive intelligence

or other searches, and no knowledge of any third-party patent rights that would have been revealed by such inquiries, opinions or searches will be imputed to CCOC or the Digital Colony Companies; provided, however, that CCOC and Digital Colony Companies shall be deemed to have actual knowledge of any such opinions of counsel conducted or obtained directly by CCOC or the Digital Colony Companies.

“Law” means all U.S. and non-U.S. laws, statutes, ordinances, Orders, administrative interpretation or rules of common law, codes, regulations, orders, decrees, rules, other civil and other codes and any other requirements which from time to time have the similar effect of any Governmental Authority.

“Leases” has the meaning set forth in Section 5.10(b).

“Liabilities” has the meaning set forth in Section 5.7.

“Liquidation Event” means any voluntary or involuntary bankruptcy, reorganization, insolvency, liquidation, dissolution or winding up of the affairs of DCMH.

“Liquidation Preference” has the meaning set forth in Annex A.

“Loan Investments” has the meaning set forth in Section 3.2.

“Losses” means all liabilities, obligations, claims, Taxes, losses, penalties, damages, costs, charges, interest, settlement payments, awards, judgments, fines, assessments, deficiencies and expenses (including all reasonable attorneys’ fees and out-of-pocket disbursements).

“Management Incentive Plan” means an incentive compensation plan in such form and on such terms as have been mutually agreed by the Parties.

“Management Interests Consideration Amount” has the meaning set forth in Section 2.1(a).

“Managing Directors” means Marc Ganzi and Ben Jenkins.

“Material Contract” means any Contract to which any Digital Colony Company, or in the case of clauses (a), (d), (e), (g), (h), (k), (m) or (n) below, any Digital Colony Fund, is a party or by which it or any of its properties or assets is bound of the type listed below:

- (a) Client Contracts, Distribution Agreements, limited partnership agreements and Side Letters, in each case, that are material to the Digital Colony Business;
- (b) Leases;
- (c) IP Contracts that are material to the Digital Colony Business;
- (d) Contracts relating to outstanding Indebtedness in excess of \$2,000,000 (other than any such Contracts among any Digital Colony Companies or between the Digital Colony Companies and the Digital Colony Funds);

(e) any joint venture, strategic alliance, exclusive distribution, partnership or similar Contract involving a sharing of profits or expenses or payments based on revenues, profits or assets under management of any Digital Colony Company or any Digital Colony Fund (other than any compensation arrangements or with respect to Carried Interest);

(f) stock purchase agreements, asset purchase agreements and other acquisition or divestiture agreements (including all exhibits, schedules and annexes thereto) entered into within the past five (5) years or that otherwise have any obligations or liabilities (including any indemnification obligations) outstanding;

(g) Contracts providing for future payments or the acceleration or vesting of payments to Persons covered by clause (x) of the definition of "Digital Colony Personnel" that are conditioned or triggered, in whole or in part, on a change in control of any Digital Colony Company;

(h) any Contracts that involve the annual payment of more than \$1,000,000 that cannot be terminated by a Digital Colony Company on less than sixty (60) days' notice, or that require a material payment or other material economic penalty or cost upon termination (other than any subscription agreements);

(i) any Contracts related to the rendering of prime broker or clearance services to any Digital Colony Company or any Digital Colony Fund;

(j) a Contract, except for IP Contracts, that requires a Digital Colony Company to pay any commission, finder's fee, royalty or similar payment in each case that are material to the Digital Colony Business;

(k) any Contract requiring any Digital Colony Company or Digital Colony Fund (i) to co-invest with any other Person, (ii) to provide seed capital or similar investment or (iii) to invest in any investment product (including any such Contract requiring additional or "follow-on" capital contributions to any Digital Colony Funds) that in each case has any obligations that remain outstanding;

(l) any Contract (x) that provides for earn-outs or other similar contingent obligations or (y) for the sale of shares or assets comprising a business enterprise which contains warranties or indemnities or purchase price adjustment obligations under which any Digital Colony Company still has a remaining liability or obligation;

(m) any Contract to cap management fees, share management fees, waive management fees or to reimburse or assume any or all management fees, including waivers and caps on advisory fees from the Digital Colony Funds (other than Contracts with service providers that are not material to the Digital Colony Business);

(n) any non-competition or exclusive dealing agreement or any other agreement or obligation to which the Digital Colony Companies have entered into directly that purports to limit or restrict in any respect (i) the freedom or ability of the Digital Colony Business

to compete in any line of business or with any Person or in any area (including the ability to invest in industry or geographic sectors or in competitors of specified persons), or (ii) the manner in which, or the localities in which, all or any portion of the Digital Colony Business is or, immediately following consummation of the Contemplated Transactions, will be conducted; and

(o) any employment, restrictive covenant or consulting agreement with any Managing Director or other investment professional material to the Digital Colony Business with an annual base salary of \$750,000;

provided, that Material Contracts shall not include contracts, agreements or instruments of the Digital Colony Funds solely relating to the acquisition, ownership, operation or disposition of Portfolio Companies.

“Most Recent Balance Sheet” has the meaning set forth in the definition of “Financial Statements” in this Section 1.1.

“NAV” means net asset value.

“NewCo (Carry)” has the meaning set forth in the Recitals.

“NFRE” has the meaning set forth in the DCMH Investor Rights Agreement.

“NFRE Recipient” means each member of the Colony Capital Group, whether formed prior to, on or after the date hereof that has the right or in the future becomes entitled to receive NFRE and any other fees (including business services fees) from the Digital Colony Business (including the Digital Colony Funds) (including entities through which NFRE is distributed to other Persons).

“OFAC” has the meaning set forth in Section 5.14(o).

“Order” means any judgment, outstanding order, injunction, stipulation, award or decree of, with, or by any Governmental Authority or settlement agreement.

“Organizational Documents” means, with respect to any Person that is a corporation, its articles or certificate of incorporation or memorandum and articles of association, as the case may be, and its bylaws; with respect to any Person that is a limited partnership, its certificate of limited partnership and its limited partnership or operating agreement; with respect to any Person that is a limited liability company, its certificate of formation and its limited liability company or operating agreement; with respect to any Person that is a trust or other similar entity, its declaration or agreement of trust or similar constituent document; with respect to any other Person, its comparable organizational documents, in each case, as has been amended or restated.

“Owned Intellectual Property” has the meaning set forth in Section 5.19(b).

“Participation Rights Consideration Amount” has the meaning set forth in the Carry Investment Agreement.

“Partnership Audit Rules” means Sections 6221 through 6241 of the Code, together with any Treasury Regulations or guidance issued thereunder or successor provisions and any similar provisions of state, local or foreign Laws.

“Party” or “Parties” has the meaning set forth in the Preamble.

“Paycheck Protection Program” means the Paycheck Protection Program providing loans to small businesses which is administered by the U.S. Small Business Administration.

“Permits” has the meaning set forth in Section 5.14(b).

“Permitted Encumbrance” means (i) Encumbrances for Taxes, assessments or other governmental charges (A) not yet delinquent (or which may be paid without interest or penalties) or (B) the amount or validity of which is being contested in good faith by appropriate proceedings and for which adequate reserves have been established in accordance with GAAP on the Most Recent Balance Sheet; (ii) mechanics’, materialmens’, warehousemens’, landlords’, carriers’, workers’, repairers’ and similar Encumbrances granted, arising or incurred in the ordinary course of business; (iii) pledges, deposits or other Encumbrances to the performance of leases incurred or made in the ordinary course of business that do not materially impair the use of the asset or property by the Digital Colony Companies as currently used or the Digital Colony Business as currently conducted; (iv) zoning, building code, entitlement and other land use and environmental Laws by any Governmental Authority and that do not materially impair the value, current occupancy or current use of a Party’s leased or owned real property; (v) easements, permits, rights of way, restrictions, covenants, reservations or encroachments, minor defects or irregularities in and other similar matters affecting title to any real property that do not materially impair the value or current use and operation of the affected real property; (vi) title of a lessor under a capital or operating lease; and (vii) Encumbrances arising or incurred under any Ancillary Agreement.

“Person” means any natural person or any firm, partnership, limited partnership, limited liability partnership, association, corporation, limited liability company, joint venture, trust, business trust, sole proprietorship, Governmental Authority or other entity or any division thereof.

“Personal Data” means a natural person’s name, street address or specific geolocation information, date of birth, telephone number, e-mail address, online contact information, photograph, biometric data, social security number, driver’s license number, passport number, tax identification number, any government-issued identification number, financial account number, credit card number, any information that would permit access to a financial account, a user name and password that would permit access to an online account, any persistent identifier such as a customer number held in a cookie, an internet protocol address or a unique device identifier, any data that, if it were subject to unauthorized access or use, would require notification under applicable Laws, or any other piece of information that allows the identification of a natural person.

“Plans” has the meaning set forth in Section 5.18(a).

“Portfolio Companies” means portfolio companies or portfolio investments owned by the Digital Colony Funds.

“Post-Closing Restructuring” has the meaning set forth in Section 7.4(a).

“Preferred Dividend” has the meaning set forth in Annex A.

“Proceeding” means any judicial, administrative or arbitral action, cause of action, suit, claim, demand, citation, summons, subpoena, investigation, litigation, administrative proceeding, examination, audit, review, inquiry or proceeding of any nature, civil, criminal, regulatory or otherwise, in law or in equity, by, on behalf of, before or involving any court, tribunal, arbitrator (public or private) or other Governmental Authority.

“Proposed Run-Rate EBITDA” has the meaning set forth in Section 2.4(a).

“Purchased Interests” means, collectively, the Common Interests and the Convertible Preferred Interests, as applicable.

“Purchaser Side Letter” has the meaning set forth in the Fund I Specified Investment Purchase Agreement.

“Registered” means issued by, registered or filed with, renewed by or the subject of a pending application before any Governmental Authority or Internet domain name registrar.

“Regulatory Decision Period” means the twelve (12) month anniversary of the Closing Date; provided that to the extent good faith discussions with respect to CFIUS Approval are ongoing at the time that such twelve (12) month period expires, the Parties may elect to extend the Regulatory Decision Period for an additional period of three (3) months.

“Related Person” means, with respect to any Person (i) such Person’s spouse, parents, grandparents, children, grandchildren and siblings, (ii) the current spouses of such Person’s parents, grandparents, children, grandchildren and siblings, (iii) estates, trusts, partnerships and other Entities of which the foregoing Persons in clauses (i) or (ii) retain (x) the power to determine how the interests held in such estate, trust, partnership or other Entity will be voted and (y) the economic interests therein, and (iv) any corporation, trust, limited liability company, partnership or other Entity directly or indirectly controlled by, and substantially all of whose equity interests are owned by, such Person or their family members, and/or persons described in clauses (i) – (iii).

“Restructuring” has the meaning set forth in the Recitals.

“Run-Rate EBITDA” means, (i) Aggregate Fee-Related Revenue, *minus* (ii) Run-Rate Expenses. An illustrative computation of Run-Rate EBITDA is set forth on Exhibit B.

“Run-Rate EBITDA Statement” has the meaning set forth in Section 2.4(a).

“Run-Rate Expenses” means the average of the expense amounts set forth on Exhibit C hereto for calendar years 2020 and 2021; provided, that to the extent the Digital Colony Companies budget approved for calendar year 2021 (which shall have been adopted prior to the determination of whether the Contingent Consideration Amount is payable) exceeds the corresponding expense amount set forth on Exhibit C, then such adopted 2021 budget shall be utilized for purposes of this calculation.

“SDN List” has the meaning set forth in Section 5.14(o).

“SEC” means the U.S. Securities and Exchange Commission.

“Securities Act” has the meaning set forth in Section 5.15(e).

“Self-Regulatory Organization” means the Financial Industry Regulatory Authority, each national securities exchange in the United States, each non-U.S. securities exchange, and each other commission, board, agency or body, whether United States or foreign, that is charged with the supervision or regulation of brokers, dealers, commodity pool operators, commodity trading advisors, futures commission merchants, securities underwriting or trading, stock exchanges, commodities exchanges, insurance companies or agents, investment companies or investment advisers, or to the jurisdiction of which any Digital Colony Company or any Digital Colony Fund is subject.

“Seller Disclosure Schedule” means the disclosure schedule dated as of the date of this Agreement delivered by CCOC to Buyer in connection with the execution and delivery of this Agreement.

“Side Letter” means any agreement or instrument (other than Organizational Documents for the Digital Colony Funds) relating to or affecting any Digital Colony Fund that provides for consideration (whether in the form of payments reimbursement, waivers, reductions, offsets, capacity rights, enhanced liquidity, enhanced transparency or otherwise) to investors or other Persons of any amounts, contingent or otherwise, based on the management or performance of such Digital Colony Fund or that otherwise has the effect or have had the effect of establishing rights under, or altering or supplementing the terms of any governing document of such Digital Colony Fund, including all amendments, modifications and supplements thereto.

“Special Reserve” has the meaning set forth in the Recitals.

“Specified Employee” has the meaning set forth in the DCMH Investor Rights Agreement.

“Specified Exclusion” means any claim excluded under the Buyer Insurance Policy pursuant to Section II.A(3)-(7) or Section II.B thereof, or otherwise on the basis that the representation or warranty corresponding to such claim is deemed to have been modified by virtue of the final two sentences of Section XXI.F of the Buyer Insurance Policy.

“Specified Investment” has the meaning set forth in the Specified / Warehouse Investment Side Letter.

“Specified Percentage” means (a) prior to the Conversion, (i) in respect of the Common Interest issued to the Buyer on Closing, 9.9% of the issued and outstanding common equity interests in DCMH on a fully-diluted, as converted basis as of the Closing (calculated without giving effect to the issuance of any equity interests under the Management Incentive Plan), and (ii) in respect of the Convertible Preferred Interest issued to the Buyer, 21.6% of the issued and outstanding common equity interests in DCMH on a fully-diluted, as converted basis as of the Closing (calculated without giving effect to the issuance of any equity interests under the Management Incentive Plan) and (b)

following the Conversion, in respect of the Common Interest issued to the Buyer (x) at the Closing and (y) in connection with the Conversion, 31.5% of the issued and outstanding common equity interests in DCMH on a fully-diluted, as converted basis as of the Closing (calculated without giving effect to the issuance of any equity interests under the Management Incentive Plan), and deemed as if the Buyer had held such equity interests from the Closing. For the avoidance of doubt, any applicable Specified Percentage shall only be subject to dilution in compliance with Section 3.3 of the DCMH Investor Rights Agreement.

“Specified / Warehouse Investment Side Letter” means that certain side letter, dated as of the date hereof, by and among Colony Capital, NewCo (Carry), DCMH, W-Catalina (C) LLC and Buyer.

“Sponsor Commitments” has the meaning set forth in the Carried Interest Participation Agreement.

“Subsidiary” means, with respect to any Person, any corporation, limited liability company, partnership, joint venture, or other legal Entity of which such Person (either alone or through or together with any other Subsidiary) owns, directly or indirectly, more than 50% of the stock or other equity interests, but does not include the Portfolio Companies.

“Successor” means any individual who (i) succeeds to the role performed by the Managing Directors as of the date hereof or who performs a similar managing partner role or has similar responsibilities with respect to the Digital Colony Companies or DCMH as the Managing Directors do as of the date hereof, (ii) together with his or her Related Persons has at any time been entitled to (directly or indirectly) an interest in more than 10% of gross carried interest in respect of any Flagship Fund, or (iii) together with his or her Related Persons receives an average annual Cash Compensation from the Digital Colony Companies (and/or from Colony Capital for the benefit of the Digital Colony Companies) in excess of \$3.5 million per year.

“Supplemental Indemnification Hurdle” has the meaning set forth in Section 8.3(a).

“Tax” means any federal, state, local, foreign and other taxes, levies, imposts, duties and similar fees and charges in the nature of a tax imposed by any Taxing Authority or similar authority (including any interest, penalties, or additions attributable thereto, imposed in connection therewith, or imposed with respect thereto), including, without limitation, taxes imposed on, or measured by, net or gross income, alternative minimum, accumulated earnings, personal holding company, franchise, doing business, capital stock, net worth, capital, profits, windfall profits, gross receipts, business, securities transaction, value added, sales, use, excise, custom, transfer, registration, stamp, premium, real property, personal property, escheat, abandoned or unclaimed property, ad valorem, intangibles, rent, occupancy, license, occupational, employment, unemployment, social security, disability, workers’ compensation, payroll, withholding, estimated and recording, whether computed on a separate, consolidated, unitary, combined or other basis.

“Tax Return” means any return, report, declaration, form, claim for refund or information return or statement, including any schedule or related or supporting information, filed or required to be filed with any Taxing Authority in connection with the determination, assessment or collection

of any Tax or the administration of any Laws, regulations or administrative requirements relating to any Tax, including any attachment, amendment, or supplement thereto.

“Tax Sharing Agreement” means any Tax allocation agreement, Tax indemnification agreement, Tax sharing agreement or similar Contract or arrangement, whether or not written (other than any commercial agreement or arrangement entered into in the ordinary course of business and the principal purpose of which is not to govern the sharing of Taxes, and, for the avoidance of doubt, other than this Agreement and the Ancillary Agreements).

“Taxing Authority” means the IRS or any other Governmental Authority responsible for the assessment, determination, imposition or collection of any Tax or any other authority exercising Tax regulatory authority.

“Third Party Claim” has the meaning set forth in Section 8.4(b).

“Total Cap” has the meaning set forth in Section 8.3(a).

“Transaction Expenses” has the meaning set forth in Section 7.2.

“Transfer Taxes” means all transfer, documentary, intangible, sales, use, stamp, registration and other similar Taxes and fees (including any penalties and interest) incurred in connection with, or resulting from, the Contemplated Transactions (including this Agreement and the Ancillary Agreements).

“Treasury Regulations” means the final and temporary U.S. federal income tax regulations promulgated under the Code, as the same may be amended hereafter from time to time.

“Valuation Firm” has the meaning set forth in Section 8.4(a).

“Wafra Entity” has the meaning set forth in the DCMH Investor Rights Agreement.

“Wafra FCA Approval” means, with respect to Buyer or DCMH, any required change-of-control approvals to be granted by the FCA pursuant to Sections 185 (unconditional approval), 187 (approval with conditions) or 189 (deemed approval) of the Financial Services and Markets Act of 2000 (as amended) and relating to the DCMH UK Adviser Entities and the Contemplated Transactions

“Wafra Investment Amount” means (i) the Management Interests Consideration Amount plus (ii) the Participation Rights Consideration Amount plus (iii) the Contingent Consideration Amount, to the extent actually funded, plus (iv) the Warrants Consideration Amount.

“Wafra Representative” means the Initial Wafra Representative or such other Wafra Entity as may be designated from time to time by the Wafra Representative, with prior written notice to the Digital Colony Representative.

“Warehouse Investment” has the meaning set forth in the Specified / Warehouse Investment Side Letter.

“Warrantholder” has the meaning set forth in the Recitals.

“Warrants” means those certain Warrants to purchase shares of the Class A Common Stock, par value \$0.01 per share, of Colony Capital, issued to the Warrantholder on the date hereof, in each case as listed on Annex B.

“Warrants Consideration Amount” has the meaning set forth in Section 2.1(b).

“W-Catalina (C) Non-Fundamental Representations” means the representations contained in Sections 4.3, 4.4, 4.5 and 4.6 of the Carry Investment Agreement.

“WINC” means Wafra Inc., a Delaware corporation.

ARTICLE II

PURCHASE AND SALE

Section 2.1 Purchase and Sale.

(a) Subject to the terms set forth herein, (i) CCOC shall cause DCMH to issue to the Buyer, and the Buyer shall subscribe for and acquire from DCMH, at the Closing, the Common Interests as indicated on Schedule 2.1, free and clear of all Encumbrances (other than Encumbrances contemplated by this Agreement or the Ancillary Agreements or created by Buyer) and together with all benefits, rights and obligations attached thereto, in exchange for the aggregate purchase price set forth opposite the Buyer’s name on Schedule 2.1 under the header “Common Interests Consideration Amount” (such amount, the “Common Interests Consideration Amount”) and (ii) CCOC shall cause DCMH to issue to the Buyer, and the Buyer shall subscribe for and acquire from DCMH, at the Closing, the Convertible Preferred Interests as indicated on Schedule 2.1, free and clear of all Encumbrances (other than Encumbrances contemplated by this Agreement or the Ancillary Agreements or created by Buyer) and together with all benefits, rights and obligations attached thereto, in exchange for the aggregate purchase price set forth opposite the Buyer’s name on Schedule 2.1 under the header “Convertible Preferred Interests Consideration Amount” (such amount, the “Convertible Preferred Interests Consideration Amount” and together with the Common Interests Consideration Amount, the “Management Interests Consideration Amount”).

(b) Subject to the terms set forth herein, Colony Capital shall issue to the Warrantholder, and the Warrantholder shall purchase from Colony Capital, at the Closing, the Warrants, free and clear of all Encumbrances (other than Encumbrances contemplated by this Agreement or the Ancillary Agreements or created by Buyer) and together with all benefits, rights and obligations attached thereto, in exchange for the amount set forth in Schedule 2.5 as the purchase price for the Warrants (such amount, the “Warrants Consideration Amount”), which shall be effected by the execution and delivery of the Warrants by the parties thereto in accordance with the terms of this Agreement.

Section 2.2 Closing. Subject to the terms of this Agreement, the closing of the issuance of, and subscription for, the Common Interests and the Convertible Preferred Interests

pursuant to Section 2.1 (the “Closing”) is taking place simultaneously with the execution and delivery of this Agreement by the Parties at the offices of Fried, Frank, Harris, Shriver & Jacobson LLP, One New York Plaza, New York, New York 10004 (the date the Closing takes place, the “Closing Date”).

Section 2.3 Deliveries at Closing. At the Closing, the Parties shall, or, as applicable, shall cause their respective Controlled Affiliates to, take the following actions:

(a) the Buyer shall pay or cause to be paid the Management Interests Consideration Amount to DCMH by wire transfer of immediately available funds to the account or accounts designated by CCOC as set forth on Schedule 2.3 of the Seller Disclosure Schedule;

(b) the Warrantholder shall pay or cause to be paid the Warrants Consideration Amount to Colony Capital by wire transfer of immediately available funds to the account or accounts designated by CCOC as set forth on Schedule 2.3 of the Seller Disclosure Schedule;

(c) Buyer, DCMH, CCDH and CDCM shall enter into, and deliver to each other executed counterparts of, the DCMH Investor Rights Agreement;

(d) W-Catalina (C) LLC, the Carry GP, NewCo (Carry) and CCOC shall enter into, and deliver to each other executed counterparts of, the Carried Interest Participation Agreement;

(e) Buyer, DCMH, Colony Capital, CCDH and CDCM shall enter into, and deliver to each other executed counterparts of, the A&R DCMH Agreement;

(f) the Managing Directors and Colony Capital shall enter into, and deliver to each other and the Wafra Representative executed counterparts of the A&R Restrictive Covenant Agreements;

(g) Ben Jenkins and Colony Capital shall enter into, and deliver to each other and the Wafra Representative executed counterparts of the A&R Employment Agreement;

(h) Colony Capital and the Warrantholder shall enter into, and deliver to each other executed counterparts of, the Warrants;

(i) W-Catalina (SP) LLC and Colony DCP Investor, LLC shall enter into, and deliver to each other executed counterparts of, the Fund I Specified Investment Purchase Agreement, and W-Catalina (SP) LLC shall pay or cause to be paid, by wire transfer of immediately available funds to the account or accounts designated by CCOC as set forth on Schedule 2.3 of the Seller Disclosure Schedule, the purchase price specified therein;

(j) [Reserved];

(k) Colony Capital, NewCo (Carry), DCMH, W-Catalina (C) LLC and Buyer shall enter into, and deliver to each other executed counterparts of, the Specified / Warehouse Investment Side Letter;

(l) the Managing Directors shall enter into, and deliver to the Wafra Representative executed counterparts of, the Acknowledgement Letter;

(m) Buyer shall have entered into, and delivered to CCOC executed counterparts of, the Buyer Insurance Policy;

(n) CCOC shall pay, or cause to be paid, all out-of-pocket costs relating to obtaining the Buyer Insurance Policy (including the total premium, underwriting costs, brokerage commission for Buyer's brokers, Taxes related to such policy and other fees and expenses of such policy), including reimbursement of Buyer for any such expenses advanced by Buyer; provided, CCOC shall not be responsible for any fees and expenses of Buyer's outside counsel;

(o) CCDH and CDCM shall each deliver to the Wafra Representative a properly completed and duly executed IRS Form W-9; and

(p) each Party shall deliver, or shall cause to be delivered, to each other Party, as applicable, all other previously undelivered documents reasonably requested to be delivered by such Party to another Party pursuant to this Agreement or the Ancillary Agreements.

Section 2.4 Contingent Consideration Payment.

(a) Not less than fifteen (15) Business Days following the completion and delivery of the audited consolidated financial statements of the Digital Colony Investment Management Entities for the year ended December 31, 2020 (the "2020 Financial Statements"), the Digital Colony Representative shall deliver a written statement (the "Run-Rate EBITDA Statement") to the Wafra Representative setting forth (i) the Digital Colony Representative's good faith calculation of DCMH's Run-Rate EBITDA (the "Proposed Run-Rate EBITDA") and the components thereof, and (ii) reasonable supporting information sufficient to enable the Wafra Representative to verify whether such Proposed Run-Rate EBITDA is less than, equal to or greater than the Contingent Consideration Threshold Amount.

(b) The Wafra Representative shall have fifteen (15) Business Days after the later of the (i) receipt by the Wafra Representative of the Run-Rate EBITDA Statement or (ii) receipt by the Wafra Representative of the 2020 Financial Statements (the "Dispute Period") to dispute any or all amounts or components of such Run-Rate EBITDA Statement, including the amount of the Proposed Run-Rate EBITDA ("Dispute"). During the Dispute Period, the Wafra Representative shall have the right to review, access and, request information with respect to the determination of Proposed Run-Rate EBITDA, and CCOC shall provide and shall cause DCMH to provide reasonable access (upon reasonable advance notice and during normal business hours) to such employees, books, records, financial statements, and independent auditors to the extent reasonably related to the Wafra Representative's review of the Run-Rate EBITDA Statement. If the Wafra Representative desires to undertake a Dispute, then the Wafra Representative shall provide to the Digital Colony Representative, prior to the end of the Dispute Period, written notice of the Dispute (a "Dispute Notice"), setting forth in reasonable detail the amounts included in the Run-Rate EBITDA Statement with which the Wafra Representative disagrees and the Wafra Representative's alternative calculation, in reasonable detail, of such amounts, and any other information applicable to such Dispute.

(c) If the Wafra Representative delivers to the Digital Colony Representative a Dispute Notice prior to the end of the Dispute Period, then the Digital Colony Representative and the Wafra Representative shall use reasonable best efforts to resolve the Dispute and agree in writing upon the final content of the Run-Rate EBITDA Statement within fifteen (15) Business Days following the delivery by the Wafra Representative of the Dispute Notice to the Digital Colony Representative. Items and amounts not objected to by the Wafra Representative shall be deemed resolved. If the Wafra Representative and the Digital Colony Representative are unable to resolve the items or amounts in dispute within such fifteen (15) Business Day period, then the Wafra Representative and the Digital Colony Representative shall submit the Dispute for resolution to a nationally-recognized independent certified public accountant as mutually agreed by the Digital Colony Representative and the Wafra Representative (the “Accounting Expert”) to resolve such dispute.

(d) The Accounting Expert, acting as an expert and not as an arbitrator, shall be charged with determining whether the Proposed Run-Rate EBITDA was prepared in accordance with the terms of this Agreement and whether and to what extent, if any, the Proposed Run-Rate EBITDA shall require adjustment (but only with respect to the items identified in the Dispute Notice as the subject of a dispute and submitted to the Accounting Expert and any other items necessarily affected by the resolution of those disputed items), and may not assign a value to any item greater than the greatest value for such item claimed by either the Wafra Representative, on the one hand, or the Digital Colony Representative, on the other hand, or less than the smallest value for such item claimed. The Accounting Expert’s determination shall be based solely on written submissions by the Wafra Representative and the Digital Colony Representative (i.e., not on independent review) and on the definitions and provisions included in this Agreement. Except for errors in calculation, all determinations of the Accounting Expert with respect to the Run-Rate EBITDA Statement shall be final, conclusive and binding on the Wafra Representative and the Digital Colony Representative, and neither the Wafra Representative nor the Digital Colony Representative shall have the right to appeal such determinations absent fraud or manifest error. Each of the Parties shall bear its own expenses in connection with the review and resolution by the Accounting Expert; provided, that the fees and expenses of the Accounting Expert incurred in connection with the resolution of the Dispute shall be allocated between the Buyer and CCOC by the Accounting Expert in proportion to the extent that either of Buyer or the Digital Colony Representative did not prevail on items in dispute with respect to the Run-Rate EBITDA Statement as submitted to the Accounting Expert.

(e) “Final Run-Rate EBITDA” shall mean, as applicable, (x) the Proposed Run-Rate EBITDA, if the Digital Colony Representative delivers a Run-Rate EBITDA Statement and the Wafra Representative does not deliver a Dispute Notice to the Digital Colony Representative prior to the end of a Dispute Period, (y) Run-Rate EBITDA as mutually determined by the Wafra Representative and the Digital Colony Representative in accordance with Section 2.4(c) or (z) Run-Rate EBITDA as determined by the Accounting Expert in accordance with Section 2.4(d).

(f) The Wafra Representative and the Digital Colony Representative agree to cooperate fully and expeditiously with the Accounting Expert in order to facilitate the receipt of the final determination of the Accounting Expert within twenty (20) Business Days following submission of a Dispute to the Accounting Expert.

(g) If, the Final Run-Rate EBITDA is equal to or exceeds the Contingent Consideration Threshold Amount, then Buyer shall promptly and in any event within fifteen (15) Business Days after the later of (x) the receipt by the Wafra Representative of the Run-Rate EBITDA Statement (in the case that the Final Run-Rate EBITDA is determined pursuant to Section 2.4(e)(x)) and (y) the determination of the Final Run-Rate EBITDA (in the case that the Final Run-Rate EBITDA is determined pursuant to Section 2.4(e)(y) or Section 2.4(e)(z)), pay to DCMH the Contingent Consideration Amount by wire transfer of immediately available funds to the account or accounts set forth on Schedule 2.3 of the Seller Disclosure Schedule or such other account as is designated in writing; provided, that Buyer shall not be obligated to pay the Contingent Consideration Amount prior to the date that is sixty (60) days after the Wafra Representative's receipt of the 2020 Financial Statements.

(h) Buyer and CCOC shall treat and report for applicable Tax and financial reporting purposes a portion of the Contingent Consideration Amount as interest as determined using the appropriate federal rate (under Section 1274(d) of the Code and Section 1.1275-4(c) of the Treasury Regulations thereunder, as applicable.

(i) During the period from the Closing until the determination of the Final Run-Rate EBITDA, CCOC shall and shall cause DCMH and its other Controlled Affiliates to operate the Digital Colony Business in good faith and in a manner that is consistent with its business plan and the DCMH Investor Rights Agreement, and shall not knowingly take any action with respect to any accounting policies or procedures that are utilized to determine the calculations of Fee-Related Revenue and/or Run-Rate Expenses with the intent of impeding, or otherwise making unavailable information required for, the determination or verification of the Run-Rate EBITDA.

(j) In the event of any Liquidation Event, the Contingent Consideration shall not be payable.

Section 2.5 Purchase Price Allocation. Schedule 2.5 sets forth the allocation of the Management Interests Consideration Amount, the Contingent Consideration Amount and the Warrants Consideration Amount for Tax purposes among the Common Interests, the Convertible Preferred Interests and the Warrants.

Section 2.6 Tax Withholding. Buyer shall be entitled to withhold Taxes on payments made by it pursuant to this Agreement in accordance with applicable Law and any such withheld Taxes shall be deemed paid for all purposes of this Agreement. If Buyer determines that it is required by applicable Law to withhold any amount from any payment to be made pursuant to this Agreement, Buyer shall use commercially reasonable efforts to provide at least five (5) Business Days' notice to CCOC of Buyer's intent to withhold such amount and the basis for such withholding, and the Parties shall use commercially reasonable efforts to cooperate (at the applicable payee's expense) in order to eliminate or to reduce any such withholding, including providing a reasonable opportunity to provide forms or other evidence that would mitigate, reduce or eliminate such withholding.

ARTICLE III

CONVERTIBLE PREFERRED INTERESTS; DCMH

Section 3.1 Convertible Preferred Interests.

(a) General. The rights, preferences and privileges of the Convertible Preferred Interests shall be set forth in the Organizational Documents of DCMH and shall be consistent in all respects with the terms set forth on Annex A.

(b) Investor Rights Agreements. In addition to any rights and obligations arising under this Agreement, the Convertible Preferred Interests (and the Common Interests) shall be entitled to the rights and subject to the obligations set forth in the DCMH Investor Rights Agreement and the A&R DCMH Agreement.

Section 3.2 Special Reserve. DCMH shall contribute all of the amounts received by it pursuant to Section 2.3(a) to Special Reserve, and Special Reserve will use such amounts to make one or more loans to one or more members of the Colony Capital Group (the "Loan Investments"). The Parties agree that DCMH will make special allocations to give the Buyer, on the one hand, and the Colony DCMH Members, on the other hand, an economic interest of 10% and 90%, respectively, in income and loss items from Special Reserve. For the avoidance of doubt, allocations of all other income and loss items of DCMH will be made in accordance with the applicable Specified Percentage.

Section 3.3 Tax Treatment. For U.S. federal (and, to the extent applicable, state, local, and foreign) income tax purposes, the Parties agree to treat the Contemplated Transactions under this Agreement on their applicable Tax Returns as follows: the contribution by the Buyer of the amounts set forth in Schedule 2.5 as the consideration paid by the Buyer for the Common Interests and the Convertible Preferred Interests to DCMH in a transaction to which Section 721(a) of the Code applies (and, for the avoidance of doubt, none of such amounts transferred by the Buyer to DCMH as giving rise to a disguised sale under Section 707 of the Code). In addition, the Parties agree that, as a consequence of the Restructuring, (a) Digital Colony Management, LLC's status as a partnership for U.S. federal income tax purposes will not terminate within the meaning of Section 708 of the Code and the Treasury Regulations thereunder and (b) DCMH will be considered a continuation of Digital Colony Management, LLC for U.S. federal income tax purposes and all other applicable tax purposes, except as otherwise required by law.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF COLONY CAPITAL AND CCOC

Except as set forth in the Seller Disclosure Schedule (it being agreed that any matter disclosed in the Seller Disclosure Schedule with respect to Article IV and Article V of this Agreement shall be deemed to have been disclosed for purposes of each other Section or subsection of Article IV and Article V of this Agreement to the extent the applicability of such matter so referenced is reasonably apparent on the face of such included matter, but only to the extent of such disclosure), each of Colony Capital (other than with respect to the representations and warranties set forth in

Section 4.3) and CCOC hereby represents and warrants to Buyer, severally and not jointly, as follows:

Section 4.1 Organization. Each of Colony Capital and CCOC has been duly formed or organized and is validly existing and in good standing under the laws of the jurisdiction in which it was formed or organized. Colony Capital and CCOC each has the requisite power and authority to carry on its respective business and to own all of its respective properties and assets as currently conducted and owned, except where the failure to have such power and authority would not, result in a Digital Colony Material Adverse Effect. Colony Capital and CCOC each is duly qualified to do business in each jurisdiction in which the nature of its respective business or the character or location of the properties and assets owned or operated by it makes such qualification necessary, except where the failure to have such power and authority would not result in a Digital Colony Material Adverse Effect.

Section 4.2 Authority; Validity of Agreements; No Violations.

(a) Each of Colony Capital and CCOC has the requisite power and authority to execute and deliver this Agreement and each Ancillary Agreement to which it is or is specified to be a party, and to perform its respective obligations hereunder and thereunder. This Agreement and each Ancillary Agreement that has been or will be executed by Colony Capital, and CCOC (assuming due authorization, execution and delivery by the other parties hereto) constitutes, or upon such execution will constitute, a valid and legally binding obligation of Colony Capital or CCOC, as applicable, enforceable against such Person in accordance with its terms, except as limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or similar Laws of general applicability relating to or affecting the enforcement of creditors' rights or by general principles of equity, whether such enforceability is considered in a court of law, a court of equity or otherwise (the "Bankruptcy and Equity Exception").

(b) Assuming receipt of and subject to the CFIUS Approval (and assuming the accuracy of the representations and warranties of the Buyer), and except for any approvals required to be obtained by Buyer for Buyer to acquire and own the Purchased Interests, the execution, delivery and performance by each of Colony Capital and CCOC of this Agreement or any Ancillary Agreement to which any of them is a party do not, and the consummation of the Contemplated Transactions will not conflict with, result in a breach of, result in a termination of, contravene or constitute a default under, or constitute an event that with the giving of notice or passage of time or both will become a default under, or give to any other Person any right of termination, payment, acceleration, vesting or cancellation of or under, or accelerate the performance required by or maturity of, or result in the creation of any Encumbrance on the assets of any of Colony Capital or CCOC pursuant to, any of the terms, conditions or provisions of or under (i) any Law or Permit to which any of Colony Capital or CCOC is subject, assuming compliance with the matters referred to in the second sentence of this Section 4.2(b), (ii) the Organizational Documents of any of Colony Capital or CCOC, or (iii) any Contract binding upon any of Colony Capital or CCOC, or to which the property of any of Colony Capital or CCOC is subject (in each case to the extent related to the Digital Colony Business), except, in the case of the foregoing clauses (i) or (iii), for any such conflict, breach, termination, contravention, default, event, right, or acceleration that would not result in a Digital Colony Material Adverse Effect. Other than the CFIUS Approval,

none of Colony Capital or CCOC is required to obtain any Consent in connection with the execution and delivery by any of them of this Agreement or any Ancillary Agreement to which any of them is a party or the performance of this Agreement or any such Ancillary Agreement by any of them or the consummation of the Contemplated Transactions, except where the failure to have such power and authority would not result in a Digital Colony Material Adverse Effect.

Section 4.3 Title. CCOC has the requisite power and authority to cause the issuance, sale, transfer, assignment and delivery of the Common Interests and the Convertible Preferred Interests in accordance with the terms of this Agreement, and such issuance and delivery will convey to the Buyer at the Closing good and valid title to such Common Interests and Convertible Preferred Interests free and clear of all Encumbrances (other than Encumbrances contemplated by this Agreement or the Ancillary Agreements or created by Buyer). All such Common Interests and Convertible Preferred Interests will be duly and validly authorized, and if and when issued in accordance with this Agreement and upon receipt of payment pursuant hereto, will be fully paid and non-assessable.

Section 4.4 Compliance with Law. Each of Colony Capital and CCOC and each of their respective Subsidiaries is and for the past three (3) years has been in compliance with all applicable Laws, except for violations that would not, individually or in the aggregate, reasonably be expected to be material to the Digital Colony Business, and no written notice of any material violation of any applicable Law by any of Colony Capital or CCOC in connection with the Digital Colony Business has been given or, to the Knowledge of the Digital Colony Companies, is threatened.

Section 4.5 Legal Proceedings. There is no outstanding or unsatisfied Order to which either Colony Capital or CCOC or any of their respective Subsidiaries is subject (excluding customary confidentiality and similar administrative obligations), nor any Proceedings pending or, to the Knowledge of the Digital Colony Companies, threatened, against either Colony Capital or CCOC or any of their respective Subsidiaries that would result in a Digital Colony Material Adverse Effect. There are no Proceedings pending or, to the Knowledge of the Digital Colony Companies, threatened against Colony Capital or CCOC or any of their respective Subsidiaries that would reasonably be expected to be material to Colony Capital or CCOC, taken as a whole. Notwithstanding any provision to the contrary in this Agreement, the matters disclosed on Schedule 4.5 of the Seller Disclosure Schedule shall only be deemed disclosed with respect to the second sentence of this Section 4.5 and none of the matters disclosed on Schedule 4.5 of the Seller Disclosure Schedule relate to the Digital Colony Companies or the Digital Colony Business.

Section 4.6 Brokers and Finders. Except as set forth in Schedule 4.6, no broker, finder or financial advisor is, or will be, entitled to any broker's commission, finder's fee or similar payment in connection with the Contemplated Transactions based upon arrangements made by or on behalf of any member of the Colony Capital Group.

ARTICLE V

REPRESENTATIONS AND WARRANTIES **REGARDING THE DIGITAL COLONY COMPANIES**

Except as set forth in the Seller Disclosure Schedule (it being agreed that any matter disclosed in the Seller Disclosure Schedule with respect to Article IV and Article V of this Agreement shall be deemed to have been disclosed for purposes of each other Section or subsection of Article IV and Article V of this Agreement to the extent the applicability of such matter so referenced is reasonably apparent on the face of such included matter but only to the extent of such disclosure), CCOC hereby represents and warrants to Buyer as follows:

Section 5.1 Organization, Etc.

(a) Each Digital Colony Company is duly formed or organized, validly existing and in good standing under the laws of the jurisdiction in which it was formed or organized. Each Digital Colony Company has the requisite power and authority to carry on its business and to own, lease and operate all of its properties and assets as currently conducted, owned, leased or operated. Each Digital Colony Company is duly qualified to do business in each jurisdiction in which the nature of its business or the character or location of the properties and assets owned, leased or operated by it makes such qualification necessary, except where the failure to be so qualified would not result in a Digital Colony Material Adverse Effect. The Digital Colony Companies have provided to Buyer true and correct copies of all of the Organizational Documents of the Digital Colony Companies. Each Organizational Document of each Digital Colony Company is in full force and effect and there has been no material violation thereof.

(b) No Order has been made, petition presented to CCOC, Colony Capital or any of the Digital Colony Companies or resolution passed by CCOC, Colony Capital or any Digital Colony Company for the winding up of any and no meeting has been convened for the purpose of winding up of any Digital Colony Company, (ii) no steps have been taken by CCOC, Colony Capital or any Digital Colony Company for the appointment of an administrator or receiver (including an administrative receiver) of all or any part of any Digital Colony Company's assets, (iii) none of the Digital Colony Companies has made or proposed any arrangement or composition with its creditors or any class of creditors, (iv) none of the Digital Colony Companies is insolvent, or unable to pay its debts within the meaning of the insolvency legislation applicable to any such Digital Colony Company, and none of any Digital Colony Companies nor any equityholder thereof has stopped paying its debts as they fall due, (v) after giving effect to the sale of the Common Interests and the Convertible Preferred Interests and the application of the proceeds therefrom, as applicable, no Digital Colony Company shall be insolvent, (vi) to the Knowledge of the Digital Colony Companies, no execution or other process has been levied against any Digital Colony Company or action taken to repossess goods in the possession of any Digital Colony Company, and (vii) no unsatisfied judgment is outstanding against any Digital Colony Company.

Section 5.2 Capital Structure.

(a) Schedule 5.2(a) sets forth a true and correct list of the Digital Colony Companies, listing for each of them its name, type of Entity, jurisdiction of organization, and the

issued and outstanding ownership interests together with the amount and/or percentage of such Entity owned by each such Person immediately after giving effect to the Contemplated Transactions (including a schedule of all Persons entitled to share in any Carried Interest or other revenue of any kind together with the amount and/or percentage of the Carried Interest owned by each such Person) of each such Entity (the “Group Interests”) and the name of each record and beneficial owner of any Group Interest. There are no other issued or outstanding equity, economic participation or voting interests in any Digital Colony Company other than the Group Interests nor are there any debt or other interests outstanding that are convertible into or exchangeable or exercisable for any such equity, economic participation or voting interests or otherwise have Equity Rights or would have such rights after conversion or exchange. All of the issued and outstanding Group Interests have been duly authorized and validly issued, are fully paid and non-assessable, have not been and will not be issued in violation of any applicable Equity Rights, and have been offered, sold and delivered by the relevant Digital Colony Company, as applicable, in compliance in all material respects with applicable securities and other applicable Laws and Contracts.

(b) There are no Equity Rights (i) obligating any Digital Colony Company or any of its respective Affiliates to issue, deliver, redeem, purchase or sell, or cause to be issued, delivered, redeemed, purchased or sold, any Group Interests or any securities or obligations convertible or exchangeable into or exercisable for, any Group Interests, (ii) giving any Person a right to subscribe for or acquire any Group Interests, or (iii) obligating any Digital Colony Company or any of its respective Affiliates to issue, grant, adopt or enter into any Equity Right. No Digital Colony Company or any of its respective Affiliates has any outstanding Indebtedness that could entitle or convey to any Person the right to vote, or that is convertible into or exercisable for Group Interests. Except in respect of Carried Interest (as set forth on Schedule 5.2(a)), no Person other than the owners of the Group Interests has an ownership interest or the right to participate in the revenues, profits, goodwill or other assets of any of the Digital Colony Companies, and, to the Knowledge of the Digital Colony Companies, no Person other than the owners of the Group Interests has ever alleged or made any claim that they do have any such right.

(c) As of the Closing, after giving effect to the completion of the Contemplated Transactions, the only NFRE Recipients shall be DCMH and its wholly-owned Subsidiaries.

(d) None of the Digital Colony Companies have in the aggregate incurred, assumed or guaranteed any Indebtedness in the ordinary course of business that, taken together with other existing guarantees and indebtedness, would result in aggregate Indebtedness of the Digital Colony Companies that is in excess of 2.0 times NFRE for the trailing twelve (12) months in the aggregate at any time of determination. The incurrence, assumption or guarantee of any such Indebtedness is not in the ordinary course of business consistent with past practice for the Digital Colony Companies.

(e) The Common Interests issued upon the Conversion will be duly and validly authorized, and if and when issued, will be fully paid and non-assessable and will be free of any Encumbrances (other than Encumbrances contemplated by this Agreement or the Ancillary Agreements or created by Buyer).

(f) The entirety of the Digital Colony Business that generates Fee Revenue and Balance Sheet Management Proceeds is owned by DCMH and its Subsidiaries. Except in respect of the applicable portions of Fee Revenue and Balance Sheet Management Proceeds in which Buyer does not participate with respect to (x) Excluded Assets or (y) any Joint Venture Management Entity (as defined in the DCMH Investor Rights Agreement), DCMH owns directly or indirectly 100% of the equity interests in each Person that receives or is entitled to receive Fee Revenue or Balance Sheet Management Proceeds.

Section 5.3 Authority; Validity of Agreements. Each of the Digital Colony Companies has the requisite power and authority to execute and deliver this Agreement (if it is or is specified to be a party) and each Ancillary Agreement to which it is or is specified to be a party, to perform its obligations hereunder and thereunder, as applicable, and to consummate the Contemplated Transactions. Assuming the accuracy of the representations and warranties of the other parties thereto, the execution, delivery and performance by each of the Digital Colony Companies of this Agreement (if it is or is specified to be a party) and each of the Ancillary Agreements to which it is or is specified to be a party, and the consummation by the Digital Colony Companies of the Contemplated Transactions, have been duly and validly authorized and approved by all necessary corporate or other action of the Digital Colony Companies, as applicable, including any necessary approval or consent of their respective shareholders, members, partners or other equity owners. This Agreement and each Ancillary Agreement that has been or is specified to be executed and delivered by the Digital Colony Companies has been or will be duly and validly executed and delivered by such Digital Colony Companies, as applicable, and (assuming due authorization, execution and delivery by the other parties hereto and thereto) each such agreement constitutes or will constitute a valid and binding obligation of such Digital Colony Companies, as applicable, enforceable against each of them in accordance with its terms, except as limited by the Bankruptcy and Equity Exception.

Section 5.4 Consents and Approvals. Assuming receipt of and subject to the CFIUS Approval (and assuming the accuracy of the representations and warranties of the Buyer), and except for any approvals required to be obtained by Buyer for Buyer to acquire and own the Purchased Interests, none of the Digital Colony Companies nor any of the Digital Colony Funds is required to obtain any Consent in connection with the execution and delivery of this Agreement or any Ancillary Agreement or the performance of this Agreement or any such Ancillary Agreement or the performance of their respective obligations hereunder or thereunder by the Digital Colony Companies, except those that the failure to obtain would not result in a Digital Colony Material Adverse Effect.

Section 5.5 No Conflicts. Assuming receipt of and subject to the CFIUS Approval (and assuming the accuracy of the representations and warranties of the Buyer) and except for any approvals required to be obtained by Buyer for Buyer to acquire and own the Purchased Interests, the execution, delivery and performance of this Agreement and the Ancillary Agreements by the Digital Colony Companies, and the consummation of the Contemplated Transactions, will not (a) conflict with, result in a breach of, result in a termination of, contravene or constitute a default under, or constitute an event that with the giving of notice or passage of time or both will become a default under, or give to any other Person any right of termination, payment, acceleration, vesting or cancellation of or under, or any other remedy under, or accelerate the performance required by

or maturity of, or result in the creation of any Encumbrance on the assets of any Digital Colony Company or any Digital Colony Fund pursuant to, any of the terms, conditions or provisions of or under (i) any Law or Permit to which any Digital Colony Company or any Digital Colony Fund is subject, assuming the Consents referred to in Section 5.4 have been obtained, (ii) the Organizational Documents of any Digital Colony Company or any Digital Colony Fund, or (iii) any Contract binding upon a Digital Colony Company or a Digital Colony Fund, or to which the property of a Digital Colony Company or Digital Colony Fund or any portion of the Digital Colony Business is subject in any material respect, except, in the case of the foregoing clauses (i) or (iii), for any such conflict, breach, termination, contravention, default, event, right, or acceleration that would not result in a Digital Colony Material Adverse Effect; or (b) result in a “key person” event (or similar concept) under any Fund Documentation, including the ability of the limited partners of such Digital Colony Fund to vote on the removal of the general partner of such Digital Colony Fund, the termination or suspension of the obligation of each partner to make capital contributions or the termination of such Digital Colony Fund as a result of such event. There are no deferred purchase price, indemnification, earn-out or other similar payment or contingent obligations related to or arising out of the Digital Bridge Acquisition Agreement (other than contingent indemnification obligations set forth on Schedule 5.5 of the Seller Disclosure Schedule, none of which are pending or, to the Knowledge of the Digital Colony Companies, threatened against any Person, and, to the Knowledge of the Digital Colony Companies, there are no facts or circumstances that would reasonably be expected to give rise to any such contingent indemnification obligations).

Section 5.6 Financial Statements and Records.

(a) Schedule 5.6(a) sets forth true, correct and complete copies of the Financial Statements. Each statement of financial position and statement of profit and loss included in the Financial Statements presents fairly in all material respects the consolidated financial position and results of operations of the Digital Bridge Entities as of the date thereof. The Financial Statements have been prepared and presented in accordance with the GAAP consistently applied during the periods involved (except as noted therein and for the absence of footnotes and year-end adjustments normal in nature and amount).

(b) Colony Capital maintains internal controls over financial reporting (including with respect to the Digital Colony Companies and the Digital Colony Funds) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements, including policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of its assets, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with applicable Law, GAAP, Fund Documentation, Client Contracts and that receipts and expenditures of the Digital Colony Companies are being made only in accordance with appropriate authorizations, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized transactions, payments or receipts (including intercompany payments or receipts) involving the Digital Colony Funds and the acquisition, use or disposition of the assets of the Digital Colony Companies and (iv) relate to identification of transactions with Colony Capital and its Subsidiaries.

(c) The books and records of the Digital Colony Companies and each Digital Colony Fund have been accurately maintained in all material respects, in compliance with

all applicable Laws, GAAP, Fund Documentation and Client Contracts and there are no material inaccuracies or discrepancies of any kind contained or reflected therein.

(d) Except as set forth on Schedule 5.6(d) or Schedule 5.13, the Financial Statements do not include any transactions of the type described in Section 5.13, including any charges from the Colony Capital Group to the Digital Colony Companies or the Digital Colony Funds and any other charges by the Digital Colony Companies and the Colony Capital Group that are not expressly permitted by the Fund Documentation.

(e) Except as set forth in Schedule 5.6(e), no Digital Colony Company has engaged in any “off balance sheet” or similar financing the purpose of which is to defer, postpone, reduce or otherwise avoid or adjust the recording of debt, expenses or other liabilities that are otherwise required to be reflected or reserved against on an audited balance sheet prepared in accordance with GAAP.

Section 5.7 Absence of Undisclosed Liabilities. No Digital Colony Company or Digital Colony Fund has or is subject to any claims, liabilities or obligations of any nature (whether known, unknown, absolute, accrued, contingent or otherwise) (collectively, “Liabilities”), except for Liabilities (a) as and to the extent specifically disclosed and reserved against in the Most Recent Balance Sheet or footnotes thereto (or in the case of the Digital Colony Funds, the audited financial statements described in Section 5.15(f)), (b) executory contractual obligations that (i) were incurred in the ordinary course of business consistent with past practice of the relevant Digital Colony Company and (ii) do not arise from any breach or violation of, or default under, such Contracts or (c) as would not, individually or in the aggregate be material to the Digital Colony Companies, taken as a whole, the Digital Colony Funds, taken as a whole, or the Digital Colony Business, as applicable.

Section 5.8 Absence of Certain Changes. Since the date of the Most Recent Balance Sheet, (A) each Digital Colony Company and each Digital Colony Fund has conducted the Digital Colony Business in the ordinary course, (B) there has not occurred any change, effect, event, occurrence or development (i) with respect to the Digital Colony Business or the Digital Colony Companies that has had a Digital Colony Material Adverse Effect or (ii) with respect to any Digital Colony Fund that has, or is reasonably expected to have, a material adverse effect on the business, condition (financial or otherwise), assets, properties, management or results of operations of any Digital Colony Fund or (iii) that would result in a Digital Colony Material Adverse Effect, (C) no material change has occurred in the assets and liabilities shown in the Most Recent Balance Sheet, and there has been no reduction in the value of the net tangible assets of the Digital Colony Business or the Digital Colony Companies, considered as a whole, on the basis of the valuations used in the Most Recent Balance Sheet and (D) no Digital Colony Company or Digital Colony Fund has:

(a) purchased or redeemed or otherwise acquired any Group Interests or other equity interests of any of them;

(b) made any distribution or declared, paid or set aside any dividend with respect to, or redeemed, reclassified, purchased or otherwise acquired directly, or indirectly, any of its equity interests (other than distributions or dividends made in the ordinary course of business)

or redemptions of interests in the Digital Colony Funds made in the ordinary course of business consistent in nature and amount with past practice);

(c) acquired any business or Person, by merger or consolidation, purchase of assets or equity interests or otherwise, except in the case of a Digital Colony Fund, in the ordinary course of business;

(d) paid, discharged, settled or satisfied any material claims, Liabilities or obligations, except in the ordinary course of business;

(e) sold, transferred, assigned, conveyed, leased, licensed mortgaged, pledged or otherwise subjected to any Encumbrance any of its material properties, assets or liabilities, tangible or intangible, other than ordinary course investment activity;

(f) incurred, assumed or guaranteed (including by way of any agreement to “keep well” or of any similar arrangement) any Indebtedness or amended the terms relating to any Indebtedness (in either case other than Indebtedness incurred by any Digital Colony Fund in the ordinary course of business and in accordance with its investment strategy);

(g) incurred, made any payment in respect of, or became obligated to make any payment under, any “claw-back” or similar obligation in respect of a Digital Colony Fund;

(h) changed any accounting principle, method or practice (including any principles, methods or practices relating to the estimation of reserves or other liabilities), other than changes required by GAAP to be implemented during such period;

(i) (i) terminated, or suffered or sent or received notice of the termination of, the employment of any Managing Director, officer or investment professional (or independent contractor acting in a capacity similar to such employment), (ii) with respect to any employee of any Digital Colony Company (or independent contractor acting in a capacity similar to employment), made or agreed to make any increase in wages, salaries, compensation, pension, or other fringe benefits or perquisites payable to such employee (or contractor), except in the ordinary course of business consistent in nature and amount with past practices, (iii) granted or agreed to grant any severance or termination pay or entered into any Contract to make or grant any severance or termination pay or pay any bonus, except in the ordinary course of business consistent in nature and amount with past practices, (iv) granted or agreed to grant any awards under any bonus, incentive, performance or other compensation plan or arrangement or Plan or accelerated the time of vesting or payment under any Plan, except in the ordinary course of business, or (v) established, adopted, entered into, amended or terminated any Plan, except in the ordinary course of business consistent in nature and amount with past practices;

(j) made or incurred any capital expenditure or other financial commitment (other than any financial commitment made or incurred by any Digital Colony Fund in the ordinary course of business consistent in nature and amount with past practice in accordance with its investment strategy) requiring payments in any fiscal year in excess of \$250,000 individually or \$1,000,000 in the aggregate;

(k) made, changed or revoked any Tax election or settled and/or compromised any Tax item; changed any method of Tax accounting; prepared any Tax Returns in a manner that is inconsistent with its past practice with respect to the treatment of items on such Tax Returns; filed an amended Tax Return or a claim for refund of Taxes with respect to its income, operations or property; or consented to any extension or waiver of the statute of limitations period with respect to Taxes;

(l) conducted its billing and cash management customs and practices (including the collection of receivables and payment of payables) other than in the ordinary course of business consistent in nature and amount with past practices;

(m) accelerated the payment of any management fees, performance fees, incentive fees, transaction fees or other fees or revenue streams, including in a manner such that such fees or other revenue streams that would have been paid in the ordinary course following the Closing are instead paid prior to the Closing;

(n) failed to pay its creditors in accordance with their respective credit terms or (if no stated terms) within the time periods applicable to such creditors in the ordinary course of business;

(o) taken any action (or constituted an event which, with the passage of time or action by a third party) that would result in a “key person” or “for cause” event (or similar concept) under any Fund Documentation;

(p) settled any pending or threatened Proceeding;

(q) made or effected any loan or advance or other extension of credit to, or an equity investment in, any other Person (other than loans, advances, extensions of credit or equity investments made or effected by any Digital Colony Fund in accordance with its investment strategy or capital contributions made in a Digital Colony Fund); or

(r) entered into any Contract or letter of intent with respect to (whether or not binding), or otherwise committed or agreed, whether or not in writing, to do any of the foregoing.

Section 5.9 Assets. The Digital Colony Companies own and have (and immediately after giving effect to the consummation of the Contemplated Transactions, the Digital Colony Companies will have) good and marketable title to, or in the case of leased property have (and immediately after giving effect to the Contemplated Transactions, the Digital Colony Companies will have) valid and binding leasehold interests in, all of the properties and assets (real, personal or mixed, tangible or intangible) necessary for the conduct of, or otherwise material to, the Digital Colony Business, in each case free and clear of any Encumbrances (other than Permitted Encumbrances), except in each case as would not, individually or in the aggregate, reasonably be expected to be material to the Digital Colony Companies, taken as a whole.

Section 5.10 Real Property.

(a) No Digital Colony Company owns nor has ever owned any real property or any interest therein. No Digital Colony Company has any liability (whether actual, contingent or prospective) or obligations in respect of any real property (other than in respect of the Leases).

(b) Schedule 5.10 identifies all of the real property leased or subleased by the Digital Colony Companies (the "Leases"). The Leases constitute all of the real property leased, subleased, licensed or otherwise used in connection with the operation of the Digital Colony Business as presently conducted. There exists no material default or any condition, or any state of facts or event which with the passage of time or giving of notice would constitute a material default, in the performance of its obligations under any of the Leases by any Digital Colony Company or, to the Knowledge of the Digital Colony Companies, by any other party to any of the Leases. No Digital Colony Company has received any written communication from the other party to any of the Leases claiming that any Digital Colony Company is in breach of its obligations under the respective Leases. Each of the Leases is the legal, valid and binding obligation of the Digital Colony Companies and, to the Knowledge of the Digital Colony Companies, each other party to such Lease and each of the Leases is enforceable in accordance with its terms as written, except as may be limited by the Bankruptcy and Equity Exception. Each Digital Colony Company is in sole possession of the premises demised under the Leases and has not assigned, transferred, sublet, mortgaged or otherwise conveyed or encumbered all or any portion of its respective interest in any of the Leases or the premises demised under any of the Leases. In relation to each of the Leases, there are no outstanding arrears of material rents or any other material past due sums payable under the Leases.

Section 5.11 Material Contracts.

(a) Schedule 5.11(a) contains a true and correct list of all Material Contracts in existence on the date of this Agreement. The Digital Colony Companies have made available or delivered to Buyer true and correct copies of all written Material Contracts, including any amendments thereto, and accurate and complete descriptions of all material terms of all oral Material Contracts.

(b) Each Material Contract is a valid and binding obligation of the applicable Digital Colony Company and/or Digital Colony Fund party thereto and is in full force and effect and is enforceable against the applicable Digital Colony Company or Digital Colony Fund party thereto and each other party thereto, in each case in accordance with its terms except as may be limited by the Bankruptcy and Equity Exception. There are no existing material defaults (or circumstances, occurrences, events or acts that, with the giving of notice or lapse of time or both would become material defaults) of the applicable Digital Colony Company and/or Digital Colony Fund or any other party thereto, under any such Material Contract. Each Material Contract has been performed by the applicable Digital Colony Company and/or the applicable Digital Colony Fund in accordance with its terms and applicable Law in all material respects.

Section 5.12 Legal Proceedings. Except as set forth in Schedule 5.12, there are not, and in the past three (3) years there have not been, any (a) Proceedings or (b) material disputes with Clients pending or, to the Knowledge of the Digital Colony Companies, threatened against, relating to, or involving any Digital Colony Company, Digital Colony Fund or any current or former officer, director, partner, employee, or agent of any Digital Colony Company or Digital Colony Fund (including any Managing Director) (but with respect to any such current or former officer, director, partner, employee, or agent, only in his or her respective capacity as such) that, in either case, if adversely determined against the applicable Digital Colony Company, Digital Colony Fund, or current or former officer, director, partner employee or agent of any Digital Colony Company or Digital Colony Fund would, individually or in the aggregate, be material to the Digital Colony Business. None of the Digital Colony Companies or Digital Colony Funds are subject to any outstanding or unsatisfied Orders (excluding customary confidentiality and similar administrative obligation), except as would not, individually or in the aggregate, be material to the Digital Colony Business.

Section 5.13 Affiliate Transactions.

(a) Except as set forth on Schedule 5.13(a), there is not, and in the past three (3) years there has not been, any agreement or arrangement between any Digital Colony Company or Digital Colony Fund, on the one hand, and any member of the Colony Capital Group, any joint venture or partnership (other than DCMH) in which any member of the Colony Capital Group has an interest, any Digital Colony Personnel who is a Specified Employee or any Managing Director (or any Related Person thereof) on the other hand, other than agreements or arrangements (a) contained in this Agreement or the Ancillary Agreements or (b) in respect of compensation paid to officers or employees of the Digital Colony Companies (or independent contractors of the Digital Colony Companies acting in a capacity similar to employment) in the ordinary course of business consistent with past practice in accordance with the Plans. Except as set forth on Schedule 5.13(a) or in respect of Equity Rights or Carried Interest, no member of the Colony Capital Group (i) owns, directly or indirectly, any interest in (w) any property (real, personal, or mixed and whether tangible or intangible) or asset of or used in a material manner in connection with the Digital Colony Business, or (x) a Client or a material supplier, lessor, lessee or competitor of any Digital Colony Company, (ii) serves as a trustee, officer, director or employee of any Person that is an investment of a Client (other than a Digital Colony Fund) or a material supplier, lessor, lessee or competitor of any Digital Colony Company or a Digital Colony Fund, or (iii) receives any payment, compensation, equity-participation, revenue share, commission, fee or other similar economic benefit (other than compensation from or distributions by the Digital Colony Companies) from or in relation to a Client or a material investment of a Digital Colony Fund, or any material services provided by any Digital Colony Company. Ownership of less than 2% of a class of securities of a Person that is publicly traded shall not be deemed to be an interest for purposes of this Section 5.13.

(b) Without limiting the generality of Section 5.13(a), except as listed on Schedule 5.13(b), there is not any agreement or arrangement between any Digital Colony Company, any Digital Colony Fund, any Digital Colony Personnel who is a Specified Employee or any Managing Director (or any Related Person thereof), on the one hand, and any member of the Colony Capital Group, on the other hand, in each case in respect of or relating to the ownership

of any equity or other economic interests in any of the Digital Colony Companies, other than those contained in this Agreement.

Section 5.14 Compliance with Law; Government Regulation.

(a) Each Digital Colony Company and each Digital Colony Fund has, within the last four (4) years complied with and is in compliance with all applicable Laws, except for any failures to so comply that would not, individually or in the aggregate, reasonably be expected to be material to the Digital Colony Business. No Digital Colony Company or Digital Colony Fund has within the last four (4) years received any written, or to the Knowledge of the Digital Colony Companies, oral, notice asserting any material violation by any of them of any applicable Law.

(b) Each Digital Colony Company and each Digital Colony Fund holds, and is in compliance with all requirements under, all licenses, registrations, consents, franchises, permits, orders, warrants, confirmations, permissions, certificates, approvals and authorizations (collectively, “Permits”) that are required in order to permit such Digital Colony Company or Digital Colony Fund, as applicable, to own or lease its properties and assets and to conduct the Digital Colony Business as presently conducted under and pursuant to all applicable Laws, except for any such Permits the absence of which would not result in a Digital Colony Material Adverse Effect. All such Permits are in full force and effect and are not subject to any suspension, cancellation, or revocation or any pending Proceeding related thereto, and, to the Knowledge of the Digital Colony Companies, no such suspension, cancellation, or revocation or Proceeding is threatened, except in each case as would not, individually or in the aggregate, be material to the Digital Colony Business. To the extent required to be registered or licensed by any Governmental Authority, each Digital Colony Company, Digital Colony Fund and each employee, officer, director, partner or member of any Digital Colony Company or any Digital Colony Fund (including the Managing Directors) is duly registered or licensed as a registered representative, investment adviser representative, salesperson or an equivalent Person and such registration and/or license is in full force and effect, in each case except as would not result in a Digital Colony Material Adverse Effect.

(c) Except as otherwise set forth on Schedule 5.14(c), no Digital Colony Company is, nor is required to be in order to conduct the Digital Colony Business, registered as an investment adviser under the Advisers Act, or, to the extent material to the Digital Colony Business, the laws of any state or other jurisdiction. The Digital Colony Companies that are registered investment advisers have timely filed all material forms, reports, registration statements, schedules and other documents (including the Form ADV and Form PF of Digital Colony Management, LLC and Digital Bridge Advisors, LLC), together with any amendments required to be made with respect thereto, that were required to be filed with any applicable Governmental Authority in connection with the Digital Colony Business and have paid all fees and assessments due and payable in connection therewith.

(d) Except as otherwise set forth in Schedule 5.14(d), no Digital Colony Company is or has been (i) a “broker” or “dealer” within the meaning of the Exchange Act or any other applicable Law, (ii) “commodity pool operator” or “commodity trading adviser” within the meaning of the Commodity Exchange Act, or (iii) a trust company. No Digital Colony Company

has within the past four (4) years received written notice of, and to the Knowledge of the Digital Colony Companies, there is no pending Proceeding concerning, any failure by any Digital Colony Company to obtain any broker, dealer, commodity pool operator or commodity trading adviser registration, license or qualification.

(e) None of Digital Colony Companies or, to the Knowledge of the Digital Colony Companies, any “associated person” (as defined in the Advisers Act) of any of them is ineligible pursuant to Section 203 of the Advisers Act to serve as an investment adviser or “associated person” (as defined in the Advisers Act) of an investment adviser, nor is there any Proceeding pending or, to the Knowledge of the Digital Colony Companies, threatened by any Governmental Authority which would reasonably be likely to result in the ineligibility of any Digital Colony Company or any “associated person” to serve in any such capacities.

(f) None of the Digital Colony Companies or Digital Colony Funds nor, to the Knowledge of the Digital Colony Companies, any employee, officer, director, partner or member of any of them (including the Managing Directors), is, or at any time has been, (i) subject to any cease and desist, censure or other disciplinary or similar order issued by, (ii) a party to any consent agreement, memorandum of understanding or disciplinary agreement with, (iii) a party to any commitment letter or similar undertaking to, (iv) subject to any order or directive by, or (v) a recipient of any supervisory letter from, in each case, any Governmental Authority, and, to the Knowledge of the Digital Colony Companies, none of them is threatened with the imposition or receipt of any of the foregoing.

(g) No exemptive orders, “no-action” letters or similar exemptions or regulatory relief have been obtained, nor are any requests pending therefor, by or with respect to any Digital Colony Company or any Digital Colony Fund, or, to the Knowledge of the Digital Colony Companies, any officer, director, partner or employee of any of them (including the Managing Directors), in connection with the Digital Colony Business.

(h) To the extent required by applicable Law, each Digital Colony Company and each Digital Colony Fund has implemented one or more formal codes of ethics, insider trading policies, personal trading policies and other material policies of which a true and correct copy of each has been made available to Buyer. Such codes of ethics and policies comply in all material respects with all applicable Law. There have been no violations within the past four (4) years of the code of ethics, insider trading policies, personal trading policies and other material policies of any Digital Colony Company, except for such violations as would not result in a Digital Colony Material Adverse Effect.

(i) Any brokerage policies employed by the Digital Colony Companies within the last four (4) years have been in conformity in all material respects with the description set forth in the Form ADV of Digital Colony Management, LLC or Digital Bridge Advisors, LLC.

(j) Each Digital Colony Company and each Digital Colony Fund has complied in all material respects with all applicable Laws regarding the privacy of Clients and other Persons and, to the extent required by applicable Law, have established policies and procedures in this regard reasonably designed to ensure compliance.

(k) Each Digital Colony Company and each Digital Colony Fund have established commercially reasonable compliance procedures and controls and have implemented testing and training that are reasonably designed to detect and prevent cyber threats and cyber incidents.

(l) No Digital Colony Company is a member of any exchange or clearing house or settlement system.

(m) To the Knowledge of the Digital Colony Companies, except as would not result in a Digital Colony Material Adverse Effect, (i) no employee, officer, director, partner or member of any Digital Colony Company or any Digital Colony Fund (including the Managing Directors) acting on behalf of a Digital Colony Company has committed any Digital Colony Company to any Contract that is not in accordance with the authority given to such director, officer, agent or employee by the relevant Digital Colony Company, as applicable, and (ii) no employee, officer, director, partner or member of any Digital Colony Company has committed any fraud upon any Digital Colony Company or any Digital Colony Fund or has misappropriated any of their property or assets or falsified any of their records.

(n) Each Digital Colony Company and Digital Colony Fund is governed by and operates commercially reasonable systems and controls designed to manage and control conflicts of interest and risks faced by it in its undertaking of its business in accordance with applicable Laws and has disclosed to its external auditors any significant deficiency in the design or operation of such systems and controls, any material breach of such systems or controls and any fraud or material breach of applicable Law that involves management or other employees who have a significant role in the Digital Colony Company's internal controls.

(o) All of the Digital Colony Companies and the Digital Colony Funds have maintained and complied with adequate "know your customer" and money laundering reporting procedures, and procedures for detecting and identifying money laundering, and detecting, identifying and reporting suspicions of money laundering to the appropriate regulators, including using commercially reasonable efforts to do so where required by applicable Law, except in each case as would not result in a Digital Colony Material Adverse Effect. Prior to the acceptance of any subscription agreement from any investor in any Digital Colony Fund, a Digital Colony Company has used commercially reasonable efforts to confirm that such investor is not identified on the U.S. Department of Treasury Office of Foreign Asset Control ("OFAC") list of Specially Designated Nationals and Blocked Persons (the "SDN List") or otherwise subject to sanctions administered by OFAC or owned or controlled by or acting on behalf of any Person listed on the SDN List. Within the last four (4) years, none of the Digital Colony Companies or any of the Digital Colony Funds has been subject to any enforcement or supervisory action by any Governmental Authority because such procedures were considered to be inadequate by such regulator and no such enforcement or supervisory action is pending, or to the Knowledge of the Digital Colony Companies, threatened.

(p) Within the last four (4) years, none of the Digital Colony Companies or Digital Colony Funds and, to the Knowledge of the Digital Colony Companies, none of the directors, officers, agents, employees, partners, members or other persons acting on behalf of any of them (including the Managing Directors) have been party to (i) the use of any of the assets of

any Digital Colony Company or Digital Colony Funds for unlawful contributions, gifts, entertainment or other unlawful expenses relating to political activity or to the making of any direct or indirect unlawful payment to government officials or employees from such assets, (ii) to the establishment or maintenance of any unlawful or unrecorded fund of monies or other assets, (iii) to the making of any false or fictitious entries in the books or records of any Digital Colony Company or Digital Colony Fund, or (iv) the making of any unlawful or undisclosed payment with the purpose of inducing a Person to enter into an agreement or arrangement with any Digital Colony Company or Digital Colony Fund.

(q) Within the last four (4) years, none of the Digital Colony Companies or the Digital Colony Funds or, to the Knowledge of the Digital Colony Companies, any of the employees, officers, directors, partners or members or other Persons acting on behalf of any of them (including the Managing Directors): (i) has been charged with, indicted for or convicted of any felony or any other crime involving fraud, misrepresentation or insider trading, (ii) is subject to any outstanding Order barring, suspending or otherwise materially limiting the right of such Person to engage in any activity conducted as part of the business of the Digital Colony Companies as currently conducted, or (iii) is or has been the subject of any investigation by any Governmental Authority.

(r) For the past four (4) years, none of the Digital Colony Companies or Digital Colony Funds or, to the Knowledge of the Digital Colony Companies, any employee, officer, director, partner, member, agent, or Affiliates of, any Digital Colony Company, any Digital Colony Fund (including the Managing Directors), or Colony Capital or CCOC has taken any action which would cause it to be in violation of the Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder, the U.K. Bribery Act, or any other applicable Laws relating to corruption or bribery (collectively, the “Anti-Corruption Laws”), and, to the Knowledge of the Digital Colony Companies, none of the foregoing Persons has received any written notice from any Governmental Authority relating to their compliance with applicable Anti-Corruption Laws. To the Knowledge of the Digital Colony Companies, there is not now, and for the past four (4) years there has not been, any employment by any of the Digital Colony Companies or Digital Colony Funds of, or any beneficial ownership in any Digital Colony Company or Digital Colony Fund by, any governmental or political official in any country in the world. To the Knowledge of the Digital Colony Companies, none of the Digital Colony Companies or Digital Colony Funds, no employee, officer, director, partner, member, agent, or Affiliate of any of them (including the Managing Directors), has within the past four (4) years, made, offered to make or promised to make any payments of money or other thing of value to any entities in which any governmental or political official in any country in the world has or had a direct or indirect interest. For the past four (4) years, none of the Digital Colony Companies or Digital Colony Funds, or to the Knowledge of the Digital Colony Companies, any “covered associate” of any of them has made a contribution to an official of a government entity (as such terms are defined in Rule 206(4)-5 of the Advisers Act) in excess of the de minimis limits set forth in of Rule 206(4)-5 of the Advisers Act.

(s) The Digital Colony Companies have made available, to the extent that such disclosure would not violate any provisions of applicable Law, complete and correct copies of (i) all material Filings made within the last four (4) years, (ii) all audit or inspection reports received by any Digital Colony Company or any Digital Colony Fund from any Governmental

Authority and all written responses thereto within the last four (4) years, (iii) all inspection reports provided to any Digital Colony Company or any Digital Colony Fund by any Governmental Authority within the last four (4) years, and (iv) all material correspondence relating to any investigation provided to or by any Digital Colony Company or any Digital Colony Fund by any Governmental Authority within the last four (4) years.

Section 5.15 Digital Colony Funds.

(a) Schedule 5.15(a)(i) sets forth a correct and complete list of each Digital Colony Fund as of the date of this Agreement, together with the jurisdiction of formation of each Digital Colony Fund. Except as set forth on Schedule 5.15(a)(ii), no Digital Colony Company or owner or employee thereof (including any Managing Director) acts as the investment adviser, investment manager, investment sub-adviser, general partner, managing member, manager, or in any capacity similar to any of the foregoing, with respect to any Person (including any investment fund or other investment vehicle or separate account) other than the Digital Colony Funds so listed on Schedule 5.15(a)(i). No Digital Colony Fund is advised by any Person serving in the capacity of primary investment adviser or investment sub-adviser to such Digital Colony Fund other than a Digital Colony Company. Each Digital Colony Fund has been duly organized and is validly existing and in good standing under the laws of the jurisdiction of its organization and has all requisite corporate, partnership, limited liability company, or similar power and authority to own, lease and operate all of its properties and assets as currently conducted, owned, leased or operated, except where the failure to have such power and authority would not result in a Digital Colony Material Adverse Effect. Each Digital Colony Fund is duly qualified, licensed or registered to do business in each jurisdiction where it is required to do so under applicable Law, except where the failure to be so qualified, licensed or registered would not result in a Digital Colony Material Adverse Effect. All of the performance and incentive fees, performance allocations, fund asset management fees, NFRE, Carried Interest, proceeds from Sponsor Commitments and other similar fees payable by each of the Digital Colony Funds are paid to a Digital Colony Company. No Digital Colony Fund is, or at any time since its inception was, required to register as an investment company under the Investment Company Act. Since the date of its inception, each Digital Colony Fund has been excluded from the definition of an investment company under the Investment Company Act by virtue of Section 3(c)(1), Section 3(c)(5) or Section 3(c)(7) thereof. Schedule 5.15(a)(iii) sets forth for each Digital Colony Fund: (i) the names of the investors in such Digital Colony Fund and (ii) the dollar amounts committed to such Digital Colony Fund by the Digital Colony Companies and each such investor. Prior to the date hereof, the Digital Colony Companies have previously provided to Buyer a true and correct schedule setting forth, with respect to each Digital Colony Fund, fees payable by each investor in such Digital Colony Fund.

(b) The Digital Colony Companies have made available to Buyer (i) each Organizational Document of each Digital Colony Fund (together with all schedules to such Organizational Document), as well as structure charts for such Digital Colony Funds, (ii) each Client Contract with each Digital Colony Fund, (iii) each other agreement provided to the investors in such Digital Colony Fund, and (iv) all other Fund Documentation of such Digital Colony Fund, in each case, including for the avoidance of doubt any amendments and/or supplements thereto. Except as would not, individually or in the aggregate, reasonably be expected to be material to any Digital

Colony Company, no Digital Colony Company nor, to the Knowledge of the Digital Colony Companies, any investor of any Digital Colony Fund is or has within the past three (3) years been in noncompliance with any Fund Documentation.

(c) Each Digital Colony Fund has entered into a written Client Contract whereby one or more Digital Colony Companies serves as investment adviser to such Digital Colony Fund. Each such Client Contract is in full force and effect in accordance with its respective terms. Each Digital Colony Fund currently is operated in material compliance with its respective investment objectives, policies and restrictions, as set forth in the applicable Organizational Document or Fund Documentation for such Digital Colony Fund. Since their initial offering, the limited partner interests or other ownership interests of each Digital Colony Fund have been offered for sale pursuant to, and in compliance with, an exemption under the securities laws of each jurisdiction in which they have been sold or offered for sale. All of the outstanding units or other ownership interests of each Digital Colony Fund (as applicable) are duly authorized, validly issued, fully paid and non-assessable, and none of such limited partner interests or other ownership interests have been issued in violation of any applicable Law in any material respect. Each investor in or offeree (or an authorized agent or representative thereof) of a Digital Colony Fund has been delivered a private placement memorandum (or other applicable offering document) relating to such Digital Colony Fund prior to subscribing for, or otherwise making an investment decision with respect to, investment interests in such Digital Colony Fund. Each private placement memorandum or other offering document (as applicable and if any) of each Digital Colony Fund and each quarterly and annual report (as applicable and if any) to the investors in each Digital Colony Fund has at all times since the original offering of units or other ownership interests in such Digital Colony Fund (as applicable) complied with all applicable Laws in all material respects, and any such private placement memorandum or other offering document did not contain any untrue statement of a material fact, or omit to state a material fact required to be stated therein or necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading, in each such case at the time any such private placement memorandum or other offering document was delivered to investors or potential investors in such Digital Colony Fund.

(d) Each Digital Colony Fund is and has been since its inception operated in compliance with all applicable Laws in all material respects.

(e) Each Digital Colony Fund is in compliance with the requirements of the private placement exemption in Section 4(a)(2) of the Securities Act of 1933, as amended (including all rules and regulations promulgated thereunder, the “Securities Act”), including Regulation S or Regulation D, as applicable, the requirements of Rule 506 under the Securities Act, and all applicable state Laws and regulations in connection with its offering of securities. Except as would not, and would not reasonably be expected to, (x) be material to the Digital Colony Funds, or (y) be material to the Digital Colony Companies, taken as a whole, (i) none of the private placement memoranda (or other applicable offering document), as amended or supplemented to date, of any of the Digital Colony Funds currently being offered fails to comply with applicable Laws, (ii) each of the Digital Colony Funds is in compliance with all applicable state laws and regulations in connection with its offers and sales of securities, and (iii) each of the Digital Colony Funds has made all filings required to be made with each jurisdiction in which it has offered and sold securities.

(f) The audited balance sheets of each Digital Colony Fund, as of the last day of the most recent three (3) fiscal years (or, if applicable, such lesser number for which available) of such Digital Colony Fund, and the related income statements and statements of cash flows for the years then ended of each Digital Colony Fund, as of the last day of its most recent quarter (if subsequent to the last day of its most recent fiscal year) have been prepared in all material respects in accordance with GAAP applied on a consistent basis throughout the periods involved (except as may be indicated in the notes thereto) and fairly present in all material respects the financial position and financial results of each Digital Colony Fund as of the dates thereof and for the periods then ended (subject to normal year-end adjustments in the case of any unaudited financial statements). The Digital Colony Companies have previously provided to Buyer true and correct copies of such balance sheets and related financial statements. After the date of the most recent applicable audited balance sheet of each Digital Colony Fund provided pursuant to this Section 5.15(f), no Client (or investor in any Digital Colony Fund) has notified any Digital Colony Fund in writing of their intent to redeem or withdraw any amounts from any of the Digital Colony Funds (including any managed account), or their termination or non-renewal of any investment advisory, investment management or similar agreement with any Digital Colony Fund.

(g) Other than any “clawback” obligations set forth in the Fund Documentation, none of the Digital Colony Companies is liable in connection with, on behalf of or for any obligation of any Client, other than any liabilities as a general partner in the ordinary course of business.

(h) No Digital Colony Company or Digital Colony Fund has entered into any agreement (whether reduced into writing or not) or made any arrangement with any Client other than an agreement in the ordinary and usual course of business of the type referred to in the definition of Fund Documentation. No contract included in the Fund Documentation is under notice of termination or, to the Knowledge of the Digital Colony Companies, has been rescinded, repudiated or terminated.

(i) None of the Digital Colony Companies or any Digital Colony Fund has given any written guarantee, warranty or assurance to any Client as to the current or future investment performance of any of the Digital Colony Funds or the investment performance resulting from any Digital Colony Company’s investment management or investment advisory services.

(j) None of the Digital Colony Companies nor, to the Knowledge of the Digital Colony Companies, any employee, officer, director, partner or member of any of them (including the Managing Directors) has received any fees, commissions or financial benefits (directly or indirectly) from or in respect of or in connection with any Digital Colony Fund except in accordance with, and as disclosed in, the relevant Fund Documentation. None of the Digital Colony Companies is party to any Contract under which it receives any rebate or commission payable to a broker, or other financial inducement to direct business or otherwise. In addition, none of the Digital Colony Companies or Digital Colony Fund is party to any directed commission agreement under which it directs any Person to pay sums out of commissions to a third party or customer of a Digital Colony Company or Digital Colony Fund.

(k) Each Digital Colony Fund has adopted Accounting Standards Board Codification 740 for purposes of determining any performance fees and performance allocations due for the first performance period ending on or before the Closing Date.

(l) No portion of the assets of any Client is subject to (or with respect to any Digital Colony Fund has, at any time from the date of organization of such Digital Colony Fund, been subject to) Title I of ERISA, Section 4975 of the Code or any Law, rule or regulation substantially similar to Section 406 of ERISA or Section 4975 of the Code.

Section 5.16 Clients.

(a) True, correct and complete copies of each material Side Letter have been furnished to Buyer, except for redacted information to the extent required to comply with applicable confidentiality requirements. Each such Side Letter is a valid and binding obligation of the applicable Digital Colony Fund and the other party or parties thereto, except as may be limited by the Bankruptcy and Equity Exception. No Digital Colony Fund or any other party thereto: (i) has terminated, canceled or substantially modified, or threatened to terminate, cancel or substantially modify, any such Side Letter, or (ii) is in material default under any such Side Letter.

(b) No Digital Colony Company or Digital Colony Fund has received written notice of a Client's intention to (i) redeem or withdraw any amounts from any of the Digital Colony Funds (including any managed account), (ii) terminate or not renew any investment advisory, investment management or similar agreement with any Digital Colony Fund or (iii) materially adjust the fee schedule with respect to any contract in a manner which would reduce the fees or other payments to any Digital Colony Company or Digital Colony Fund (including after giving effect to the Closing) in connection with such relationship.

Section 5.17 Taxes.

(a) Each of the Digital Colony Companies and Digital Colony Funds has (i) duly and timely filed with the appropriate Taxing Authority all Tax Returns required to be filed by, or with respect to, it, and all such Tax Returns are true, correct and complete in all material respects and (ii) timely paid in full all Taxes (whether or not shown on any Tax Return) required to be paid by it or claimed to be due by any Taxing Authority.

(b) There are no Encumbrances for Taxes (other than Permitted Encumbrances) upon the assets or properties of any Digital Colony Company or of any Digital Colony Fund. There are no outstanding waivers or comparable consents regarding the application of the statute of limitations with respect to any Taxes or Tax Returns of any Digital Colony Company or of any Digital Colony Fund.

(c) No jurisdiction in which any Digital Colony Company or any Digital Colony Fund does not pay Taxes or file a Tax Return has made a written claim or assertion that any Digital Colony Company or any Digital Colony Fund is or may be subject to Taxes or required to file a Tax Return in such jurisdiction. There are no federal, state, local or foreign audit or other Proceedings, that have formally commenced or are presently pending with regard to any Taxes or Tax Returns of or including any Digital Colony Company or any Digital Colony Fund, and no

Digital Colony Company or Digital Colony Fund has received written notification that such an audit or other Proceeding is threatened with respect to any Taxes owed by, or any Tax Return filed by or with respect to, any Digital Colony Company or any Digital Colony Fund. No Digital Colony Company or Digital Colony Fund has received from any Taxing Authority any notice of deficiency or proposed adjustment in writing for any Tax proposed, asserted, or assessed by any Taxing Authority against any Digital Colony Company or Digital Colony Fund which has not been paid in full.

(d) No Digital Colony Company or Digital Colony Fund is a party to, is bound by, or has any obligation under, any Tax Sharing Agreement.

(e) All Taxes of each Digital Colony Company and Digital Colony Fund that were not due and payable as of the date of the Most Recent Balance Sheet have been fully accrued on the Most Recent Balance Sheet in all material respects. Since the date of the Most Recent Balance Sheet, no Digital Colony Company or Digital Colony Fund has incurred any liability for Taxes other than in the ordinary course of business.

(f) No Digital Colony Company or Digital Colony Fund (or any predecessor of any of the foregoing) has been a member of a federal, state, local or foreign consolidated, combined, unitary or similar group (other than any such group where a Digital Colony Company or Digital Colony Fund (or any predecessor of any of the foregoing) is the common parent) and no Digital Colony Company or Digital Colony Fund has liability for the Taxes of another Person (other than a Digital Colony Company or Digital Colony Fund) under Treasury Regulations Section 1.1502-6 or any similar or comparable provision of state, local or foreign Laws, as a result of transfer, successor or similar liability, by operation of Law, by Contract or assumption or otherwise.

(g) The Digital Colony Companies and Digital Colony Funds have provided or made available to Buyer, true, correct and complete copies of the Tax Returns (including any amendments thereto) of the Digital Colony Companies and Digital Colony Funds set forth on Annex E, filed on or prior to the date of this Agreement for the taxable years set forth on Annex E, and (ii) all examination reports and statements of deficiencies, if any, relating to the audit of any Tax Return filed by any Digital Colony Company or Digital Colony Fund for each taxable year beginning on or after January 1, 2015.

(h) Each Digital Colony Company and each Digital Colony Fund has complied with (i) all applicable Laws relating to the payment and withholding of Taxes and has, within the time and manner prescribed by Law, withheld and paid over to the proper Taxing Authorities all amounts required to be withheld and paid over under all applicable Laws, and (ii) all Tax information reporting, collection and retention provisions of applicable Laws.

(i) No Digital Colony Company or Digital Colony Fund has (i) participated in any "listed transaction" within the meaning of Treasury Regulations Section 1.6011-4 (or any similar or comparable provision of state, local or foreign Laws), or (ii) requested or received any Tax ruling, technical advice memorandum or similar document, transfer pricing agreement, or similar agreement with any Taxing Authority.

(j) Since its formation, each of the Digital Colony Companies and Digital Colony Funds has been classified for U.S. federal income tax purposes a partnership or disregarded entity. None of the Digital Colony Companies and Digital Colony Funds that is treated as a partnership for U.S. federal income tax purposes is or has been at any time since its formation a publicly traded partnership within the meaning of Section 7704 of the Code.

(k) No Digital Colony Company or Digital Colony Fund has made an election under Treasury Regulations Section 301.9100-22.

(l) No Digital Colony Company or Digital Colony Fund will be required to report for Tax purposes in a period (or portion thereof) beginning after the Closing Date any income or gain or report for Tax purposes in a period (or portion thereof) ending on or before the Closing Date any deduction or loss as a result of (i) change in method of accounting for a taxable period ending on or prior to the Closing Date, (ii) “closing agreement” as described in Section 7121 of the Code (or any similar or comparable provision of state, local, or foreign Laws) executed on or prior to the Closing Date, (iii) installment sale or open transaction disposition made on or prior to the Closing Date or (iv) prepaid amount received on or prior to the Closing Date.

(m) None of the Digital Colony Funds have made a mark-to-market election under Section 475 of the Code.

Notwithstanding anything to the contrary in this Agreement, no representation or warranty contained in this Section 5.17 (except for the representations set forth in Section 5.17(d), Section 5.17(f), Section 5.17(i), Section 5.17(j), and Section 5.17(l)) shall apply directly or indirectly with respect to any taxable period (or portion thereof) beginning on or after the Closing Date, including, for the avoidance of doubt, the portion of any taxable period beginning before and ending after the Closing Date that begins on or after the Closing Date.

Section 5.18 Benefit Plans; Employees.

(a) (i) Schedule 5.18(a) contains a true, correct and complete list of each material “employee benefit plan” within the meaning of Section 3(3) of ERISA and each bonus, deferred compensation, carried interest, incentive compensation, stock purchase, stock option, stock appreciation right or other equity-based incentive, severance, termination, change in control, retention, employment, hospitalization or other medical, life or insurance, disability, other welfare, supplemental unemployment benefits, profit-sharing, pension, or retirement plan, program, agreement or arrangement, and each other employee compensation or benefit plan, program, agreement or arrangement, sponsored, maintained or contributed to by any of the Digital Colony Companies or by any trade or business, whether or not incorporated, that together with the Digital Colony Companies would be deemed a “single employer” under Section 414 of the Code (an “ERISA Affiliate”) for the benefit of any current or former employee or director of any of the Digital Colony Companies or any ERISA Affiliate and with respect to which any of the Digital Colony Companies have or could have any material liability (including joint, several or contingent liability) (the “Plans”), and (ii) with respect to each Plan, the Digital Colony Companies have made available to Buyer complete copies of (to the extent applicable) (w) the Plan document (or if no written plan exists, a written summary of the material terms of such Plan), (x) the most recent summary plan description and summary of any material modifications, (y) the most recent determination or opinion

letter issued by the IRS, and (z) all material correspondence, and all non-routine filings made, with any Governmental Authority within the last three (3) years.

(b) Neither the Digital Colony Companies nor any ERISA Affiliate has in the last six (6) years (i) maintained, established, sponsored, participated in or contributed to any Plan that is subject to Title IV of ERISA, Section 302 of ERISA or Section 412 of the Code, or (ii) incurred any liability or had a lien imposed under Title IV of ERISA or Section 412 of the Code.

(c) No Plan is a “multiemployer plan,” as defined in Section 3(37) of ERISA.

(d) None of the Digital Colony Companies or their ERISA Affiliates, nor any trustee or administrator thereof, has engaged, in connection with any Plan or any trust created thereunder, in a transaction or has taken or failed to take any action in connection with which any of the Digital Colony Companies reasonably could be subject to any material liability for either a civil penalty assessed pursuant to Section 409 or 502(i) of ERISA or a tax imposed pursuant to Section 4975(a) or (b), 4976 or 4980B of the Code.

(e) Each of the Plans has been operated and administered in material compliance with its terms and in material compliance with applicable Laws, including ERISA and the Code.

(f) Each Plan that is intended to be “qualified” within the meaning of Section 401(a) of the Code is so qualified and, there are no circumstances that could reasonably be expected to adversely affect such qualification under Section 401(a) of the Code.

(g) No Plan provides benefits, including death, life insurance or medical benefits (whether or not insured), with respect to current or former employees of any Digital Colony Company or any ERISA Affiliate after retirement or other termination of service (other than (i) coverage mandated by applicable Laws, (ii) death benefits or retirement benefits under any “employee pension plan,” as that term is defined in Section 3(2) of ERISA, or (iii) deferred compensation benefits accrued as liabilities on the books of any Digital Colony Company or any ERISA Affiliate).

(h) Except as disclosed in Schedule 5.18(h), the consummation of the Contemplated Transactions will not, either alone or in combination with any other event or the passage of time, (i) entitle any member, current or former employee, officer, director, independent contractor or consultant of any Digital Colony Company to transaction or special bonus payments, severance pay, unemployment compensation or any other similar bonus or termination payment (other than severance pay required under any Law), or (ii) accelerate the time of payment or vesting, or materially increase the amount of or otherwise enhance any benefit due any such member, employee, officer, director, independent contractor or consultant.

(i) As of the date hereof, there are no material pending, or threatened claims in writing by or on behalf of any Plan, by any employee or beneficiary under any such Plan or otherwise involving any such Plan (other than routine claims for benefits).

(j) Each Plan that constitutes in any part a “nonqualified deferred compensation plan” (as such term is defined in Section 409A(d)(1) of the Code and the guidance thereunder) under which any of the Digital Colony Companies makes, is obligated to make, promises to make or has any liability (including joint, several or contingent liability) to make payments is in operational and documentary compliance in all material respects with the requirements of Section 409A of the Code and the guidance thereunder. No Plan or other arrangement obligates or binds any of the Digital Colony Companies to compensate or indemnify any Person in connection with taxes that may be imposed on such person under Section 409A of the Code.

(k) As of the date of this Agreement, no Plan is under audit or investigation by the Internal Revenue Service, the Department of Labor or the Pension Benefit Guaranty Corporation, nor is any such audit or investigation pending or threatened.

(l) Except as set forth on Schedule 5.18(l), none of the performance fees or management fees to which any Digital Colony Company is entitled would be subject to increased taxation under Section 457A or Section 409A of the Code.

(m) The Digital Colony Companies have made available to the Buyer a list of all individuals at the level of “managing director” of the Digital Colony Companies as of the Closing Date, including title, job description, start date, current salary and incentive bonus target, if any, and other compensation information payable to such employees.

(n) The Digital Colony Companies are in compliance in all material respects with applicable Laws governing worker classification. No such Person has been improperly excluded from any Plan.

Section 5.19 Intellectual Property and Information Technology.

(a) Each Digital Colony Company owns or otherwise has the right to use all material Intellectual Property necessary for or used in the conduct of the Digital Colony Business as currently conducted. A Digital Colony Company owns all right, title and interest in and to (i) the names and trademarks “Digital Colony,” and “Digital Bridge,” and (ii) all other Intellectual Property owned or purported to be owned by that Digital Colony Company, in each case, free and clear of all Encumbrances (other than Permitted Encumbrances). A Digital Colony Company owns or has the right to use the track record relating to historical investment performance with respect to historical or current investments made by the Digital Colony Funds in accordance with the applicable rules and regulations of the SEC, and has not granted rights to other Persons to use such track record. Without limiting the foregoing, each Digital Colony Company owns the entire and unencumbered, except for Permitted Encumbrances, right, title and interest in and to all material Intellectual Property developed, acquired or created by any employee or consultant in the course of his or her employment or consultancy for the Digital Colony Companies, as applicable. Consummation of the Contemplated Transactions will not alter or impair the rights of any Digital Colony Company in or to any Intellectual Property or IT Assets. For the avoidance of doubt, this Section 5.19(a) is not an express or implied representation or warranty of non-infringement of any Intellectual Property of any other Person.

(b) Schedule 5.19(b) sets forth a true and correct list of all Registered Intellectual Property owned by each Digital Colony Company (“Owned Intellectual Property”), indicating for each item of such Owned Intellectual Property, the registration or application number, and the applicable filing jurisdiction. Each item of Owned Intellectual Property is valid, subsisting and, other than that which is subject to a pending application, enforceable.

(c) The conduct of the Digital Colony Business as currently conducted does not materially infringe, misappropriate or otherwise violate any Intellectual Property of any other Person, and has not done so in the last three (3) years; and, to the Knowledge of the Digital Colony Companies, no Person is materially infringing, misappropriating or otherwise violating any Intellectual Property owned by or licensed to any of the Digital Colony Companies, nor has done so in the last three (3) years. There is no Proceeding pending or, to the Knowledge of the Digital Colony Companies, threatened by or against any Digital Colony Company concerning the foregoing in this Section 5.19(c) or otherwise concerning the use, ownership, or validity of any Intellectual Property or Investment Track Record.

(d) The Digital Colony Companies take reasonable measures to protect the confidentiality of all trade secrets and confidential information used or held for use by the Digital Colony Companies. No such trade secrets or confidential information have been disclosed by any Digital Colony Company, except (i) pursuant to appropriate non-disclosure and/or license agreements and (ii) disclosures made in patent filings, and to the Knowledge of the Digital Colony Companies, there is no and has not been any unauthorized use by any Person of any such trade secrets or confidential information.

(e) The IT Assets used or held for use by the Digital Colony Companies (the “Business IT Assets”) are adequate for, and operate and perform in all material respects in accordance with their documentation and functional specifications and otherwise as required by the Digital Colony Companies in connection with, the operation of the Digital Colony Business. The Business IT Assets are free from material bugs and other defects, have not materially malfunctioned or failed within the past eighteen (18) months, and do not contain any viruses, Trojan horses, malware or similar devices. The Digital Colony Companies have implemented reasonable backup, security and disaster recovery measures and technology consistent with industry practices and no Person has obtained unauthorized access to any Business IT Assets or any data contained therein (including any Personal Data).

(f) Each Digital Colony Company complies, and has in the past eighteen (18) months complied, with (i) its internal privacy and data security policies, (ii) all applicable Laws concerning the protection of Personal Data and (iii) its contractual obligations concerning the protection of Personal Data, including, in each case of (i)-(iii), with respect to the collection, processing, possession, compilation, use, storage, retention, safeguarding, disclosure, disposal, transfer and control thereof (collectively, the “Data Security Requirements”). Neither the consummation of the Contemplated Transactions, nor any disclosure or transfer of information in connection therewith, will breach or otherwise cause any material violation of any Data Security Requirement or require the consent, waiver or authorization of, or declaration, filing or notification to, any Person thereunder. There are no, and have not been in the last eighteen (18) months any,

Proceedings pending or threatened against any of the Digital Colony Companies concerning the foregoing in this [Section 5.19\(f\)](#), and no such Person has received any written notice of a claim, investigation or alleged violation of any Data Security Requirement.

[Section 5.20 Insurance](#). All of the material insurance policies and other self-insurance programs, bonds, fidelity bonds and similar arrangements maintained by the Digital Colony Companies (the “[Insurance Policies](#)”) are in full force and effect, all premiums due and payable thereunder have been paid, and no written notice of cancellation or termination has been received with respect to any such policy and, there exists no event, occurrence, condition or act (including the Contemplated Transactions) that, with the giving of notice, the lapse of time or the happening of any other event or condition, would entitle any insurer to terminate or cancel any such policies. No Digital Colony Company has received written notice of a threatened material premium increase with respect to any such Insurance Policies. Such Insurance Policies provide coverage that is reasonable and customary for the business, operations, assets and properties of the Digital Colony Companies. [Schedule 5.20](#) also sets forth a list of all pending insurance claims for damages in excess of \$250,000 for the Digital Colony Companies and the Digital Colony Funds within the last three (3) years all of which were submitted to the applicable insurers on a timely basis.

[Section 5.21 Net Working Capital](#). As of the Closing, the Digital Colony Companies have sufficient positive working capital (i.e., current assets less current liabilities) and liquid assets (including cash) to pay as and when due the operating expenses that are reasonably expected to be paid and incurred by them, and to perform and satisfy their respective contractual obligations, in the ordinary course of business, consistent with the agreed upon business plan of DCMH and its Subsidiaries, without drawing on any debt facility or incurring any intercompany Indebtedness or other liabilities that would be owed to the Colony Capital Group. The Digital Colony Companies have not incurred, assumed or guaranteed any Indebtedness of the type described under clause (i) or (ii) of the definition of “Indebtedness”. All intercompany Indebtedness or other intercompany liabilities owed by any Digital Colony Company or Digital Colony Fund to Colony Capital and its Subsidiaries has been settled prior to the Closing.

[Section 5.22 Distributions](#). A schedule of all cash distributions made by each of the Digital Colony Companies to (a) Colony Capital, (b) without duplication of clause (a), directly or indirectly to a Managing Director, and (c) the holders of equity interests therein between January 1, 2017 and the date hereof has been disclosed in writing to Buyer on the date hereof, and is accurate in all material respects.

[Section 5.23 Brokers and Finders](#). Except as set forth in [Schedule 5.23](#), no broker, finder or financial advisor is, or will be, entitled to any broker’s commission, finder’s fee or similar payment in connection with the Contemplated Transactions based upon arrangements made by or on behalf of any Digital Colony Company or Digital Colony Fund (other than arrangements where members of the Colony Capital Group would be solely responsible for such payments).

[Section 5.24 Small Business Administration Loans](#). Except as set forth in [Schedule 5.24](#), none of the Digital Colony Companies or Digital Colony Funds or any of the employees, officers, directors, partners or members or other Persons acting on behalf of any of them (including

the Managing Directors) have either applied for or received any government related program assistance under the Paycheck Protection Program.

Section 5.25 Employment Matters.

(a) For the past three (3) years, each Digital Colony Company has complied and is in compliance in all material respects with all Laws relating to labor, employment, and personnel (including provisions thereof relating to employment or labor standards, wages, overtime, hours, equal opportunity, collective bargaining, industrial relations, affirmative action, workers' compensation, workplace safety, occupational health and safety, pay equity, employment or unemployment insurance, immigration and the withholding and payment of social security or old age security and other Taxes), none of them is liable for any material assessments, penalties or other sums for failing to comply with any such Laws, and none of them has knowledge that it has any labor-relations problems. No union organizing or decertification activities are underway or, to the knowledge of the Digital Colony Companies, threatened, or have occurred within the past three (3) years, and no Digital Colony Company has made any commitments to, entered into any collective bargaining agreements with, or conducted negotiations with any labor union or employee association with respect to any employees of the Digital Colony Companies. No strike, slowdown, work stoppage or slowdown, lockout or other material dispute or disruption involving or affecting the employees of the Digital Colony Companies is underway or threatened, and no such dispute or disruption has occurred within the past three (3) years. Within the past two (2) years, no member of the Colony Capital Group has implemented any plant closing or layoff of employees that could implicate the Worker Adjustment and Retraining Notification Act, as well as any similar foreign, state, or local Law.

(b) (i) No director, officer, partner, member or employee at the level of "managing director" (including the Managing Directors) of the Digital Colony Companies is or has ever been subject to any allegations of sexual harassment made in writing to the Digital Colony Companies, and (ii) no Digital Colony Company, or to the Knowledge of the Digital Colony Companies, director, officer, partner, member or employee at the level of "managing director" (including the Management Directors) has settled any allegations of sexual harassment within the last three (3) years.

Section 5.26 No Other Representations or Warranties; Non-Reliance. Except for the representations and warranties expressly contained in Article IV or this Article V of this Agreement or the Ancillary Agreements, neither Colony Capital, CCOC nor any other Person makes any other express or implied representation or warranty on behalf of itself, any Digital Colony Company or Digital Colony Fund or any member of the Colony Capital Group. Colony Capital, CCOC and their Affiliates have not relied on any express or implied representations or warranties regarding Buyer other than the representations and warranties of Buyer contained in Article VI of this Agreement and any representations and warranties of Buyer in the Ancillary Agreements. Each of Colony Capital and CCOC (for itself and on behalf of their respective Affiliates) hereby: (i) specifically acknowledges and agrees that, except for the representations and warranties contained in Article VI of this Agreement and any representations and warranties of Buyer in the Ancillary Agreements, none of the Buyer, Buyer's Subsidiaries or any other Person is making and has not

made any representation or warranty, expressed or implied, at law or in equity, in respect of Buyer, any of its Subsidiaries or any of their respective businesses, assets, liabilities, operations, prospects or condition (financial or otherwise), including with respect to merchantability or fitness for any particular purpose of any assets, the nature or extent of any liabilities, the prospects of the business, or the effectiveness or the success of any operations, (ii) specifically and irrevocably disclaims that Colony Capital or CCOC is relying upon or has relied upon any such other representations or warranties that may have been made by any Person and acknowledges and agrees that Buyer (for itself and on behalf of its Subsidiaries) hereby specifically disclaims any such other representation or warranty made by any Person; (iii) specifically and irrevocably disclaims any obligation or duty by Buyer or any of its Subsidiaries or any other Person to make any disclosures of fact not required to be disclosed by the representations and warranties contained in Article VI of this Agreement or any representations and warranties of the Buyer in the Ancillary Agreements; and (iv) specifically acknowledges and agrees that Colony Capital and CCOC are entering into this Agreement subject only to the representations and warranties contained in Article VI of this Agreement, any representations and warranties of the Buyer in the Ancillary Agreements, and the other agreements expressly set forth in this Agreement; provided, that, for the avoidance of doubt, nothing in this Section 5.26 shall waive or restrict such Person's right to assert a claim of actual fraud in accordance with the terms of this Agreement.

ARTICLE VI

REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents and warrants to CCOC as follows:

Section 6.1 Organization. Buyer is duly formed or organized, validly existing and in good standing under the laws of the jurisdiction in which it was formed or organized.

Section 6.2 Authority; Validity of Agreements; No Violations.

(a) Buyer has full power and authority to execute and deliver this Agreement and each Ancillary Agreement to which Buyer is or is specified to be a party, and to perform Buyer's obligations hereunder and thereunder. This Agreement and each Ancillary Agreement that has been or will be executed by Buyer (assuming due authorization, execution and delivery by the other parties hereto) constitutes, or upon execution will constitute, a valid and legally binding obligation of Buyer, enforceable against Buyer in accordance with its respective terms, except as limited by the Bankruptcy and Equity Exception.

(b) Assuming receipt of and subject to the CFIUS Approval (and assuming the accuracy of the representations and warranties of CCOC and Colony Capital), neither the execution, delivery and performance of this Agreement or any Ancillary Agreement by Buyer, nor the consummation by Buyer of the Contemplated Transactions, or compliance by Buyer with any of the terms or provisions hereof and thereof or performance of its obligations hereunder and thereunder will, with or without the giving of notice, the lapse of time or both: (i) violate any Law applicable to Buyer or any other Permit of Buyer in any material respect, (ii) violate or result in a breach of any of Buyer's Organizational Documents, (iii) require any Consent to be made or obtained

by Buyer, (iv) result in a violation or breach by Buyer of, conflict with, result in a termination of, contravene or constitute or will constitute (with or without due notice or lapse of time or both) a material default (or give rise to any right of termination, cancellation, payment or acceleration) under any of the terms, conditions or provisions of any Contract or other instrument or obligation to which Buyer is a party, or by which Buyer or any of its properties or assets may be bound, or (v) result in the creation of any material Encumbrance upon Buyer's properties or assets.

Section 6.3 Sufficient Funds. As of the Closing, Buyer shall have sufficient funds available to satisfy all of its obligations under this Agreement and any expenses incurred by Buyer for which it is responsible in connection with the consummation of the Contemplated Transactions. Buyer has not incurred any obligation, commitment, restriction or liability of any kind, which would impair or adversely affect such resources and capabilities.

Section 6.4 Investment. Buyer is acquiring its applicable Purchased Interests for its own account, not as a nominee or agent, and not with a view to the public resale or distribution thereof in violation of federal or state securities Laws and with no present intention of distributing or reselling any part thereof. Buyer acknowledges that none of the Purchased Interests may be resold in the absence of registration, or the availability of an exemption from such registration, under federal or any applicable state securities Laws. Buyer is an "accredited investor" as defined in Rule 501 promulgated under the Securities Act and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the Purchased Interests. Buyer understands that the purchase of its Purchased Interests involves substantial risk. Buyer acknowledges that it can bear the economic risk of its investment in the applicable Purchased Interests and has such knowledge and experience in financial or business matters that it is capable of evaluating the merits and risks of this investment in the Purchased Interests. Buyer is not subject to and is not aware of any facts that would cause Buyer to be subject to any of the "bad actor" disqualifications described in Rule 506(d)(1)(i) through (viii) promulgated under the Securities Act.

Section 6.5 Legal Proceedings. There is no Order or Proceeding pending or, to the actual knowledge of the Buyer, threatened, against Buyer that, individually or in the aggregate, would reasonably be expected to materially impair or materially delay the consummation of the Contemplated Transactions.

Section 6.6 Compliance with Law; Government Regulation.

(a) Buyer and each of its Affiliates has maintained and complied with adequate "know your customer" and money laundering reporting procedures, and procedures for detecting and identifying money laundering, and detecting, identifying and reporting suspicions of money laundering to the appropriate regulators, designed to comply with applicable Law, except in each case as would not, individually or in the aggregate, reasonably be expected to be material to the Digital Colony Business or materially impair or materially delay the consummation of the Contemplated Transactions. To the actual knowledge of the Buyer, within the last four (4) years, none of Buyer or any of its Affiliates has been subject to any enforcement or supervisory action by any Governmental Authority because such procedures were considered to be inadequate by such regulator and no such enforcement or supervisory action is pending, or to the actual knowledge of the Buyer, threatened.

(b) Buyer has applied the “know your customer” and money laundering reporting procedures referenced in Section 6.6(a) above with respect to payments to Colony Capital, CCOC, any Digital Colony Company or any Digital Colony Fund.

(c) For the past four (4) years, none of Buyer or any Affiliate of the Buyer, or to the actual knowledge of Buyer, any employee, officer, director, partner, member, agent, or Affiliate of, Buyer has taken any action which would cause it to be in violation of the Anti-Corruption Laws. To the knowledge of Buyer, there is not now, and for the past four (4) years there has not been, any employment by any Buyer or Affiliate of Buyer of, or any beneficial ownership in Buyer or any Affiliate of Buyer by, any governmental or political official in any country in the world. To the knowledge of Buyer, except as would not, individually or in the aggregate, reasonably be expected to be material to the Digital Colony Business or materially impair or materially delay the consummation of the Contemplated Transactions, none of Buyer or any of Affiliate of Buyer, and no employee, officer, director, partner, member, agent, or Affiliate of any of them, has within the past four (4) years, made, offered to make or promised to make any payments of money or other thing of value to any entities in which any governmental or political official in any country in the world has or had a direct or indirect interest.

Section 6.7 Brokers and Finders. Other than BofA Securities, Inc., no broker, finder or financial advisor is, or will be, entitled to any broker’s commission, finder’s fee or similar payment in connection with the Contemplated Transactions based upon arrangements made by or on behalf of Buyer.

Section 6.8 No Other Representations or Warranties; Non-Reliance. Except for the representations and warranties expressly contained in this Article VI or any representations and warranties of the Buyer or its Affiliates contained in the Ancillary Agreements, neither Buyer nor any other Person makes any other express or implied representation or warranty on behalf of itself or any of Buyer’s Affiliates. Buyer and its Affiliates have not relied on any express or implied representations or warranties regarding Colony Capital, CCOC or any Digital Colony Company or Digital Colony Fund other than the representations and warranties of contained in Article IV and Article V or the Ancillary Agreements. Buyer (for itself and on behalf of its Affiliates) hereby: (i) specifically acknowledges and agrees that, except for the representations and warranties contained in Article IV and Article V or the Ancillary Agreements, none of Colony Capital or CCOC, any of their respective Subsidiaries or any other Person is making and has not made any representation or warranty, expressed or implied, at law or in equity, in respect of Colony Capital, CCOC or any Digital Colony Company or Digital Colony Fund, any of their respective Subsidiaries or any of their respective businesses, assets, liabilities, operations, prospects or condition (financial or otherwise), including with respect to merchantability or fitness for any particular purpose of any assets, the nature or extent of any liabilities, the prospects of the business, or the effectiveness or the success of any operations; (ii) specifically and irrevocably disclaims that Buyer is relying upon or has relied upon any such other representations or warranties that may have been made by any Person and acknowledges and agrees that each of Colony Capital and CCOC (for itself and on behalf of its Subsidiaries) hereby specifically disclaims any such other representation or warranty made by any Person; (iii) specifically and irrevocably disclaims any obligation or duty by each of Colony Capital, CCOC or any Digital Colony Company or Digital Colony Fund or any of their

respective Subsidiaries or any other Person to make any disclosures of fact not required to be disclosed by the representations and warranties contained in Article IV and Article V or the Ancillary Agreements; and (iv) specifically acknowledges and agrees that Buyer is entering into this Agreement subject only to the representations and warranties contained in Article IV and Article V and the Ancillary Agreements and the other agreements expressly set forth in this Agreement; provided, that for the avoidance of doubt, nothing in this Section 6.8 shall waive or restrict such Person's right to assert a claim of actual fraud in accordance with the terms of this Agreement.

ARTICLE VII

COVENANTS

Section 7.1 Announcement. Except for any disclosure which is required pursuant to applicable Law (including securities Laws) or obligations pursuant to any listing agreement with or rules of any national securities exchange (provided, that the Party proposing to issue any press release or similar public announcement or communication in compliance with any such disclosure obligations shall use commercially reasonable efforts to consult in good faith with the other Parties before doing so), each of the Parties hereto shall not, and shall cause its respective Controlled Affiliates and its and its Controlled Affiliates' respective officers, directors, employees and agents not to, issue any press release or other similar public announcement or communication divulging the existence of this Agreement or the Contemplated Transactions without the prior written consent of the Wafra Representative and the Digital Colony Representative, which consent shall in each case not be unreasonably withheld, conditioned or delayed; provided, that the Parties hereby agree to file the initial joint press release relating to the Contemplated Transactions set forth in Annex C-1. A list of agreements that Colony Capital will file with the U.S. Securities and Exchange Commission in connection with the execution and delivery of this Agreement is set forth in Annex C-2. Notwithstanding the provisions of this Section 7.1, Colony Capital may make any public statements in response to questions by the press, analysts, investors or those attending industry conferences or analyst or investor conference calls, so long as such statements are not inconsistent with previous statements made by any Party hereunder or otherwise permitted to be made pursuant hereto.

Section 7.2 Expenses. Except as otherwise expressly provided in this Agreement, each of the Parties hereto agrees to pay the costs and expenses (on a pre-closing basis) incurred by it in connection with the negotiation, preparation, execution and delivery of this Agreement and the Ancillary Agreements and the consummation of the Contemplated Transactions, including, the fees and expenses of counsel to, and other representatives of, such Party (collectively, "Transaction Expenses"); provided, that notwithstanding anything in this Agreement or the Ancillary Agreements to the contrary, CCOC covenants and agrees that neither Buyer nor any Wafra Entity shall directly or indirectly bear any portion of the Transaction Expenses incurred or reimbursed by any Digital Colony Company (or any Managing Director or other Person on behalf of the Digital Colony Companies) by virtue of Buyer's ownership interest in DCMH; provided, further, that 100% of the out-of-pocket costs relating to obtaining the Buyer Insurance Policy (including the total premium, underwriting costs, brokerage commission for Buyer's brokers, Taxes related to such policy and other fees and expenses of such policy) shall be borne by CCOC and neither Buyer nor any other Wafra Entity shall directly or indirectly bear any portion of such expense; provided, CCOC shall not be responsible for any fees and expenses of Buyer's outside counsel.

Section 7.3 Further Assurances. Each Party to this Agreement agrees to execute such documents and other papers and use its reasonable efforts to perform or cause to be performed such further acts as are necessary to carry out the provisions contained in this Agreement and the Ancillary Agreements. Following the Closing, upon the reasonable request of any Party, the other Parties agree to promptly execute and deliver such further instruments of assignment, transfer, conveyance, endorsement, direction or authorization and other documents as may be reasonably requested to the extent necessary to effectuate the purposes of this Agreement and the Ancillary Agreements.

Section 7.4 Post-Closing Restructuring.

(a) CCOC, DCMH and Buyer shall cooperate and use their respective reasonable best efforts to take, or cause to be taken, all appropriate actions and do, or cause to be done, and assist and cooperate with the other parties in doing, all things necessary, proper and/or advisable to obtain the FCA Approval and, once the FCA Approval has been obtained, effect the contribution of the DCMH UK Advisers Entities into Digital Colony Management, LLC (the "Post-Closing Restructuring") as soon as practicable, and in any event within 45 days of obtaining the FCA Approval. In the event any of the transactions set forth in the Post-Closing Restructuring are not able to be completed due to the failure to receive the FCA Approval, the Parties hereto shall cooperate and use their reasonable best efforts to agree to undergo alternate transactions to accomplish the same economic effects as such unsuccessful transaction. During any time as the Post-Closing Restructuring has not been completed, CCOC and DCMH shall, subject to applicable Law, take all such actions necessary to ensure that distributions of NFRE allocable to the DCMH UK Adviser Entities shall be contributed to Digital Colony Management, LLC or a Subsidiary of Digital Colony Management, LLC in the manner and in the time periods necessary to give effect to the provisions of the A&R DCMH Agreement.

(b) CCOC, DCMH and Buyer shall use their respective reasonable best efforts to prepare all necessary documentation, and to file and/or submit all applications, notices, petitions and filings, as promptly as practicable following the date hereof (and, in any event, within thirty (30) Business Days following the date hereof), and thereafter use all reasonable best efforts to obtain, all permits, consents, confirmations of non-objection, approvals and authorizations of all third parties which are necessary or advisable to obtain the FCA Approval and to consummate the Post-Closing Restructuring. The Wafra Representative and CCOC shall have the right to review (in advance to the extent practicable) any filing made with, or written materials submitted to, any Governmental Authority in connection with the Post-Closing Restructuring that contains any Confidential Information pertaining to the other Party or its Affiliates or identifies the other Party or its Affiliates therein. Without limiting the generality of the undertakings pursuant to the foregoing, CCOC, DCMH and Buyer shall use their respective reasonable best efforts to provide or cause to be provided as promptly as reasonably practicable to such Governmental Authorities of which an approval (including the FCA Approval) is required to complete the Post-Closing Restructuring information and documents requested by any such Governmental Authority as necessary, proper or advisable to permit consummation of the Post-Closing Restructuring and thereafter to respond as promptly as practicable to any request for additional information or documentary material that may be made by such Governmental Authority in relation thereto.

(c) CCOC and Buyer shall promptly advise the other upon receiving (i) any communication from any Governmental Authority whose consent or approval (including the Colony FCA Approval or the Wafra FCA Approval, as applicable) is required to bring about the consummation of the Post-Closing Restructuring that causes such Party to believe that there is a reasonable likelihood that any approval required of any Governmental Authority to consummate the Post-Closing Restructuring will not be obtained or that the receipt of any such approval will be materially delayed; and (ii) knowledge of the commencement of, or threat of commencement of, any proceeding brought by any Governmental Authority with respect to the Colony FCA Approval or the Wafra FCA Approval, as applicable, and/or the Post-Closing Restructuring.

(d) CCOC, DCMH and Colony Capital shall use their respective reasonable best efforts to take, or cause to be taken, all appropriate actions and do, or cause to be done all things necessary, proper or advisable to effect the transfer of Colony Capital PTE. LTD directly or indirectly to DCMH as soon as practicable, and in any event within 45 days of the Closing Date.

(e) Nothing in this Section 7.4 or elsewhere in this Agreement shall require any of CCOC, Colony Capital, any other members of the Colony Capital Group or the Digital Colony Companies to agree to any conditions or remedies in connection with the FCA Approval.

Section 7.5 Tax Matters.

(a) CCOC shall give effect to the transactions contemplated by Section 2.1(a) as of the Closing Date and shall give effect to the Conversion as of the Conversion Date, and in each case shall allocate pursuant to Section 706 of the Code (and the Treasury Regulations thereunder) between the Buyer and the other partners of DCMH based on an interim closing of the books as of the Closing Date, all items of income, gain, loss, deduction and credit attributable to the taxable year of DCMH in which the Closing Date occurs.

(b) Transfer Taxes. CCOC, on the one hand, and the Buyer, on the other hand, shall each be liable for fifty percent (50%) of any Transfer Taxes incurred in connection with this Agreement and the Contemplated Transactions and shall timely pay such Transfer Taxes. Any Tax Returns that must be filed in connection with Transfer Taxes shall be prepared and filed by the Party primarily or customarily responsible under applicable Law for filing such Tax Returns, and such party will use its commercially reasonable efforts to provide such Tax Returns to the other Parties at least ten (10) Business Days prior to the date such Tax Returns are due to be filed.

(c) 754 Elections. To the extent a valid election under Section 754 of the Code (and any corresponding provisions of state and local law) is not in effect for DCMH or any Subsidiary thereof that is treated as a partnership for U.S. federal income tax purposes, then CCOC shall cause DCMH to make or cause to be made such election(s) in the prescribed time and manner required for such election(s) to be effective for the taxable year that includes the Closing Date.

Section 7.6 Certain Filings. CCOC shall cause the Digital Colony Companies to make appropriate filings with respect to their investment advisory status as soon as reasonably practicable with all jurisdictions in which any such Digital Colony Company has a place of business and in each other jurisdiction where it is necessary for any such Digital Colony Company to make such filings in order to conduct its businesses after the Closing.

Section 7.7 [Reserved].

Section 7.8 CFIUS.

(a) Cooperation During Regulatory Decision Period.

(i) During the Regulatory Decision Period, the Buyer, CCOC and DCMH shall cooperate and use their respective reasonable best efforts to obtain CFIUS Approval as promptly as practicable, including by (A) promptly submitting a draft of the joint notice to CFIUS (“CFIUS Notice”) contemplated under 31 C.F.R. § 800.501(g) with respect to the Contemplated Transactions; (B) as promptly as practicable after receiving feedback from CFIUS regarding the draft CFIUS Notice referenced in clause (A), a formal CFIUS Notice as contemplated by 31 C.F.R. § 800.501(a); (C) cooperating with each other in connection with any such filing or the provision of any such information (including, to the extent permitted by applicable law, providing copies, or portions thereof, of all such documents to the non-filing party prior to filing and considering all reasonable additions, deletions or changes suggested in connection therewith); and (D) taking such actions, including agreement to risk mitigation measures, as may be requested by CFIUS as a condition of CFIUS Approval, subject to the limitations in 7.8(a)(iii) and (iv) below. Notwithstanding anything to the contrary contained in this Agreement or any of the Ancillary Agreements, Buyer shall bear sole responsibility for paying any filing fee for the CFIUS Notice.

(ii) In furtherance of Section 7.8(a)(i), Buyer, CCOC and DCMH shall cooperate with each other in connection with any such filing and in connection with resolving any investigation or other inquiry of CFIUS or any other Governmental Authority under the DPA with respect to any such filing, including by (1) allowing each other to have a reasonable opportunity to review in advance and comment on drafts of filings and submissions to CFIUS, (2) promptly informing each other of any communication received by a Party, or given by a Party to, CFIUS by promptly providing copies to the other Party of any such written communication, except for any exhibits to such communications providing the personal identifying information required by 31 C.F.R. §800.502(b)(5)(vi), information otherwise requested by CFIUS to remain confidential or information reasonably determined by a Party to be business confidential information and (3) permitting each other to review in advance any communication that a Party gives to CFIUS, and consult with each other in advance of any meeting, telephone call or conference with CFIUS, and to the extent not prohibited by CFIUS, give each other the opportunity to attend and participate in any telephonic conferences or in-person meetings with CFIUS.

(iii) Nothing in this Section 7.8(a) or elsewhere in this Agreement shall require Buyer to (w) take any action that would violate any Law applicable to Buyer,

(x) sell, divest or dispose of any assets or businesses that it holds apart from the transactions contemplated by this agreement, (y) agree to actions or restrictions relating to the assets or businesses of Buyer or its Affiliates to the extent those assets and businesses do not involve interstate commerce in the United States, or (z) otherwise adopt conditions or restrictions that would reasonably be expected to frustrate the Buyer's ability to receive NFRE with respect to the Digital Colony Business (subject to such NFRE being distributable to Buyer pursuant to the A&R DCMH Agreement).

(iv) Nothing in this Section 7.8(a) or elsewhere in this Agreement shall require any of CCOC, Colony Capital, any other members of the Colony Capital Group or the Digital Colony Companies (collectively, the "DCP Parties") to agree, as a condition of obtaining the CFIUS Approval to: (A) take or agree to take any action with respect to (1) the DCP Parties or their respective Affiliates, including any direct or indirect or pending (as of the date of this Agreement) investment funds or portfolio companies of investment funds advised or managed by one or more of the DCP Parties or their respective Affiliates, including selling, divesting, conveying, holding separate, or otherwise limiting its freedom of action with respect to any assets, rights, products, licenses, businesses, operations, or interest therein, of any DCP Party or any such Affiliates or any direct or indirect or pending (as of the date of this Agreement) investment funds or portfolio companies of investment funds advised or managed by one or more of the DCP Parties or their respective Affiliates, or (2) the selling, divesting, conveying or holding separate with respect to any assets, rights, products, licenses, businesses, operations, or interests therein, of any of the DCP Parties in more than a de minimis respect; or (B) be required to accept or agree to a Burdensome Condition.

(b) Alternative Transaction Cooperation. The Wafra Representative shall have the right, if CFIUS Approval is not obtained within nine (9) months of filing the CFIUS Notice, to the extent permitted by CFIUS (the "Alternate Transaction Election Right"), to enter into good faith discussions with Colony Capital with respect to implementing an alternate transaction by delivering a written notice to such effect to Colony Capital. In such event, the Parties hereto shall cooperate and use their reasonable best efforts to undergo alternate transactions to accomplish the same economic effects as the Contemplated Transactions with respect to Buyer's right to receive Available Cash, as adjusted pursuant to its economic entitlements under the DCMH Investor Rights Agreement (including Section 3.4(a) thereof) and the A&R DCMH Agreement, without the need to obtain CFIUS Approval; provided, that if so requested by Wafra by written notice at least forty-five (45) days prior to the expiration of the Regulatory Decision Period, Colony Capital shall implement a revenue sharing arrangement with respect to the right of Buyer to receive Available Cash, as adjusted pursuant to its economic entitlements under the DCMH Investor Rights Agreement and the A&R DCMH Agreement that is substantially similar to the revenue sharing arrangement set forth in the Carried Interest Participation Agreement with respect to Carried Interest, it being agreed and understood that any alternate transaction (including any revenue sharing arrangement) shall be subject to any specific requirement of the DPA and CFIUS and applicable law. The Parties will enter into documentation implementing such arrangement. In the event the Regulatory Decision Period is extended in accordance with this Agreement, the Parties obligations pursuant to this Section 7.8(b) shall immediately terminate.

ARTICLE VIII

SURVIVAL; POST-CLOSING OBLIGATIONS

Section 8.1 Expiration of Representations, Warranties and Covenants. All of the representations and warranties of the Parties contained in this Agreement made at the Closing Date shall survive the Closing and shall terminate and expire, and shall cease to be of any force or effect, on the date that is the twelve (12) month anniversary of the Closing Date, other than (a) the representations and warranties contained in Section 4.1 (Organization), Section 4.2(a) (Authority), Section 4.3 (Title), Section 4.6 (Brokers and Finders), Section 5.1 (Organization, Etc.), Section 5.2 (Capital Structure), Section 5.3 (Authority; Validity of Agreements), Section 5.5 (No Conflicts), Section 5.17 (Taxes.), Section 5.21 (Net Working Capital) and Section 5.23 (Brokers and Finders) (collectively, the “Fundamental Representations”), (b) Section 4.4 (Compliance with Law) and Section 5.14 (Compliance with Law; Government Regulation) (collectively, the “Compliance with Law Representation”) and (c) Section 6.1 (Organization), Section 6.2(a) (Authority) and Section 6.7 (Brokers and Finders) (collectively, the “Buyer Fundamental Representations”), which Fundamental Representations and Buyer Fundamental Representations shall survive the Closing hereunder and shall continue in full force and effect until the date that is sixty (60) days following the expiration of the applicable statute of limitations and which Compliance with Law Representation shall survive the Closing hereunder and shall continue in full force and effect until the six (6) year anniversary of the Closing Date. Each covenant or other agreement herein shall survive the Closing hereunder until performed in accordance with its terms. Notwithstanding the foregoing, if a claim for indemnification under this Article VIII is delivered pursuant to Section 8.4 within the applicable survival period set forth above, such survival period shall be extended until such time as such claim is fully and finally resolved.

Section 8.2 Result of Breach of Representation or Warranty; Indemnification.

(a) Subject to the other provisions of this Article VIII, from and after the Closing, CCOC shall indemnify, defend and hold harmless each Buyer Indemnitee for any Losses incurred or suffered by the Buyer Indemnitees to the extent resulting from or arising out of:

(i) the breach of any representation or warranty contained in Article IV or Article V of this Agreement (which breach and any related Losses shall be determined without giving effect to any materiality, “Digital Colony Material Adverse Effect” or similar qualifier (other than the fourth and fifth uses of the term “material” in Section 5.15(c), each use of the term “material” in the definitions of “Digital Colony Business”, “Digital Colony Personnel”, “Digital Infrastructure” and “Material Contract” and the use of the term “Material Contract” itself));

(ii) the breach of any covenant or agreement of CCOC or Colony Capital contained in this Agreement;

(iii) (A) the Excluded Assets and (B) the Digital Bridge Acquisition Agreement; provided, that in the case of this clause (B), to the extent in respect of employment agreements and agreements related to Carried Interest such indemnification

obligation shall be limited to Losses arising out of, relating to or in connection with the period prior to the date hereof;

(iv) any liabilities or obligations (x) for any Taxes imposed (regardless of when imposed) on or with respect to, or incurred by or with respect to, any Digital Colony Company or any Digital Colony Fund (including any Taxes or other amounts imposed under the Partnership Audit Rules), in each case, that is attributable to any taxable period beginning on or before and ending on or before the Closing Date (or, for any period beginning before and ending after the Closing Date, liabilities and obligations for Taxes to the extent allocable to the portion of such period beginning on or before and ending on the Closing Date), (y) for any Taxes of a Person (other than a Digital Colony Company) for which any Digital Colony Company becomes liable (A) as a result of such Digital Colony Company being a member of an affiliated, consolidated, combined, unitary or similar group for Tax purposes prior to the Closing, or (B) as a result of transferor or successor liability, as a result of the operation of Law or by Contract or assumption or otherwise, in each case as a result of a transaction or event occurring prior to the Closing, or (z) for the payment of any amounts as a result of any Digital Colony Company or Digital Colony Fund entering into or being a party to any Tax Sharing Agreement prior to the Closing or as a result of any express or implied obligation to indemnify any other Person with respect to the payment of any amounts described in this clause (iv) of this Section 8.2(a), whether disputed or not; or

(v) any Proceeding initiated or maintained by or on behalf of an equity holder of Colony Capital in connection with or related to entering into the Contemplated Transactions except to the extent such Proceeding is based on facts, circumstances or events arising from the actual fraud of the Buyer Indemnitees. The foregoing exception shall not apply to, and indemnification shall be available for, any Proceeding against any Buyer Indemnitee to the extent such Proceeding is based on a theory that such Buyer Indemnitee aided and abetted or conspired with Colony Capital or any of its Affiliates, or is jointly, derivatively or secondarily liable with any Colony Capital or any of its Affiliates.

In calculating the amount of Losses suffered by the Buyer Indemnitees for purposes of Section 8.2(a), and subject to the other limitations set forth in this Article VIII, such Losses will take into account the Buyer's interest in DCMH (including for determining the amount of Losses suffered by Buyer as a result of adverse consequences to CCOC or Colony Capital in connection with any applicable breach and in respect of any indemnification payments to the Buyer Indemnitees made by CCOC).

(b) Subject to the other provisions of this Article VIII, Buyer shall indemnify, defend and hold harmless each of CCOC and Colony Capital and their respective Affiliates and each of their respective directors, officers, employees, stockholders, members, partners, agents, representatives, successors and permitted assigns (the "Digital Colony Indemnitees") from and against any and all Losses incurred or suffered by the Digital Colony Indemnitees to the extent arising from or arising out of (c) the breach of any representation or warranty contained in Article VI of this Agreement (which breach and any related Losses shall be

determined without giving effect to any materiality or similar qualifier) or (d) the breach of any covenant or agreement of Buyer contained in this Agreement.

Section 8.3 Limitations.

(a) No Buyer Indemnitee will assert any claim (each an “Indemnity Claim”) for indemnification pursuant to Section 8.2(a)(i) until such time that the aggregate amount of Losses exceeds \$1,500,000 (the “Deductible”) (except (i) in the case of actual fraud or (ii) with respect to any Fundamental Representation, with respect to which the Deductible shall be deemed to be zero), in which case such Buyer Indemnitee will be entitled to recover all Losses in excess of the applicable Deductible. CCOC’s aggregate liability in respect of any indemnification obligation for Losses under Section 8.2(a)(i) shall not exceed an amount equal to \$1,901,812.50 less the Deductible (the “CCOC Retention”) (except (x) no limit shall apply in the case of actual fraud, (y) in respect of any Indemnity Claim pursuant to Section 8.2(a)(i) for which coverage is not obtained under the Buyer Insurance Policy as a result of (I) in the case of a breach or inaccuracy of any Compliance with Law Representation or Fundamental Representation, such claim having been rejected due to the fact that the policy limit under the Buyer Insurance Policy has been reached, (II) in the case of a breach or inaccuracy of any Fundamental Representation, the Buyer Insurance Policy having expired or (III) in case of any representation set forth in Article IV or Article V, coverage being denied under the Buyer Insurance Policy as a result of a Specified Exclusion, in each case, CCOC shall provide indemnification in respect of such Indemnity Claim up to the Supplemental Indemnification Hurdle and (z) CCOC shall provide the applicable CCOC Supplemental Indemnification in respect of breaches of any Fundamental Representation (with respect to which the Deductible shall be deemed to be zero) or Compliance with Law Representation, as described below). To the extent the Buyer Indemnitees have incurred Losses in excess of the sum of the applicable Deductible, the CCOC Retention and twenty percent (20%) of the Total Cap (such sum being referred to as the “Supplemental Indemnification Hurdle”) (A) with respect to breaches or inaccuracies of the Compliance with Law Representation, CCOC shall provide indemnification for Losses that are in excess of the Supplemental Indemnification Hurdle and that are less than or equal to the difference between (1) 50% of the Total Cap minus (2) any indemnification previously provided by CCOC to the Buyer Indemnitees pursuant to clause (B) of this sentence minus (3) the Contingent Indemnification Amount, if any minus (4) any indemnification previously provided by CCOC pursuant to Section 6.2(a)(i) of the Carry Investment Agreement (the “Compliance with Law Cap”) and (B) with respect to breaches or inaccuracies of any Fundamental Representation, CCOC shall provide indemnification for Losses that are in excess of the Supplemental Indemnification Hurdle and that are less than or equal to the difference between (1) the Total Cap minus (2) any indemnification previously provided by CCOC to the Buyer Indemnitees pursuant to clause (A) of this sentence minus (3) the Contingent Indemnification Amount, if any minus (4) any indemnification previously provided by CCOC pursuant to Section 6.2(a)(i) of the Carry Investment Agreement (the indemnification obligations described in clauses (A) and (B), each a “CCOC Supplemental Indemnification”). Notwithstanding anything contained herein to the contrary, CCOC’s aggregate liability in respect of any obligation for Losses under Section 8.2(a) (except in the case of actual fraud, or Section 8.2(a)(iii), (iv) or (v)), shall not exceed an amount equal to the Wafra Investment Amount (without taking into account any reduction pursuant to Section 8.3(f)) (the “Total Cap”) minus any indemnification previously provided by CCOC pursuant to Section 6.2(a) of the Carry Investment Agreement. For purposes of calculating the Supplemental

Indemnification Hurdle, indemnification previously provided by CCOC pursuant to Section 6.2(a)(i) of the Carry Investment Agreement shall be deemed Losses.

(b) No Digital Colony Indemnitee will assert any claim for indemnification pursuant to Section 8.2(b)(i) until such time that the aggregate amount of (i) Losses and (ii) indemnification previously provided by W-Catalina (C) LLC pursuant to Section 6.2(b) of the Carry Investment Agreement for breach or inaccuracy of the W-Catalina (C) Non-Fundamental Representations exceeds the Deductible (except in the case of actual fraud or in respect of breaches of any Buyer Fundamental Representation, with respect to which the Deductible shall not apply), in which case such Digital Colony Indemnitee will be entitled to recover all Losses in excess of the Deductible. Notwithstanding anything contained herein to the contrary, Buyer's aggregate liability (A) in respect of any obligation for Losses under Section 8.2(b)(i) and indemnification previously provided by W-Catalina (C) LLC pursuant to Section 6.2(b)(i) of the Carry Investment Agreement for breach or inaccuracy of the W-Catalina (C) Non-Fundamental Representations shall not exceed an amount equal to 20% of the Total Cap (except in the case of actual fraud or in respect of breaches of any Buyer Fundamental Representation) and (B) in respect of any obligation for Losses under Section 8.2(b) and any indemnification previously provided by W-Catalina (C) LLC pursuant to Section 6.2(b) of the Carry Investment Agreement (except in the case of actual fraud), shall not exceed an amount equal to the Total Cap.

(c) The amount of any indemnification payable under this Article VIII in respect of a claim for indemnification pursuant to Section 8.2 shall be reduced by an amount equal to the proceeds actually received by a Buyer Indemnitee or Digital Colony Indemnitee, as applicable, under any insurance policy (other than the Buyer Insurance Policy which is addressed in Section 8.3(d)) or from any third party in respect of such claim less all actual and reasonable out-of-pocket costs and expenses incurred by such Buyer Indemnitee or Digital Colony Indemnitee in connection with obtaining such insurance proceeds or third-party recovery (including reasonable and documented out-of-pocket attorneys' fees, any deductible, any retention, any retroactive premium adjustment on the account of, or arising from, such claim or Losses, and the present value of any increases in insurance premiums on the account of or arising from such claim or Losses, or the cost of cancellation of such insurance policy and any increased costs for any replacement policy). Each Buyer Indemnitee and Digital Colony Indemnitee shall use its, his or her commercially reasonable efforts to pursue any insurance recovery (other than under the Buyer Insurance Policy which is addressed in Section 8.3(d)) or third-party recovery available to it with respect to any Loss for which such Buyer Indemnitee or Digital Colony Indemnitee seeks indemnification pursuant to this Article VIII (including during the period following any payment to such Buyer Indemnitee in respect of such indemnification); provided, that the possibility that insurance proceeds may be realized by such Buyer Indemnitee or Digital Colony Indemnitee shall not delay payment or indemnification of such Losses by the Party against whom indemnification is sought pursuant to this Article VIII. If any Person has paid an amount in discharge of any Indemnity Claim and the indemnified Person recovers from an insurance policy (other than the Buyer Insurance Policy which is addressed in Section 8.3(d)) or from a third party a sum which indemnifies or compensates such Person in respect of the Losses which are the subject matter of such claim, such Person shall pay to the Indemnifying Party as soon as practicable after receipt thereof an amount equal to the lower of (i) the amount actually received by such Person from the Indemnifying Party in respect of such claim and (ii) any sum recovered from the third party, in each case, less all reasonable out-of-pocket

costs and expenses incurred by such Buyer Indemnitee or Digital Colony Indemnitee in connection with obtaining such insurance proceeds or third-party recovery and any Tax suffered thereon.

(d) Except in the case of actual fraud, the CCOC Retention, the CCOC Supplemental Indemnification or the obligation to indemnify the Buyer Indemnitees as described in Section 8.3(a)(y), the Buyer Indemnitees' sole source of recovery for any Indemnity Claim pursuant to Section 8.2(a)(i) shall be the Buyer Insurance Policy and not direct payment by any other Party to this Agreement. Buyer shall, and shall cause each other Buyer Indemnitee to use its, his or her commercially reasonable best efforts to, pursue any insurance recovery under the Buyer Insurance Policy with respect to any Loss for which such Buyer Indemnitee seeks indemnification pursuant to this Article VIII and Buyer shall and shall cause each such Buyer Indemnitee to take such action as may be reasonably requested by CCOC to pursue recovery under the Buyer Insurance Policy with respect to such Loss. Buyer shall submit any bona fide claims pursuant to Section 8.2(a)(i) to the insurer under the Buyer Insurance Policy so as to cause the retention to be satisfied, notwithstanding that such claim may not be in excess of the Deductible. Buyer shall provide any correspondence with the insurer under the Buyer Insurance Policy to CCOC concurrently if made by Buyer and promptly if received by Buyer; provided, that Buyer's failure to provide copies of any such correspondence shall not affect the indemnification obligations of CCOC unless CCOC is actually materially prejudiced by failure to give such notice. CCOC will only be liable for the CCOC Supplemental Indemnification if such claim has first been submitted to the insurer under the Buyer Insurance Policy and (i) such claim has been rejected due to the fact that the policy limit under the Buyer Insurance Policy has been reached, (ii) the Buyer Insurance Policy has expired or (iii) coverage is denied under the Buyer Insurance Policy as a result of a Specified Exclusion. For the avoidance of doubt, claims need not be submitted to the insurer under the Buyer Insurance Policy if the applicable coverage period under the Buyer Insurance Policy has expired.

(e) No Person shall be entitled to recover from an Indemnifying Party or any Affiliate thereof more than once with respect to the same Loss (i.e. no double-counting). For the avoidance of doubt, claims for indemnification pursuant to Section 8.2 or Section 8.3 may be made based upon a liability which is contingent at the time such claim is made; provided, however, that no Person shall be entitled to recover with respect to any such claim unless and until such liability becomes an actual liability.

(f) If any CCOC Supplemental Indemnification is paid prior to the date that the Contingent Consideration Amount is payable, the Contingent Consideration Amount is subsequently payable, and the amount of the applicable CCOC Supplemental Indemnification that would have been paid would have increased if the payment of the Contingent Consideration Amount had previously occurred (the amount of any such increase being the "Contingent Indemnification Amount"), then the Contingent Consideration Amount payable shall be reduced by the Contingent Indemnification Amount, which shall fully satisfy CCOC's obligations with respect to the Contingent Consideration Amount.

Section 8.4 Claims Notice.

(a) Except with respect to Third Party Claims covered by Section 8.4(b), any Buyer Indemnitee, Digital Colony Indemnitee or other indemnified party who is entitled to, and wishes to, make a claim for indemnification for a Loss pursuant to Section 8.2 (an "Indemnitee")

shall give written notice to each Person from whom such indemnification is being claimed (an “Indemnifying Party”) promptly after it acquires knowledge of the fact, event or circumstances giving rise to the claim for the Loss. The failure to make timely delivery of such notice shall not affect the Indemnifying Party’s obligations hereunder, except to the extent such Indemnifying Party is actually materially prejudiced by failure to give such notice. Together with such written notice, the Indemnitee shall provide the Indemnifying Party with such material information and documents as the Indemnitee has in its possession regarding such claim and all material pertinent information in its possession regarding the amount of the Loss that it asserts it has sustained or incurred, including any limitations in this Article VIII that apply to such Loss. The Indemnifying Party shall have a period of thirty (30) days after receipt by the Indemnifying Party of such notice and such evidence to agree to the payment of the Loss to the Indemnitee, subject to such limitations. If the Indemnifying Party does not agree to the payment of the Loss within such 30-day period, then the Indemnifying Party shall be deemed not to have accepted the Loss and the Parties shall negotiate in good faith to seek a resolution of such dispute within fifteen (15) days thereafter. If the dispute is not resolved through such negotiations, then (x) any dispute as to the value of the Loss (if the Indemnifying Party has agreed in writing that such a Loss exists) will be resolved by an independent valuation firm of national standing (the “Valuation Firm”) jointly selected by the Indemnitee and the Indemnifying Party (and, if the Parties are unable to agree upon a Valuation Firm, then the Indemnitee and the Indemnifying Party shall each select an independent valuation firm of national standing, and the two (2) valuation firms so selected shall select a third (3rd) independent valuation firm of national standing to act as the Valuation Firm) and (y) any other dispute (including as to whether a Loss exists) shall be resolved in accordance with Section 9.11. The determination of the dispute by the Valuation Firm shall be final and binding on the Parties hereto, except in the case of manifest error or fraud. The costs of the Valuation Firm shall be allocated between the Indemnitee and the Indemnifying Party by the Valuation Firm in proportion to the extent that either of the Indemnitee or the Indemnifying Party did not prevail on the amount of the disputed Loss as submitted to the Valuation Firm. If the Indemnifying Party agrees to the payment of the Loss (subject to any limitations set forth in this Article VIII that apply to such Loss) within the 30-day period described above, then it shall, within ten (10) Business Days after such agreement, pay to the Indemnitee the amount of the Loss that is payable pursuant to, and subject to the limitations set forth in, this Article VIII.

(b) If any claim or action at law or suit in equity is instituted by a third party against an Indemnitee (each, a “Third Party Claim”) with respect to which such Indemnitee is entitled to, and wishes to, make a claim for indemnification for a Loss under Section 8.2, then such Indemnitee shall promptly, and in any event promptly after such Indemnitee has knowledge of an assertion of liability from such third party, deliver to the Indemnifying Party a written notice describing, to the extent practicable, such matter in reasonable detail, including the estimated amount of the Losses that have been or may be sustained by the Indemnitee and any limitations in this Article VIII that apply to such Loss. The failure to make timely delivery of such written notice shall not affect the Indemnifying Party’s obligations hereunder, except to the extent such Indemnifying Party is actually materially prejudiced by failure to give such timely notice. In any event, such delivery shall be accompanied by any material information and documents in such Indemnitee’s possession related to such Third Party Claim. The Indemnifying Party may, subject to the other provisions of this Section 8.4, settle, compromise or defend, at such Indemnifying

Party's own expense and by such Indemnifying Party's own counsel, any such matter involving the asserted liability of the Indemnatee in respect of the Third Party Claim. If the Indemnifying Party shall elect to settle, compromise or defend such asserted liability, then it shall, within ten (10) Business Days after such election (or sooner, if the nature of the asserted liability so requires), notify the Indemnatee of its intention to do so and the Indemnatee shall cooperate to the fullest extent possible, at the request and reasonable expense of the Indemnifying Party, in the compromise of, or defense against, such asserted liability; provided, that no settlement or compromise of any Third Party Claim shall be made without the prior written consent of the Indemnatee (which shall not be unreasonably withheld, conditioned or delayed), except where such settlement or compromise involves only the payment of money and the express, complete and unconditional release of any and all claims against the Indemnatee (and liabilities and obligations with respect thereto) and only to the extent that such money is paid by the Indemnifying Party. The Indemnifying Party shall not be released from any obligation to indemnify the Indemnatee hereunder with respect to such asserted claim without the prior written consent of the Indemnatee, unless the Indemnifying Party shall deliver to the Indemnatee a duly executed agreement settling or compromising such claim with no monetary liability to, or injunctive relief against, or other obligation of the Indemnatee. The Indemnifying Party shall have the sole right, except as provided below in this Section 8.4, to conduct and control the defense of any Third Party Claim. Subject to the following sentence, all costs and fees incurred with respect to any such claim shall be borne by the Indemnifying Party. The Indemnatee shall have the right to participate in, at its own expense, the defense, compromise or settlement of any such Third Party Claim (and may control the defense, compromise or settlement of such Third Party Claim only if the Indemnifying Party does not elect to assume such control or is not permitted to assume such control pursuant to the terms of this Section 8.4); provided, that (A) if there exists a conflict or potential conflict of interest that would make it inappropriate, in the judgment of outside legal counsel to the Indemnatee, for the same counsel to represent both the Indemnatee and the Indemnifying Party, (B) such Third Party Claim (i) is brought by a Governmental Authority in connection with a criminal or regulatory Proceeding or (ii) primarily seeks (x) the imposition of a consent order, injunction or decree that would restrict the future activity or conduct of the Indemnatee or (y) a finding or admission of a violation of Law by the Indemnatee that would have an adverse effect on the Indemnatee other than as a result of monetary damages, (C) the amount in dispute exceeds the maximum amount for which an Indemnifying Party would reasonably be expected to be liable pursuant to this Article VIII in light of the limitations on indemnification herein, if applicable, or (D) if the Indemnifying Party fails to diligently and reasonably defend the Indemnatee, then the Indemnatee shall be entitled to retain one separate counsel of its own choosing (in addition to any necessary local counsel), and the Indemnifying Party shall be responsible for the reasonable and documented fees and expenses of such separate counsel, which fees and expenses shall be reimbursed to the Indemnatee by the Indemnifying Party within thirty (30) days of a request therefor. If the Indemnifying Party shall choose to defend any claim, then the Indemnatee shall make available to the Indemnifying Party any books, records or other documents within its direct control that relate to the defense of such matter, and cooperate in all reasonable ways with, and make its employees and advisors and other personnel available or otherwise render reasonable assistance to, the Indemnifying Party and its agents. The Indemnatee may not settle any Third Party Claim without the consent of the Indemnifying Party (not to be unreasonably withheld, conditioned or delayed) if a majority of the aggregate amount of Losses arising from such settlement are to be indemnified by the Indemnifying Party under the terms of this Article VIII (or, if CCOC is the

applicable Indemnifying Party, such Losses are being paid with proceeds from the Buyer Insurance Policy (other than with respect to any Losses (or portion thereof) within the retention under the Buyer Insurance Policy)).

(c) The Indemnifying Parties shall reasonably cooperate with the Indemnitee in connection with Third Party Claims, including, if and as requested by the Indemnitee, by providing any documents or other information relevant to a claim for indemnification hereunder, making its directors, officers and other representatives reasonably available in connection with the investigation, defense, settlement or compromise of any such claim, and assisting as necessary in connection with the investigation, defense, settlement or compromise thereof.

(d) Notwithstanding anything to the contrary contained herein, to the extent the procedures in this Section 8.4 are in conflict with the procedures in the Buyer Insurance Policy with regard to matters such as notice, control, settlement or defense of claims, the procedures in the Buyer Insurance Policy shall control, but this Section 8.4(d) shall not relieve any Buyer Indemnitee from its obligations under this Agreement with respect to CCOC. For the avoidance of doubt, each Party shall and shall cause its agents and advisors to reasonably cooperate with the insurer under the Buyer Insurance Policy in connection with the defense, compromise or settlement of any matter which might reasonably constitute a Loss. The insurer under the Buyer Insurance Policy shall have the right to participate in the defense and settlement of any Third Party Claim or other matter reasonably likely to be covered by the Buyer Insurance Policy to the extent so provided in the Buyer Insurance Policy.

Section 8.5 Exclusive Remedy. Except as may be otherwise specifically provided elsewhere in this Agreement, other than in respect of (i) claims relating to actual fraud and (ii) the right to seek specific performance for a breach of a covenant or agreement to be performed by a Party hereto, the provisions of this Article VIII shall be the sole and exclusive monetary remedy of the Parties with respect to any and all claims arising out of or in connection with a breach of any representation, warranty, covenant or agreement in this Agreement. Nothing in this Section 8.5 shall limit the right of any Party to bring or maintain any claim, action or proceeding for injunction, specific performance or other equitable relief to the extent provided in Section 9.8.

Section 8.6 Tax Treatment. Except as otherwise required by applicable Law, the Parties agree to treat any payment made pursuant to this Article VIII as an adjustment to the Management Interests Consideration Amount for all Tax purposes.

Section 8.7 Indemnity Payment. Any payment made by any Indemnifying Party to any Indemnitee pursuant to this Article VIII shall be made promptly (and in any event no later than ten (10) Business Days) following (a) settlement of any claim in accordance with Section 8.4, or (b) upon entry by a court of competent jurisdiction of a final and non-appealable judgment or order or judgment or order not timely appealed.

Section 8.8 Buyer Insurance Policy. Buyer agrees that it shall not amend the terms of the Buyer Insurance Policy in a manner adverse to CCOC without the prior written consent of CCOC.

ARTICLE IX
MISCELLANEOUS

Section 9.1 Amendments; Extension; Waiver. This Agreement may not be amended, altered or modified except by written instrument executed by the Wafra Representative and the Digital Colony Representative. The failure by any Party hereto to enforce at any time any of the provisions of this Agreement shall in no way be construed to be a waiver of any such provision nor in any way to affect the validity of this Agreement or any part hereof or the right of such Party thereafter to enforce each and every such provision. No waiver of any breach of or non-compliance with this Agreement shall be held to be a waiver of any other or subsequent breach or non-compliance. The observance of any provision of this Agreement may be waived in writing by the Party that will lose the benefit of such provision as a result of such waiver.

Section 9.2 Entire Agreement. This Agreement and the Schedules and any documents executed by the Parties simultaneously herewith or pursuant hereto, including the Ancillary Agreements, constitute the entire understanding and agreement of the Parties relating to the subject matter hereof and supersede all prior understandings or agreements, whether oral or written (including the Confidentiality Agreement) among the Parties with respect to such subject matter.

Section 9.3 Construction and Interpretation. When a reference is made in this Agreement to Sections, Annexes, Exhibits or Schedules, such reference shall be to a Section of or Annex, Exhibit or Schedule to this Agreement unless otherwise indicated. The table of contents, headings and footers contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words “include,” “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.” Words in the singular form will be construed to include the plural, and vice versa, unless the context requires otherwise. Pronouns of one gender shall include all genders. The words “hereof,” “herein,” “hereby” and terms of similar import shall refer to this entire Agreement. Unless the defined term “Business Days” is used, references to “days” in this Agreement refer to calendar days. If any period expires on a day which is not a Business Day or any event or condition is required by the terms of this Agreement to occur or be fulfilled on a day which is not a Business Day, such period shall expire or such event or condition shall occur or be fulfilled, as the case may be, on the next succeeding Business Day. If any event or condition is required by the terms of this Agreement to occur or be fulfilled upon a set number of Business Days, and during such period banks in New York, NY are closed for business due to government Order, the number of business days shall not toll during the period in which banks are closed, but will immediately begin to toll once the government restrictions has been lifted. Any action required to be taken “within” a specified time period following the occurrence of an event shall be required to be taken by no later than 5:00 p.m. Eastern time on the last day of such time period, which shall be calculated starting with the day immediately following the date of the event. The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event any ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by all Parties, and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any provision of this Agreement. All references to “Dollars” or “\$” shall mean U.S. Dollars unless otherwise specified.

Section 9.4 Severability. Should any provision of this Agreement or the application thereof to any Person or circumstance be held invalid or unenforceable to any extent: (a) such provision shall be ineffective to the extent, and only to the extent, of such unenforceability or prohibition and shall be enforced to the greatest extent permitted by Law, (b) such unenforceability or prohibition in any jurisdiction shall not invalidate or render unenforceable such provision as applied (i) to other Persons or circumstances, or (ii) in any other jurisdiction, and (c) such unenforceability or prohibition shall not affect or invalidate any other provision of this Agreement.

Section 9.5 Notices. All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed to have been duly given or made (a) as of the date delivered, if delivered personally, (b) on the date delivered, if delivered by facsimile or email; provided, that notice is also sent by one of the methods described in clauses (a), (c) or (d), (c) five (5) Business Days after being mailed by registered or certified mail (postage prepaid, return receipt requested), or (d) one (1) Business Day after being sent by overnight courier (providing proof of delivery), to the Parties at the following addresses (or at such other address for a Party as shall be specified in a notice given in accordance with this Section 9.5):

If to the Buyer or the Wafra Representative:

c/o Wafra, Inc.
345 Park Avenue, 41st Floor
New York, NY 10154-0101
Attn: Russell J. Valdez
Fergus Healy
E-mail: WafraLegalNotices@wafra.com

with a copy (which shall not constitute notice) to:

Fried, Frank, Harris, Shriver & Jacobson LLP
One New York Plaza
New York, NY 10004
Attn: Andrew Colosimo
Shant Manoukian
Fax: (212) 859-4000
E-mail: andrew.colosimo@friedfrank.com
shant.manoukian@friedfrank.com

If to CCOC or Colony Capital:

515 S. Flower Street, 44th Floor
Los Angeles, CA 90071
Attn: Director, Legal Department
Email: legal@clny.com

with a copy (which shall not constitute notice) to:

Sullivan & Cromwell LLP
1888 Century Park East
Los Angeles, California 90067
Attn: Alison S. Ressler
Email: resslera@sullcrom.com

with a copy (which shall not constitute notice) to:

Morgan, Lewis & Bockius LLP
101 Park Avenue
New York, NY 100178-0060
Attn: Robert D. Goldbaum
Nathan R. Pusey
E-mail: robert.goldbaum@morganlewis.com
nathan.pusey@morganlewis.com

Section 9.6 Binding Effect; No Assignment.

(a) This Agreement shall inure to the benefit of and be binding upon the Parties hereto and their respective successors and permitted assigns. This Agreement shall not be assigned by CCOC or Colony Capital without the prior written consent of the Wafra Representative, and any purported assignment or other transfer without such consent shall be void and unenforceable. No Buyer may assign, transfer or pledge all or any of its rights and obligations under this Agreement without the prior written consent of the Digital Colony Representative, and any purported assignment, transfer or pledge without such consent shall be void and unenforceable; provided, that the consent of any other Person shall not be required for an assignment by Buyer to (a) one or more of Affiliates of Buyer; provided, further, that no such assignment shall relieve Buyer of its obligations under this Agreement or (b) one or more Persons to whom Buyer transfers all or any portion of its Purchased Interests in accordance with the Ancillary Agreements.

(b) Upon any transfer by Buyer in accordance with the Ancillary Agreements of any right, benefit or obligation hereunder, any reference to "Buyer" hereunder shall refer to such transferee to the extent such right, benefit or obligation has been transferred to such transferee.

(c) Buyer shall have the right to exercise any of their rights hereunder individually and in part and with respect to themselves or with respect to themselves and other applicable Wafra Entities, to the extent (i) permitted by an agreement among such parties, and (ii)

the Party or Parties exercising such rights hereunder would otherwise have the right to exercise such rights but for this Section 9.6(c).

Section 9.7 Counterparts. This Agreement may be executed by facsimile or .pdf format scanned signatures and in any number of counterparts with the same effect as if all signatory Parties had signed the same document. All counterparts shall be construed together, be deemed an original, and shall constitute one and the same instrument.

Section 9.8 Specific Performance. The Parties agree that irreparable damage may occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. Accordingly, the Parties agree that, in addition to any other remedies, each Party shall be entitled to seek to enforce the terms of this Agreement by a decree of specific performance without the necessity of proving the inadequacy of money damages as a remedy. Each Party hereby waives any requirement for the securing or posting of any bond in connection with such remedy. Each Party further agrees that no such Party shall oppose the granting of an injunction or specific performance as provided herein on the basis that any other Party has an adequate remedy at law or that an award of specific performance is not an appropriate remedy for any reason at law or equity.

Section 9.9 No Third Party Beneficiaries. This Agreement shall not confer any rights or remedies upon any Person other than the Parties, the Buyer Indemnitees (solely in their capacity as indemnified parties hereunder) and their respective successors and permitted assigns.

Section 9.10 Governing Law. This Agreement, the legal relations among the Parties hereunder and the adjudication and the enforcement thereof and any disputes relating to or arising from this Agreement and the transactions contemplated hereby (whether based in contract, tort, or otherwise), shall in all respects be governed by, and interpreted and construed in accordance with, the Laws (excluding conflict of laws rules and principles) of the State of New York applicable to agreements made and to be performed entirely within such State, including all matters of construction, validity and performance, and statutes of limitations.

Section 9.11 Consent to Jurisdiction; Waiver of Jury Trial. Each of the Parties irrevocably submits to the exclusive jurisdiction of the United States District Court for the Southern District of New York located in the borough of Manhattan in the City of New York, or if such court does not have jurisdiction, the Supreme Court of the State of New York, New York County, for the purposes of any suit, action or other proceeding arising out of this Agreement or the Contemplated Transactions. To the extent that service of process by mail is permitted by applicable Law, each Party irrevocably consents to the service of process in any such suit, action or other proceeding in such courts by the mailing of such process by registered or certified mail, postage prepaid, at its address for notices provided for herein. Nothing herein shall affect the right of any Person to serve process in any other manner permitted by Law. Each of the Parties irrevocably and unconditionally waives any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement or the Contemplated Transactions in (a) the United States District Court for the Southern District of New York, or (b) the Supreme Court of the State of New York, New York County, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an

inconvenient forum. The Parties hereby irrevocably and unconditionally waive trial by jury in any legal action or proceeding relating to this Agreement or any other agreement entered into in connection therewith and for any counterclaim with respect thereto.

Section 9.12 No Recourse. This Agreement may only be enforced against, and any claim, action, suit or other legal proceeding based upon, arising out of, or related to this Agreement, or the negotiation, execution or performance of this Agreement, may only be brought against the entities that are expressly named as Parties herein and then only with respect to the specific obligations set forth herein with respect to such Parties. No past, present or future director, officer, employee, incorporator, manager, member, partner, stockholder, Affiliate, agent, attorney or other representative of any Party or of any Affiliate of any Party, or any of their successors or permitted assigns, shall have any liability for any obligations or liabilities of any Party under this Agreement or for any claim or action based on, in respect of or by reason of the Contemplated Transactions.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed as of the date first above written.

COLONY CAPITAL OPERATING COMPANY, LLC

By: /s/ Donna Hansen

Name: Donna Hansen

Title: Vice President

[Signature Page to Investment Agreement]

LA_LAN01:362972.20

COLONY CAPITAL, INC.

By: s/s Donna Hansen

Name: Donna Hansen

Title: Chief Administrative Officer

[Signature Page to Investment Agreement]

LA_LAN01:362972.20

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed as of the date first above written.

BUYER:

W-CATALINA (S) LLC

By: /s/ Fergus Healy
Name: Fergus Healy
Title: Authorized Signatory

[Signature Page to Investment Agreement]

Exhibit A

Investment Vehicles Sponsored by Excluded Assets or Specified Investments

LA_LAN01:362972.20

Exhibit B

Illustrative Run-Rate EBITDA Computation

[See attached]

Exhibit C

Expense Amounts

LA_LAN01:362972.20

Annex A

CONVERTIBLE PREFERRED INTERESTS

Section 1. Convertible Preferred Interests.

(a) Subject to the terms and conditions of this Agreement, upon receiving CFIUS Approval, the Convertible Preferred Interests shall automatically convert into Common Interests (the “Conversion”) as if Buyer held such Common Interests from the Closing. Promptly following the Conversion, DCMH shall update its books and records to reflect the applicable Specified Percentage of Buyer in respect of the Common Interests held by it. For the avoidance of doubt, upon Conversion Buyer shall not be entitled to any portion of the accrued Preferred Dividend in excess of the distributions described in Section 1(c)(i) below.

(b) Preferred Dividend. The “Preferred Dividend” on the Convertible Preferred Interests held by Buyer shall be an amount equal to the greater of (x) the amount the holders of the Convertible Preferred Interests would be entitled to receive pursuant to Section 7.2(a)(ii)(x) of the Limited Liability Company Agreement of DCMH as if such Preferred Units had been converted to Common Interests, and (y) an annual dividend equal to the product of (i) 10% and (ii) the Convertible Preferred Interests Consideration Amount, accruing simple interest daily and payable quarterly in arrears commencing on the date hereof, calculated on the basis of a 365 (or 366 as the case may be) day year.

(c) Distributions. Distributions with respect to the Convertible Preferred Interests shall be made in accordance with Section 7.2(a) of the A&R DCMH Agreement.

(d) CFIUS Approval Redemption Right. If CFIUS Approval is not obtained prior to the expiration of the Regulatory Decision Period, then, at any time during the forty-five (45) day period following the end of the Regulatory Decision Period, DCMH shall have the right to redeem all of the Purchased Interests by written notice to the Buyer (the “CFIUS Redemption Right”) for an amount in cash equal to (i) the Wafra Investment Amount, *plus* (ii) the Preferred Dividend, *minus* (iii) any distributions received (including Preferred Dividends or under the Carried Interest Participation Agreement, but not in respect of the Sponsor Commitments or Identified Sponsor Commitments), in each case, determined as of the CFIUS Redemption Date (the “CFIUS Redemption Amount”); provided that for purposes of determining the Preferred Dividend, in the event that the Regulatory Decision Period was extended from twelve (12) months to fifteen (15), the Preferred Dividend will be deemed to have not accrued during such three (3) month extension period. In the event that DCMH exercises the CFIUS Redemption Right, the Buyer shall have the right, exercisable by written notice to DCMH within thirty (30) days following receipt of the redemption notice referenced above, to cause DCMH to effect a redemption of any funded Sponsor Commitments or Identified Sponsor Commitments utilizing the NAV of the Digital Colony Funds for the most recent fiscal quarter, and taking into account any contributions or distributions made between the date of such NAV and the closing date of the redemption of such Sponsor Commitments and Identified Sponsor Commitments, in which case such amount shall be added to the CFIUS Redemption Amount. The redemptions contemplated herein and the payment of the CFIUS Redemption Amount shall occur no less than thirty-one (31), and no more than one hundred

twenty (120) days from delivery of the notice of redemption referenced above (such applicable date, “CFIUS Redemption Date”). In the event that the CFIUS Redemption Amount is not paid in cash on the CFIUS Redemption Date, the redemption transactions will either be unwound and will be deemed to have never occurred or the CFIUS Redemption Amount shall accrue interest daily at a rate of 10%, compounding quarterly, until such time that the CFIUS Redemption Amount plus all accrued interest is paid in full. For the avoidance of doubt, (1) if the CFIUS Redemption Right is not exercised, then the Convertible Preferred Interests shall remain outstanding unless the CFIUS Approval is subsequently obtained and will be entitled to the distributions set forth in Section 7.2(a) of the A&R DCMH Agreement and (2) if the CFIUS Redemption Right is exercised and such redemption is consummated, the Carried Interest Participation Agreement and the Warrants shall automatically terminate without the taking of any further action. In connection with the CFIUS Redemption Right, Buyer shall enter into appropriate agreements containing customary representations and warranties with respect to its due organization, authority and free and clear title of the relevant interests and other appropriate terms.

Section 2.

(a) Liquidation Preference. If, prior to the Conversion, a Liquidation Event occurs, DCMH shall cause Buyer to be paid, and Buyer shall be entitled to receive, a payment, in priority to any distribution to any other Person, equal to:

(i) in respect of Buyer’s Convertible Preferred Interests in DCMH, the Convertible Preferred Interests Consideration Amount, *plus* (1) the Preferred Dividend, *minus* (2) all distributions paid in respect of the Convertible Preferred Interests (the payment described in this clause (i), the “Liquidation Preference”).

(b) Payment. For the avoidance of doubt, and notwithstanding any provision to the contrary, any payment made or caused to be made to Buyer with respect to the Convertible Preferred Interests in the event of a Liquidation Event shall be made prior to and in preference to any liquidating distribution or other payment to the Common Interests. After payment of the full amount of the Liquidation Preference to which Buyer is entitled with respect to the Convertible Preferred Interests, Buyer, as the holder of the applicable Convertible Preferred Interests, will have no right or claim to any of the remaining assets of DCMH.

(c) Notice. Written notice of any Liquidation Event, stating the payment date or dates when, and the place or places where, the Liquidation Preference shall be payable, shall be given by DCMH to the Wafra Representative not less than fifteen (15) nor more than thirty (30) days prior to the payment date stated therein, with respect to Buyer’s Convertible Preferred Interests.

Section 3. Construction. In the event of any inconsistency between the Organizational Documents of DCMH and the terms of this Annex, the terms of the Organizational Documents of DCMH shall prevail. Capitalized terms used in this Annex but not defined therein shall have the meanings ascribed to them in the Investment Agreement.

Annex B

Warrants

[See attached]

LA_LAN01:362972.20

Annex C-1

Press Release

[See attached]

LA_LAN01:362972.20

Annex C-2

Agreements to Be Filed in Connection with this Agreement

LA_LAN01:362972.20

Annex D

Digital Bridge Entities

1. Colony Capital Digital Holdco LLC
2. Colony DC Manager, LLC
3. Colony Capital PTE. LTD
4. Colony Capital LLC - Digital
5. Digital Bridge Advisors, LLC
6. Digital Bridge Holdings, LLC
7. Digital Bridge Management LLC
8. Digital Colony Management, LLC
9. Digital Colony UK 1 Limited
10. Digital Colony UK 2 Limited
11. Digital Colony UK Advisors 1 LLP

Annex E

Tax Returns

LA_LAN01:362972.20

DB Aviator Manager, LLC
750 Park of Commerce Drive, Suite 210
Boca Raton, Florida 33487

July 22, 2020

Re: Joinder and Amendment to Letter Agreement

Dear Ladies and Gentlemen:

Reference is made to that certain letter agreement dated July 21, 2020 (the "Letter Agreement", and the Letter Agreement, as amended by this letter agreement, the "Amended Letter Agreement"), by and among Aviator Holdings, LP, a Delaware limited partnership (the "**Company**"), its general partner, DB Aviator Manager, LLC, a Delaware limited liability company (the "**GP**"), its limited partners, Public Sector Pension Investment Board, a Canadian Crown Corporation ("**PSP**") and Aviator DC REIT, LLC, a Delaware limited liability company ("**DC REIT**" and, together with PSP, the "**Limited Partners**"), Caledon Vantage Aggregator, L.P., a Delaware limited partnership ("**Caledon Vantage**"), Caledon Taurus Investments, L.P., an Ontario limited partnership ("**Caledon Taurus**"), Caledon Andromeda Investments II, L.P., a Delaware limited partnership ("**Caledon Andromeda**" and together with Caledon Vantage and Caledon Taurus, "**Caledon**"), DB Aviator Holdings, LLC, a Delaware limited liability company ("**DBAH**"), DB Aviator Holdings 2A, LLC, a Delaware limited liability company ("**DBAH 2A**"), DB Aviator Holdings 2B, LLC, a Delaware limited liability company ("**DBAH 2B**"), DB Aviator Holdings 3, LLC, a Delaware limited liability company ("**DBAH 3**"), AS Motors Holdings, LP, a Delaware limited partnership ("**AS Motors**"), each of Sureel Choksi, Sharif Metwalli, David Renner, Lee Kestler, Chris Yetman, Joe Goldsmith, Justin Thomas and Steve Lim (the "**Management Members**" and, collectively with PSP, Caledon, DBAH, DBAH2A, DBAH2B, DBAH 3 and AS Motors, the "**Selling Parties**"), and each of Marc Ganzi and Ben Jenkins (the "**Carry Rollover Partners**"). All capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Letter Agreement. For the avoidance of doubt, references herein and in the Amended Letter Agreement to the Aviator Holdings LPA shall continue to refer to the Aviator Holdings LPA as in effect on July 21, 2020, prior to the transactions contemplated by the Restructuring Agreement and the Investment Agreement.

The parties to the Letter Agreement desire to amend the Letter Agreement as follows:

1. Amendment to Section 1 of Letter Agreement. Section 1 of the Letter Agreement is hereby deleted in its entirety and replaced with the following text:

"1. Proceeds of Sale. It is anticipated that the Selling Parties will receive the net proceeds of the Sale as follows:

{01956845;v3 }

- a. On the closing date of the Sale (the “**Closing Date**”), a payment in the amount of the Estimated Closing Consideration (as defined in the Investment Agreement) (the “**Closing Date Payment**”), as adjusted in accordance with the terms of the Investment Agreement;
- b. Following the Closing Date, subject to the execution within forty-five (45) days after the Closing Date of the Specified BBNB Lease Amendment (as defined in the Investment Agreement), a payment in the amount of the Specified BBNB Lease Escrow Funds (the “**Quincy Adjustment**”); and
- c. Following the Closing Date, one or more other payments in an amount to be determined in respect of earnout payments, escrow releases, deferred purchase price payments and/or other purchase price adjustments (each, a “**Post-Closing Proceeds Adjustment**” and, together with the Closing Date Payment and the Quincy Adjustment, the “**Sale Payments**”).
- d. It is intended that all Post-Closing Proceeds Adjustments and the Quincy Adjustment will be treated as adjustments to the Closing Date Payment.”

2. Amendment to Section 4 of Letter Agreement. Section 4 of the Letter Agreement is hereby deleted in its entirety and replaced with the following text:

“4. Carry Rollover; GP Interest Conversion. The Buyer Group has required that the Carry Rollover Partners, who would otherwise be entitled to receive certain amounts in cash with respect to the Closing Date Payment and the Quincy Adjustment by virtue of their membership interests in the GP, instead convert a portion of such amounts into Class A Units of the Company and contribute such Class A Units to the Buyer Group, in exchange for interests in the Buyer Group (the “**Carry Rollover**” and, together with the Caledon Rollover and the Management Rollover, the “**Rollover Transactions**”) as follows:

- a. On the Effective Date (as defined in the Restructuring Agreement), and pursuant to the Restructuring Agreement:
 - i. The indicative amount of the Closing Date Payment due to the Selling Parties shall be calculated in accordance with the Investment Agreement, and the indicative allocation of the Closing Date Payment to the GP shall be determined in accordance with Section 2, above, in each case without regard to the Carry Rollover;
 - ii. 10.18181818% (the “**Carry Rollover Percentage**”) of the amounts the GP would otherwise be entitled to receive pursuant to the foregoing clause (i) in respect of the Closing Date Payment (the “**Closing Carry Rollover Amount**”) shall be converted into Class A Units in the Company (the “**Closing Converted Interest**”);

- iii. In respect of the Closing Date Payment, the Carry Rollover Partners shall receive a distribution of the Closing Converted Interest, and each of (i) the cash payments required to be made by the Buyer Group on the Closing Date under the Investment Agreement, and (ii) the cash payments to which the GP and the Carry Rollover Partners would otherwise be entitled pursuant to Section 2 shall be reduced by an amount equal to the Closing Carry Rollover Amount;
 - iv. Upon receipt of the Closing Converted Interest, the Carry Rollover Partners shall contribute the Closing Converted Interest to the Buyer Group, in exchange for an interest in the Buyer Group as set forth in the subsequent steps of the Restructuring Agreement and in Exhibit 2.1 of the Investment Agreement, such that the Carry Rollover Partners ultimately contribute such interest to DCR YieldCo Holdings, LP (“**DCR Holdings**”), in exchange for an interest therein; and
 - v. The Closing Carry Rollover Amount shall be treated as having been paid by the Buyer Group and distributed to the GP in accordance with Section 2 for all purposes under the Investment Agreement, this Letter Agreement, the Aviator Holdings LPA, the governing documents of the YieldCo Entities and the Inter-Seller Agreement.
- b. If the Quincy Adjustment occurs, on the effective date of the Quincy Adjustment:
- i. The indicative amount of the Quincy Adjustment due to the Selling Parties shall be calculated in accordance with the Investment Agreement, and the indicative allocation of the Quincy Adjustment to the GP shall be determined in accordance with Section 2 above, in each case without regard to the Quincy Carry Rollover Amount (defined below);
 - ii. The Carry Rollover Percentage of the amounts the GP would otherwise be entitled to receive pursuant to the foregoing clause (i) in respect of the Quincy Adjustment (the “Quincy Carry Rollover Amount”) shall be converted into Class A Units in the Company (the “Quincy Converted Interest”);
 - iii. In respect of the Quincy Adjustment, the Carry Rollover Partners shall receive a distribution of the Quincy Converted Interest, and each of (i) the cash payments required to be made by the Buyer Group from the Specified BBNB Lease Escrow Funds in respect of the Quincy Adjustment, and (ii) the cash payments to which the GP and the Carry Rollover Partners would otherwise be entitled pursuant to

Section 2 shall be reduced by an amount equal to the Quincy Carry Rollover Amount;

- iv. Upon the receipt of the Quincy Converted Interest, the steps of the Restructuring Agreement and Exhibit 2.1 of the Investment Agreement shall be adjusted, such that the entirety of the Quincy Converted Interest is ultimately contributed by the Carry Rollover Partners to DCR Holdings in accordance with the sequential transaction steps set forth therein (the “**Carry Rollover Adjustment**”), in exchange for an interest therein; and
- v. The Quincy Carry Rollover Amount shall be treated as having been paid by the Buyer Group and distributed to the GP in accordance with Section 2 for all purposes under the Investment Agreement, this Letter Agreement, the Aviator Holdings LPA, the governing documents of the YieldCo Entities and the Inter-Seller Agreement.

3. Amendment to Section 8 of Letter Agreement. Section 8 of the Letter Agreement is deleted in its entirety and replaced with the following text:

“8. Post-Closing Earnout Rollover. Promptly following the Closing Date, and in any event prior to the first date on which a Post-Closing Proceeds Adjustment is anticipated to be received, each of the Carry Rollover Partners undertakes to assign and contribute to CC Valhalla Investor, LLC, a Delaware limited liability company (the “**Post-Closing Earnout Rollover Vehicle**”), on such terms and conditions as the Buyer Group and the Carry Rollover Partners shall reasonably agree, the right to receive forty percent (40%) of all Post-Closing Proceeds Adjustments to which the Carry Rollover Partners would otherwise be entitled pursuant to Section 2 by virtue of their membership interests in the GP (the “**Post-Closing Earnout Rollover**”). It is anticipated that the Post-Closing Earnout Rollover shall be structured as a direct or indirect assignment and contribution by the Carry Rollover Partners of an interest in the General Partner to the Post-Closing Earnout Rollover Vehicle, it being understood and agreed that the Buyer Group and the Carry Rollover Partners shall cooperate in good faith to structure the Post-Closing Earnout Rollover in a tax efficient manner.”

4. Joinder. Digital Bridge Holdings, LLC, a Delaware limited liability company, hereby joins as a party to the Amended Letter Agreement as though it were originally a party thereto, and further agrees to be bound by all provisions of the Amended Letter Agreement which are applicable to the Asset Manager (as defined therein).

5. Conformed Copy. The conformed text of Sections 1 through 11 of the Amended Letter Agreement is attached hereto as Annex 1.

6. Miscellaneous. The Post-Closing Earnout Rollover Vehicle shall be an intended third party beneficiary of Section 8 of the Amended Letter Agreement, entitled to enforce such Section in accordance with its terms. This Joinder and Amendment to Letter Agreement shall be

governed by, and construed in accordance with, the laws of the state of Delaware (without giving effect to any conflict of laws provisions which would apply the law of a different jurisdiction).

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

{01956845;v3 }

Please indicate your acceptance of the terms hereof by signing in the appropriate space below.

Very truly yours,

DB AVIATOR MANAGER, LLC

By: /s/ Jeffrey Ginsberg

Name: Jeffrey Ginsberg

Title: Authorized Signatory

Accepted and agreed as of the date
first above written:

DIGITAL BRIDGE HOLDINGS, LLC

By: /s/ Jeffrey Ginsberg

Name: Jeffrey Ginsberg

Title: Authorized Signatory

AVIATOR HOLDINGS, LP

By: DB Aviator Manager, LLC, its General Partner

By: /s/ Jeffrey Ginsberg

Name: Jeffrey Ginsberg

Title: Authorized Signatory

AVIATOR DC REIT, LLC

By: /s/ Jeffrey Ginsberg

Name: Jeffrey Ginsberg

Title: Vice President and Secretary

[Signature Page to Joinder and Amendment to Carry Rollover Side Letter]

DB AVIATOR HOLDINGS, LLC

By: /s/ Jeffrey Ginsberg_____

Name: Jeffrey Ginsberg

Title: Vice President and Secretary

DB AVIATOR HOLDINGS 2A, LLC

By: /s/ Jeffrey Ginsberg_____

Name: Jeffrey Ginsberg

Title: Vice President and Secretary

DB AVIATOR HOLDINGS 2B, LLC

By: /s/ Jeffrey Ginsberg_____

Name: Jeffrey Ginsberg

Title: Vice President and Secretary

DB AVIATOR HOLDINGS 3, LLC

By: /s/ Jeffrey Ginsberg_____

Name: Jeffrey Ginsberg

Title: Vice President and Secretary

CALEDON VANTAGE AGGREGATOR, L.P.

By: Caledon Capital Investments Inc., its general partner

By: /s/ David Rogers

Name: David Rogers

Title: President

CALEDON ANDROMEDA INVESTMENTS II LP

By: Caledon Andromeda Partners II LP, its general partner

By: Caledon Partners Holdco Inc., its general partner

By: /s/ David Rogers

Name: David Rogers

Title: President

CALEDON TAURUS INVESTMENTS LP

By: **CALEDON TAURUS PARTNERS LP**, its general partner

By: **CALEDON PARTNERS HOLDCO INC.**, its general partner

By: /s/ Robert Shaw

Name: Robert Shaw

Title: Secretary

CARRY ROLLOVER PARTNERS

/s/ Marc C. Ganzi
Marc C. Ganzi

/s/ Benjamin J. Jenkins
Benjamin J. Jenkins

AS MOTORS HOLDINGS, LP

By: AS Motors Holdings GP, LLC, its General Partner

By: /s/ Marc C. Ganzi
Name: Marc Ganzi
Title: Chief Executive Officer and President

[Signature Page to Joinder and Amendment to Carry Rollover Side Letter]

PUBLIC SECTOR PENSION

INVESTMENT BOARD

By: /s/ Stephan Rupert

Name: Stephan Rupert

Title: Authorized Signatory

By: /s/ Michael Larkin

Name: Michael Larkin

Title: Authorized Signatory

[Signature Page to Joinder and Amendment to Carry Rollover Side Letter]

MANAGEMENT MEMBERS

Sureel Choksi

By: AVIATOR HOLDINGS, LLC, his legal representative under that certain Power of Attorney, effective March 24, 2017

By: /s/ Jeffrey Ginsberg_____

Name: Jeffrey Ginsberg

Title: Vice President and Secretary

Sharif Metwalli

By: AVIATOR HOLDINGS, LLC, his legal representative under that certain Power of Attorney, effective March 24, 2017

By: /s/ Jeffrey Ginsberg_____

Name: Jeffrey Ginsberg

Title: Vice President and Secretary

David Renner

By: AVIATOR HOLDINGS, LLC, his legal representative under that certain Power of Attorney, effective March 24, 2017

By: /s/ Jeffrey Ginsberg_____

Name: Jeffrey Ginsberg

Title: Vice President and Secretary

Lee Kestler

By: AVIATOR HOLDINGS, LLC, his legal representative under that certain Power of Attorney, effective March 24, 2017

By: /s/ Jeffrey Ginsberg_____

Name: Jeffrey Ginsberg

Title: Vice President and Secretary

Chris Yetman

By: AVIATOR HOLDINGS, LLC, his legal representative under that certain Power of Attorney, effective March 24, 2017

By: /s/ Jeffrey Ginsberg
Name: Jeffrey Ginsberg
Title: Vice President and Secretary

Joe Goldsmith

By: AVIATOR HOLDINGS, LLC, his legal representative under that certain Power of Attorney, effective March 24, 2017

By: /s/ Jeffrey Ginsberg
Name: Jeffrey Ginsberg
Title: Vice President and Secretary

Justin Thomas

By: AVIATOR HOLDINGS, LLC, his legal representative under that certain Power of Attorney, effective March 24, 2017

By: /s/ Jeffrey Ginsberg
Name: Jeffrey Ginsberg
Title: Vice President and Secretary

Steve Lim

By: AVIATOR HOLDINGS, LLC, his legal representative under that certain Power of Attorney, effective March 24, 2017

By: /s/ Jeffrey Ginsberg
Name: Jeffrey Ginsberg
Title: Vice President and Secretary

Annex 1

1. Proceeds of Sale. It is anticipated that the Selling Parties will receive the net proceeds of the Sale as follows:
 - a. On the closing date of the Sale (the “**Closing Date**”), a payment in the amount of the Estimated Closing Consideration (as defined in the Investment Agreement) (the “**Closing Date Payment**”), as adjusted in accordance with the terms of the Investment Agreement;
 - b. Following the Closing Date, subject to the execution within forty-five (45) days after the Closing Date of the Specified BBNB Lease Amendment (as defined in the Investment Agreement), a payment in the amount of the Specified BBNB Lease Escrow Funds (the “**Quincy Adjustment**”); and
 - c. Following the Closing Date, one or more other payments in an amount to be determined in respect of earnout payments, escrow releases, deferred purchase price payments and/or other purchase price adjustments (each, a “**Post-Closing Proceeds Adjustment**” and, together with the Closing Date Payment and the Quincy Adjustment, the “**Sale Payments**”).
 - d. It is intended that all Post-Closing Proceeds Adjustments and the Quincy Adjustment will be treated as adjustments to the Closing Date Payment.
2. Allocation of Sale Payments; Management Payments to GP.
 - a. Solely for the purposes of determining the allocation of the Sale Payments among the various Equity Interests being directly or indirectly sold by the Selling Parties under the Investment Agreement, the Selling Parties are treating the Sale Payments as having been received by Vantage, and the Asset Manager shall allocate the Sale Payments as among the Selling Parties (other than the GP) in proportion to their respective direct and indirect holdings of Equity Interests in Vantage (without duplication) as of immediately prior to the transactions contemplated by the Restructuring Agreement, which such holdings are set forth on Exhibit A hereto.
 - b. Each of AS Motors and each Management Member acknowledges and agrees that, at the time such party acquired its direct or indirect Equity Interests in Vantage, it was the intent of the parties that in connection with a Sale Transaction, each of them be obligated to make payments to the GP on substantially the same terms as set forth for the Limited Partners under the Aviator Holdings LPA. Accordingly, each of AS Motors and each Management Member agrees to make payments to the GP in respect of its portion of the Sale Payments as though such party were a Limited Partner under the Aviator Holdings LPA.

- c. The Asset Manager shall allocate the Sale Payment due to each Limited Partner, AS Motors and the Management Members as between the GP and such Selling Party in accordance with Section 5.5 of the Aviator Holdings LPA (in the case of AS Motors and the Management Members, treating such Selling Parties as if they were Limited Partners of the Company in accordance with the foregoing Section 2b). For the avoidance of doubt, the GP shall further allocate the amounts received by DC REIT among the other Selling Parties in accordance with the terms of the applicable Operative Documents.
 - d. The Asset Manager shall use commercially reasonable efforts to cause the Buyer Group to make the Sale Payments directly to the Selling Parties and the GP in accordance with this Section 2. In the event that the GP or any Selling Party, or any affiliate thereof, has received aggregate proceeds in respect of the Sale Payments in excess of the amounts properly allocable to such party hereunder if all Sale Payments had been received as a single Closing Date Payment on the Closing Date, then each such party agrees to promptly return and/or pay over all such excess amounts to the parties entitled thereto.
3. Investor Rollovers.
- a. As set forth in Exhibit 2.1 to the Investment Agreement, Caledon and certain of its affiliates, in lieu of selling certain of their Equity Interests in the YieldCo Entities (the “**Rolled Securities**”) to the Buyer Group for cash, have elected to contribute the Rolled Securities to the Buyer Group, in exchange for interests in the Buyer Group (the “**Caledon Rollover**”). The parties agree that Caledon shall be required to make cash payments to the GP pursuant to Section 2 (and to the other Selling Parties pursuant to the second sentence of Section 2d.) as though it had received Sale Payments in respect of the value attributed to the Rolled Securities under the Investment Agreement, including any Proceeds Adjustments applicable thereto (the “**Caledon Rollover Amount**”), and, for the avoidance of doubt, the Caledon Rollover Amount, including (without duplication) any payments made to the GP in respect thereof, shall be treated as having been distributed in accordance with Section 2 for all purposes under the Investment Agreement, this Letter Agreement, the Aviator Holdings LPA, the governing documents of the YieldCo Entities and the Inter-Seller Agreement dated as of the date hereof among Vantage and the Retained Owners and Retained Vantage (each as defined in the Investment Agreement) (the “**Inter-Seller Agreement**”).
 - b. As set forth in Exhibit 1.1(f) to the Investment Agreement, Buyer Group has required that certain of the Management Members, in lieu of selling their full Applicable Percentage of their Equity Interests in Vantage to the Buyer Group, retain a portion of such Equity Interests (the “**Management Rollover**”). The parties agree that each applicable Management Member shall be required to make cash payments to the GP pursuant to Section 2 (and to the other Selling Parties pursuant to the second sentence of Section 2d.) as though it had received Sale Payments in respect of the value

attributed to the Management Rollover under the Investment Agreement including any Proceeds Adjustments applicable thereto (the “**Management Rollover Amount**”), and, for the avoidance of doubt, the Management Rollover Amount, including (without duplication) any payments made to the GP in respect thereof, shall be treated as having been distributed in accordance with Section 2 for all purposes under the Investment Agreement, this Letter Agreement, the Aviator Holdings LPA, the governing documents of the YieldCo Entities and the Inter-Seller Agreement.

4. Carry Rollover; GP Interest Conversion. The Buyer Group has required that the Carry Rollover Partners, who would otherwise be entitled to receive certain amounts in cash with respect to the Closing Date Payment and the Quincy Adjustment by virtue of their membership interests in the GP, instead convert a portion of such amounts into Class A Units of the Company and contribute such Class A Units to the Buyer Group, in exchange for interests in the Buyer Group (the “**Carry Rollover**” and, together with the Caledon Rollover and the Management Rollover, the “**Rollover Transactions**”) as follows:

- a. On the Effective Date (as defined in the Restructuring Agreement), and pursuant to the Restructuring Agreement:
 - i. The indicative amount of the Closing Date Payment due to the Selling Parties shall be calculated in accordance with the Investment Agreement, and the indicative allocation of the Closing Date Payment to the GP shall be determined in accordance with Section 2, above, in each case without regard to the Carry Rollover;
 - ii. 10.18181818% (the “**Carry Rollover Percentage**”) of the amounts the GP would otherwise be entitled to receive pursuant to the foregoing clause (i) in respect of the Closing Date Payment (the “**Closing Carry Rollover Amount**”) shall be converted into Class A Units in the Company (the “**Closing Converted Interest**”);
 - iii. In respect of the Closing Date Payment, the Carry Rollover Partners shall receive a distribution of the Closing Converted Interest, and each of (i) the cash payments required to be made by the Buyer Group on the Closing Date under the Investment Agreement, and (ii) the cash payments to which the GP and the Carry Rollover Partners would otherwise be entitled pursuant to Section 2 shall be reduced by an amount equal to the Closing Carry Rollover Amount;
 - iv. Upon receipt of the Closing Converted Interest, the Carry Rollover Partners shall contribute the Closing Converted Interest to the Buyer Group, in exchange for an interest in the Buyer Group as set forth in the subsequent steps of the Restructuring Agreement and in Exhibit 2.1 of the Investment Agreement, such that the Carry Rollover Partners ultimately contribute such

interest to DCR YieldCo Holdings, LP (“**DCR Holdings**”), in exchange for an interest therein; and

v. The Closing Carry Rollover Amount shall be treated as having been paid by the Buyer Group and distributed to the GP in accordance with Section 2 for all purposes under the Investment Agreement, this Letter Agreement, the Aviator Holdings LPA, the governing documents of the YieldCo Entities and the Inter-Seller Agreement.

b. If the Quincy Adjustment occurs, on the effective date of the Quincy Adjustment:

i. The indicative amount of the Quincy Adjustment due to the Selling Parties shall be calculated in accordance with the Investment Agreement, and the indicative allocation of the Quincy Adjustment to the GP shall be determined in accordance with Section 2 above, in each case without regard to the Quincy Carry Rollover Amount (defined below);

ii. The Carry Rollover Percentage of the amounts the GP would otherwise be entitled to receive pursuant to the foregoing clause (i) in respect of the Quincy Adjustment (the “**Quincy Carry Rollover Amount**”) shall be converted into Class A Units in the Company (the “**Quincy Converted Interest**”);

iii. In respect of the Quincy Adjustment, the Carry Rollover Partners shall receive a distribution of the Quincy Converted Interest, and each of (i) the cash payments required to be made by the Buyer Group from the Specified BBNB Lease Escrow Funds in respect of the Quincy Adjustment, and (ii) the cash payments to which the GP and the Carry Rollover Partners would otherwise be entitled pursuant to Section 2 shall be reduced by an amount equal to the Quincy Carry Rollover Amount;

iv. Upon the receipt of the Quincy Converted Interest, the steps of the Restructuring Agreement and Exhibit 2.1 of the Investment Agreement shall be adjusted, such that the entirety of the Quincy Converted Interest is ultimately contributed by the Carry Rollover Partners to DCR Holdings in accordance with the sequential transaction steps set forth therein (the “**Carry Rollover Adjustment**”), in exchange for an interest therein; and

v. The Quincy Carry Rollover Amount shall be treated as having been paid by the Buyer Group and distributed to the GP in accordance with Section 2 for all purposes under the Investment Agreement, this Letter Agreement, the Aviator Holdings LPA, the governing documents of the YieldCo Entities and the Inter-Seller Agreement.

5. Effect of Rollover Transactions. For the avoidance of doubt, the parties agree that:

- a. the intent of the foregoing Sections 3 and 4 is that each Selling Party that is not participating in a Rollover Transaction shall receive Sale Payments in the amount such Selling Party would have received if the Rollover Transactions had not occurred, and all Sale Payments had instead been received as cash; and
- b. the intent of the foregoing Section 4 is that the Carry Rollover shall affect the GP's and the Carry Rollover Partners' rights in respect of the Closing Payment only, and shall not modify their respective rights with respect to any Proceeds Adjustments or Subsequent Payments, as defined below.

6. Sample Calculations. A sample calculation of the Rollover Transactions and the allocation of the Sale Payments (including estimated Proceeds Adjustments) among the GP and the other Selling Parties is set forth as Exhibit B hereto. The parties acknowledge that the calculations set forth on Exhibit B are used for illustration purposes only and that the final Rollover Transactions and allocation of the Sale Payments among the Selling Parties and the GP will be determined by the Asset Manager in accordance with this Letter Agreement, after the determination of the final amount of all Sale Payments, including all Proceeds Adjustments.

7. Subsequent Payments. Notwithstanding anything to the contrary in Section 5.5 of the Aviator Holdings LPA, subsequent to the Restructuring and the Sale, the GP will remain entitled to receive payments in respect of distributions other than the Sale Payments ("**Subsequent Payments**"), by virtue of its continuing general partnership interests in the YieldCo Entities and the DevCo Entities, as provided for in the governing documents for the YieldCo Entities and the DevCo Entities, respectively, as adopted and/or amended in connection with the Restructuring, and as further amended from time to time. For the avoidance of doubt, the parties agree that all such Subsequent Payments shall be made in accordance with the express terms of the applicable governing documents for the YieldCo Entities and DevCo Entities, as applicable, without reference to the terms of any pre-Restructuring Operative Document, but subject to any agreement made between the GP and a Selling Party.

8. Post-Closing Earnout Rollover. Promptly following the Closing Date, and in any event prior to the first date on which a Post-Closing Proceeds Adjustment is anticipated to be received, each of the Carry Rollover Partners undertakes to assign and contribute to CC Valhalla Investor, LLC, a Delaware limited liability company (the "**Post-Closing Earnout Rollover Vehicle**"), on such terms and conditions as the Buyer Group and the Carry Rollover Partners shall reasonably agree, the right to receive forty percent (40%) of all Post-Closing Proceeds Adjustments to which the Carry Rollover Partners would otherwise be entitled pursuant to Section 2 by virtue of their membership interests in the GP (the "**Post-Closing Earnout Rollover**"). It is anticipated that the Post-Closing Earnout Rollover shall be structured as a direct or indirect assignment and contribution by the Carry Rollover Partners of an interest in the General Partner to the Post-Closing Earnout Rollover Vehicle, it being understood and agreed that the Buyer Group and the Carry Rollover Partners shall cooperate in good faith to structure the Post-Closing Earnout Rollover in a tax efficient manner."

9. Disputes. If any Selling Party disputes any allocation, determination or decision made by the Asset Manager, such Selling Party shall deliver written notice to the Asset Manager,

the other Selling Parties and the GP setting forth in reasonable detail its dispute (an “**Objections Notice**”). The disputing Selling Party, the Asset Manager and the other parties affected by the Objections Notice (collectively, the “**Relevant Parties**”) will negotiate in good faith to resolve any dispute identified in an Objections Notice. If the Relevant Parties, notwithstanding such good faith effort, fail to resolve such dispute within thirty (30) days after the Asset Manager’s receipt of the Objections Notice, then the Relevant Parties will jointly engage Deloitte, or if Deloitte is unable to provide services without conflict, an independent auditor reasonably acceptable to the Relevant Parties (the “**Independent Auditor**”) to resolve any items remaining in dispute. As promptly as practicable thereafter, the Relevant Parties will (A) each prepare and submit a presentation to the Independent Auditor setting forth its respective position on the remaining disputed items and (B) cause the Independent Auditor make a determination with respect thereto, which determination will not be outside the range defined by the respective amounts proposed by the Relevant Parties in their submissions to the Independent Auditor. In making such determination, the Independent Auditor, acting as an expert and not an arbitrator, will rely solely upon the written presentations by the Relevant Parties (and not on any independent review), copies of which determination shall be delivered to the Relevant Parties. Each of the Relevant Parties will execute and deliver a customary engagement letter as may be requested by the Independent Auditor, and the disputing Selling Party, on the one hand, and the other Relevant Parties, on the other hand, will bear that percentage of the fees and expenses of the Independent Auditor equal to the proportion (expressed as a percentage and determined by the Independent Auditor) of the dollar value of the disputed amounts determined in favor of the other by the Independent Auditor. The determination made by the Independent Auditor will be final, conclusive and binding on the Relevant Parties, and will not be subject to appeal or further review, absent manifest error.

10. Termination as to the Company and DC REIT. The parties hereto acknowledge, understand and agree that the liabilities and obligations of the Company and DC REIT hereunder shall terminate and expire upon the completion of the Restructuring, as such term is defined in the Investment Agreement. For the avoidance of doubt, notwithstanding the foregoing termination, any obligations of the other parties hereto which make reference to the Aviator Holdings LPA shall continue to be determined after such date by reference to the terms of the Aviator Holdings LPA as in effect on the date hereof.

11. Miscellaneous. This Letter Agreement may not be assigned by any party without the prior written consent of each other party hereto. This Letter Agreement may not be amended, and no provision hereof waived or modified, except by an instrument in writing signed by each party hereto. There is no express or implied intention to benefit any other person not party to this Letter Agreement and nothing contained in this Letter Agreement is intended, nor shall anything herein be construed, expressly or implicitly, to confer any rights, benefits or remedies, legal or equitable, in any person other than the persons party hereto, except that the Buyer Group shall be an intended third party beneficiary of Section 8 hereof, entitled to enforce such Section in accordance with its terms. This Letter Agreement shall be governed by, and construed in accordance with, the laws of the state of Delaware (without giving effect to any conflict of laws provisions which would apply the law of a different jurisdiction).

ASSIGNMENT AND CONTRIBUTION AGREEMENT

THIS ASSIGNMENT AND CONTRIBUTION AGREEMENT (this “Agreement”) is entered into on and effective as of July 22, 2020, by and among Marc Ganzi (“Ganzi”), Ben Jenkins (“Jenkins”), MCG ANALOG, LLC (“MCG Analog”), the GANZI EXTENDED FAMILY TRUST (the “Ganzi Trust”), BJJ ANALOG, LLC (“BJJ Analog”), DB Aviator Manager Rollover Holdings, L.P. (“Rollover Holdings”), DCR YieldCo Holdings, LP (“DCR Holdings”), and DCR and Aviator Holdings GP, LLC, in its capacity as general partner of DCR Holdings (the “General Partner”). Ganzi, Jenkins, MCG Analog, BJJ Analog, Rollover Holdings, DCR Holdings, and the General Partner are sometimes individually referred to in this Agreement as a “Party,” and, collectively, as the “Parties.”

WHEREAS, as of the date hereof, each of Ganzi and Jenkins holds Class A Units in DCR Holdings (as to each of Ganzi and Jenkins, his “Class A Units”) in the amounts set forth on Schedule A hereto;

WHEREAS, as of the date hereof, (a) MCG Analog is wholly-owned by Ganzi, (b) BJJ Analog is wholly-owned by Jenkins, and (c) Ganzi is the trustee of the Ganzi Trust;

WHEREAS, as of the date hereof, (a) MCG Analog, the Ganzi Trust and BJJ Analog are each limited partners of Rollover Holdings and (b) Rollover Holdings is a limited partner of DCR Holdings;

WHEREAS, (a) Ganzi wishes to contribute and assign (x) 58.580000 of his Class A Units to the Ganzi Trust, and (y) the remainder of his Class A Units to MCG Analog and (b) Jenkins wishes to contribute and assign 100% of his Class A Units to BJJ Analog (collectively, the “First Contribution”), and each of MCG Analog, the Ganzi Trust and BJJ Analog is willing to accept the contribution and assignment of such Class A Units;

WHEREAS, immediately following the First Contribution, each of MCG Analog, the Ganzi Trust and BJJ Analog wishes to contribute and assign 100% of the Class A Units it received as part of the First Contribution to Rollover Holdings as an in-kind contribution in respect of MCG Analog’s, the Ganzi Trust’s, and BJJ Analog’s respective limited partnership interests in Rollover Holdings (the “Second Contribution”), and Rollover Holdings is willing to accept the contribution and assignment of such Class A Units;

WHEREAS, the First Contribution and the Second Contribution will be effected by (a) in the case of the First Contribution, each of Ganzi and Jenkins assigning all of his right, title and interest in his Class A Units to MCG Analog, the Ganzi Trust, and BJJ Analog, as applicable, in the manner described in the preceding recitals, (b) in the case of the Second Contribution, MCG Analog, the Ganzi Trust and BJJ Analog each assigning all of their respective right, title and interest in such Class A Units to Rollover Holdings and (c) Rollover Holdings being admitted as a Substituted Partner in DCR Holdings in respect of such Class A Units effective as of the date hereof, in each case, pursuant to Article IX of that certain Limited Partnership Agreement of DCR Holdings dated as of July 22, 2020 (as amended to date, the “DCR Holdings LPA”). Capitalized terms used but

not defined in this Agreement shall have the meanings given to them in the DCR Holdings LPA; and

WHEREAS, the General Partner is willing to approve the assignments and contributions contemplated by this Agreement, as well as the admission of Rollover Holdings as a Substituted Partner in respect of the Class A Units it receives as part of the Second Contribution, as evidenced by the General Partner's execution and delivery of this Agreement.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

SECTION 1. First Contribution.

Effective as of the date hereof, (a) Ganzi hereby unconditionally and irrevocably assigns and contributes (x) 58.580000 of his Class A Units to the Ganzi Trust and (y) the remainder of his Class A Units to MCG Analog in respect of his membership interest in MCG Analog and (b) Jenkins unconditionally and irrevocably assigns and contributes 100% of his Class A Units to BJJ Analog in respect of his membership interest in BJJ Analog, in each case, together with all of their respective right, title and interest in and to such Class A Units so assigned and contributed. Each of MCG Analog, the Ganzi Trust, and BJJ Analog hereby accepts the Class A Units assigned and contributed to it pursuant to this Section 1, and assumes all of Ganzi's and Jenkin's respective obligations with respect to such Class A Units arising under the DCR Holdings LPA from and after the date hereof.

SECTION 2. Second Contribution.

Immediately following the First Contribution by Ganzi and Jenkins, effective as of the date hereof, each of MCG Analog, the Ganzi Trust, and BJJ Analog hereby assigns and contributes 100% of the Class A Units assigned and contributed to it pursuant to Section 1 to Rollover Holdings in respect of MCG Analog's, the Ganzi Trust's, and BJJ Analog's respective limited partnership interests in Rollover Holdings, together with all of their respective right, title and interest in and to such Class A Units. Rollover Holdings hereby accepts the Class A Units assigned and contributed to it pursuant to this Section 2, and assumes all of MCG Analog's, the Ganzi Trust's, and BJJ Analog's respective obligations with respect to such Class A Units arising under the DCR Holdings LPA from and after the date hereof.

SECTION 3. Accession to DCR Holdings LPA; Withdrawal of Ganzi and Jenkins.

3.1. On the date hereof, immediately following the Second Contribution, (a) Rollover Holdings shall be admitted to DCR Holdings as a Substituted Partner with respect to all of the Class A Units assigned and contributed to it as part of the Second Contribution, (b) Ganzi and Jenkins shall withdraw as, and cease to be, Limited Partners of DCR Holdings with respect to such Class A Units and (c) Ganzi, Jenkins, MCG Analog, the Ganzi Trust and BJJ Analog shall have no further rights, duties or obligations in or to DCR Holdings, as a Limited Partner or otherwise, in respect of such Class A Units.

3.2. On the date hereof, immediately following the Second Contribution, Rollover Holdings shall be bound by the terms and provisions of the DCR Holdings LPA, and shall become a party to the DCR Holdings LPA, as a Limited Partner, with respect to the Class A Units assigned and contributed pursuant to this Agreement in substitution for Ganzi and Jenkins.

SECTION 4. Consent of the General Partner.

By its execution and delivery of this Agreement, the General Partner hereby (a) consents in accordance with the DCR Holdings LPA to the contributions and assignments of the Class A Units contemplated by this Agreement, (b) acknowledges and agrees that all conditions and requirements to consummate the contributions and assignments of the Class A Units by the applicable Parties under the DCR Holdings LPA have been satisfied or waived, (c) consents to the withdrawal of Ganzi and Jenkins from DCR Holdings as Limited Partner in respect of the Class A Units, (d) consents to the release of Ganzi, Jenkins, MCG Analog, the Ganzi Trust and BJJ Analog from all further rights, duties and obligations in respect of the Class A Units and (e) consents to the admission of Rollover Holdings as a Substituted Partner with respect to the Class A Units in substitution for Ganzi and Jenkins, in each case, effective as of the date hereof.

SECTION 5. Representations and Warranties.

5.1. Each of Ganzi and Jenkins represents and warrants to the other Parties hereto that it is assigning his Class A Units as part of the First Contribution free and clear of all liens and encumbrances except those arising under the DCR Holdings LPA and applicable securities laws.

5.2. Except as expressly set forth in Sections 1 and 7.1, each of Ganzi and Jenkins, by himself and his successors and assigns, hereby disclaims all covenants, representations and warranties however arising, whether express, implied, statutory or otherwise, and MCG Analog, the Ganzi Trust, BJJ Analog and Rollover Holdings each accepts the Class A Units assigned and contributed to it pursuant to this Agreement, without any covenants, representation or warranty by either Ganzi or Jenkins.

SECTION 6. Successor and Assigns.

This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and assigns.

SECTION 7. Governing Law.

This Agreement shall be governed and interpreted in accordance with the laws of the State of Delaware, without giving effect to the conflicts of laws principles thereof.

SECTION 8. Amendments; Waiver.

This Agreement may not be amended, modified or waived in any respect except in writing signed by all of the Parties.

SECTION 9. Counterparts.

This Agreement may be executed in any number of identical counterparts, any or all of which may contain the signatures of fewer than all of the Parties but all of which shall be taken together as a single instrument. The delivery of any executed counterpart of this Agreement by PDF, other electronic medium (e.g. DocuSign) or via attachment to an email shall constitute effective delivery of such counterpart for all purposes with the same force and effect as the delivery of an original, executed counterpart.

[Remainder of the page is intentionally left blank]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

By: /s/ Marc C. Ganzi

Name: Marc Ganzi

By: /s/ Ben Jenkins

Name: Ben Jenkins

MCG ANALOG, LLC

By: /s/ Marc C. Ganzi

Name: Marc Ganzi

Title: Authorized Signatory

GANZI EXTENDED FAMILY TRUST

By: /s/ Marc C. Ganzi

Name: Marc Ganzi

Title: Trustee

BJJ ANALOG, LLC

By: /s/ Ben Jenkins

Name: Ben Jenkins

Title: Authorized Signatory

[Additional Signature Pages Follow]

Signature Page to Assignment and Contribution Agreement

DB AVIATOR MANAGER ROLLOVER HOLDINGS, L.P.

By: Colony Valhalla GP, LLC, its general partner

By: /s/ Donna Hansen

Name: Donna Hansen

Title: Vice President

[Additional Signature Pages Follow]

Signature Page to Assignment and Contribution Agreement

**DCR and AVIATOR HOLDINGS GP, LLC, in its capacity as general partner of DCR
YieldCo Holdings, LP**

By: /s/ Justin Chang___
Name: Justin Chang
Title: Authorized Signatory

Signature Page to Assignment and Contribution Agreement

SCHEDULE A

CLASS A UNITS

	Class A Units
Marc Ganzi	340.19703
Ben Jenkins	83.15928

AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT
OF
DB AVIATOR MANAGER ROLLOVER HOLDINGS, L.P.

LIMITED PARTNERSHIP INTERESTS IN DB AVIATOR MANAGER ROLLOVER HOLDINGS, L.P., A DELAWARE LIMITED PARTNERSHIP, HAVE NOT BEEN REGISTERED WITH OR QUALIFIED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES REGULATORY AUTHORITY. THE INTERESTS ARE BEING SOLD IN RELIANCE UPON EXEMPTIONS FROM SUCH REGISTRATION OR QUALIFICATION REQUIREMENTS. THE INTERESTS CANNOT BE SOLD, TRANSFERRED, ASSIGNED OR OTHERWISE DISPOSED OF EXCEPT IN COMPLIANCE WITH THE RESTRICTIONS ON TRANSFERABILITY CONTAINED WITHIN THIS LIMITED PARTNERSHIP AGREEMENT AND APPLICABLE FEDERAL AND STATE SECURITIES LAWS.

**AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT
OF
DB AVIATOR MANAGER ROLLOVER HOLDINGS, L.P.**

This AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT dated to be effective as of July 22, 2020 (the “Effective Date”) is entered into by and among (a) Colony Valhalla GP, LLC, a Delaware limited liability company, as General Partner, (b) Colony Capital Acquisitions, LLC, a Delaware limited liability company, as the withdrawing initial limited partner (the “Initial Limited Partner”) and (c) each of the Persons admitted to the Partnership as Limited Partners.

The Partnership was formed on June 24, 2020 pursuant to a Certificate of Limited Partnership filed with the Delaware Secretary of State (as amended, restated, supplemented or otherwise modified from time to time, the “Certificate”) and a Limited Partnership Agreement between the General Partner and the Initial Limited Partner (the “Original Partnership Agreement”). The General Partner and the Initial Limited Partner wish to (i) admit the Limited Partners into the Partnership for the purposes of and upon the terms and conditions as set out in this Agreement, which shall hereafter apply to the Partnership in substitution for the terms of the Original Agreement and (ii) have the Initial Limited Partner withdraw from the Partnership upon such admission of the Limited Partners. The parties hereby amend and restate the Original Partnership Agreement in its entirety to read as follows:

ARTICLE I DEFINITIONS

1.1 Definitions.

Unless the context otherwise requires, the following terms shall have the following meanings for purposes of this Agreement:

“Act” means the Delaware Revised Uniform Limited Partnership Act, 6 Del. C. § 17-101, et seq., as the same may be amended from time to time.

“Adjusted Capital Account Deficit” means, with respect to any Partner, the negative balance, if any, in such Partner’s Capital Account as of the end of any relevant fiscal year or other period, determined after giving effect to the following adjustments:

(a) credit to such Capital Account any portion of such negative balance which such Partner (i) is treated as obligated to restore to the Partnership pursuant to the provisions of Treasury Regulations Section 1.704-1(b)(2)(ii)(c), or (ii) is deemed to be obligated to restore to the Partnership pursuant to the penultimate sentences of Treasury Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5); and

(b) debit to such Capital Account the items described in Treasury Regulations Sections 1.704-1(b)(2)(ii)(d)(4), (5) and (6).

“Affiliate” means, when used with reference to a specified Person, any Person that directly or indirectly, through one or more intermediaries, Controls or is Controlled by or is under common Control with the specified Person, and the term “affiliated” has the meaning correlative to the foregoing.

“Agreement” means this Amended and Restated Limited Partnership Agreement, as amended, modified, supplemented or restated from time to time.

“Aviator DREIT” means Aviator DC REIT, LLC, a Delaware limited liability company.

“Business Day” means any day other than a Saturday, a Sunday or a holiday on which commercial banks in the State of New York are required to be closed.

“Capital Account” means the account established and maintained for each Partner on the books of the Partnership determined as set forth in Section 4.1.

“Capital Contributions” means the total amount of money or assets contributed by each Partner to the Partnership pursuant to the terms of this Agreement (including, for the avoidance of doubt, the Class A Units contributed by the Class A Limited Partners to the Partnership as set forth in Section 3.2(a)).

“Certificate” has the meaning set forth in the recitals to this Agreement.

“Class A Limited Partner” means any of MCG Analog, LLC, a Delaware limited liability company, the Ganzi Extended Family Trust or BJJ Analog, LLC, a Delaware limited liability company.

“Class A Units” has the meaning set forth in Section 3.2(a).

“Class B Limited Partner” means Valhalla Management Holdings, LLC, a Delaware limited liability company.

“Code” has the meaning set forth in Section 4.1.

“Control” means, for any Person, the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract, by having the right to appoint the majority of the members of the board (or other governing body of such Person), or otherwise, in all instances notwithstanding the rights of any other Persons with respect to usual and customary major decisions, if any, and the terms “Controlling” and “Controlled” have meanings correlative to the foregoing. The right to participate in usual and customary major decisions shall not in itself constitute Control.

“DCR Holdings” means DCR YieldCo Holdings, LP, a Delaware limited partnership.

“Disposition” means the sale, exchange, redemption, principal repayment, repurchase or other disposition by the Partnership of all or any portion of any Investment for cash or for Marketable Securities and shall include (a) the receipt by the Partnership of a liquidating dividend for cash or for Marketable Securities on any Investment or any portion thereof and (b) the distribution in kind to the Partners of all or any portion of any Investment as permitted hereby. The General Partner shall determine, in its good

faith judgment, to what extent any refinancing, recapitalization or other similar transaction with respect to an Investment constitutes a Disposition.

“Effective Date” has the meaning set forth in the introductory paragraph to this Agreement.

“Estate Planning Entity” of a Person means (a) such Person’s or its beneficial owner’s immediate family members including grandparents and lineal descendants of grandparents, (b) any trust, partnership, corporation, limited liability company or other entity established for the benefit of any Person described in clause (a) and (c) any charitable or foundation or nonprofit organization controlled by any Person described in clauses (a) or (b).

“Fair Value” means the fair value of any Interest, any Investment or other asset of the Partnership, as determined by the General Partner. In determining the Fair Value of any Investment or any other asset of the Partnership, the General Partner shall apply the following: (a) Marketable Securities will be valued taking into account the average of their last sale price on the principal national securities exchange on which they are traded on each Business Day during the 11-day period immediately prior to and the 11-day period immediately following the date of determination or, if no sales occurred on any such day, the mean between the closing “bid” and “asked” prices on such day, or if the principal market for such Securities is, or is deemed to be, in the over-the-counter market, their average closing “bid” price on each day during such period, as published by the National Association of Securities Dealers Automated Quotation System or, if such price is not so published, the mean between their closing “bid” and “asked” prices, if available, on each day during such period, which prices may be obtained from any reputable nationally recognized broker or dealer, (b) any Investment or other asset of the Partnership that is not a Marketable Security will be valued by the General Partner in good faith in accordance with U.S. generally accepted accounting principles and (c) all valuations shall be made taking into account all factors, information and data deemed by the General Partner to be pertinent, including, without limitation, if and as appropriate, the existence of a control block, the anticipated impact on current market prices of immediate sale, the lack of a market for such asset, and the impact on present value of factors such as the length of time before any such sales may become possible and the cost and complexity of any such sales. In determining the Fair Value of any Partner’s Interest, the General Partner shall take into account the distributions that would be made to the Partner if the Partnership were dissolved, its affairs wound up and its assets sold for cash equal to their respective Gross Asset Values, all Partnership liabilities were satisfied, and the net assets of the Partnership were distributed in accordance with Section 4.2(b) to the Partners. For all purposes of this Agreement, all valuations made by the General Partner shall be final and conclusive on the Partnership and all Partners, their successors and assigns, absent manifest error. In determining the Fair Value of any Interest, any Investment or other asset of the Partnership, the General Partner may obtain and rely on information provided by any source or sources reasonably believed to be accurate.

“General Partner” means Colony Valhalla GP, LLC, a Delaware limited liability company, in its capacity as general partner of the Partnership, together with any other Person that succeeds to the role of general partner of the Partnership pursuant to the terms of this Agreement.

“Indemnified Losses” has the meaning set forth in Section 9.2.

“Indemnified Parties” has the meaning set forth in Section 9.1.

“Initial Limited Partner” has the meaning set forth in the introductory paragraph to this Agreement.

“Interest” means a Partner’s entire ownership interest in the Partnership.

“Investment Revenues” means the sum of (a) all receipts of the Partnership relating to any Investment other than Capital Contributions, which receipts include, without limitation, distributions from any Investment, interest, proceeds from the Disposition of all or a portion of any Investment, financing or refinancing proceeds attributable to any Investment and insurance and condemnation proceeds relating to any Investment, (b) any financing, break-up and other fees paid by third parties and received by the Partnership with respect to any Investment and (c) any reserves previously set aside from items (a) and (b) pursuant to clause (e) of the definition of Net Investment Revenues where the obligation reserved against has been paid or that are deemed available for distribution by the General Partner.

“Investments” means the Partnership’s interests in DCR Holdings, its subsidiaries or Affiliates including, without limitation, any follow-on or working capital investment made by the Partnership in DCR Holdings, Aviator DREIT or any of their respective Affiliates.

“IRR” means, with respect to the Class A Limited Partners, the discount rate, using cumulative annual compounding, at which the net present value equals zero. The IRR shall be calculated by the General Partner (after consultation with its tax advisor) on the basis of the actual number of days elapsed over the number of days in the applicable calendar year using the “XIRR” function in Microsoft Excel 2007 or any other acceptable spreadsheet program selected by the General Partner.

“Limited Partner” means any of the Class A Limited Partners or the Class B Limited Partner, in its capacity as a limited partner of the Partnership.

“Liquidator” means the General Partner, or if there is no General Partner, such other Person appointed by a majority of the Percentage Interests of the Class A Limited Partners (determined as of the most recent Valuation Date), who shall be responsible for taking all action necessary or appropriate to wind up the affairs of, and distribute the assets of, the Partnership following its dissolution.

“Losses” has the meaning set forth in Section 9.10.

“Marketable Securities” means securities that are traded on a national securities exchange in the United States, reported through the National Association of Securities Dealers, Inc. Automated Quotation System or otherwise actively traded over-the-counter in the United States, and are not subject to restrictions on transfer as a result of (a) applicable contract provisions, (b) the provisions of the Securities Act, other than the volume and method-of-sale restrictions of Rule 144 promulgated thereunder or any successor thereto, or (c) other applicable securities law.

“MIP Expenses” means all out-of-pocket costs and expenses incurred by the General Partner, the Partnership, their respective Affiliates and any directors, officers, employees and agents of any of the foregoing in connection with administering the Class B Limited Partner’s management incentive plan, as reasonably determined by the General Partner.

“Net Investment Revenues” means an amount determined by the General Partner equal to the excess of Investment Revenues over (a) MIP Expenses, (b) all non-capitalized cash expenditures and costs due and payable relating to the operation of the Partnership or the acquisition and management of any Investment, ownership and Disposition of any Investment and any fees paid or due and payable by the Partnership not previously deducted from Investment Revenues relating to any Investment; provided, for the avoidance of doubt, Net Investment Revenues shall not be reduced by any management fee, carried interest, or similar compensation payable by the Class A Limited Partners to the General Partner or any of its Affiliates, (c) amounts paid or due and payable by the Partnership in respect of any indebtedness related to any Investment, (d) extraordinary expenses paid or due and payable by the Partnership and not previously deducted from Investment Revenues relating to any Investment, (e) capital expenditures for any Investment (other than to acquire such Investment) that are paid or due and payable by the Partnership and (f) reasonable reserves established by the General Partner to meet anticipated MIP Expenses and operating and capital expenditures of the Partnership.

“Net Loss” or “Net Profit” has the meaning set forth in Section 4.1(a).

“Non-Public Information” has the meaning set forth in Section 14.15(a).

“Nonrecourse Deductions” has the meaning set forth in Treasury Regulations Sections 1.704-2(b)(1) and 1.704-2(c).

“Notice” means a writing containing the information required by this Agreement to be communicated to a Person and personally delivered to such Person or sent by facsimile, e-mail, other electronic means or overnight courier nationally recognized (or, in the case of any Notice sent to or from a country outside of the United States, internationally recognized) courier to such Person at the last known address of such Person as shown on the books of the Partnership; provided, however, that any written communication containing such information actually received by a Person shall constitute Notice for all purposes of this Agreement. A Notice shall be deemed effectively given and received (a) upon personal delivery, (b) if sent by facsimile, e-mail or other electronic means, when confirmation of transmission is received or, if such confirmation is received on a day other than a Business Day, on the next Business Day, (c) if delivered by overnight courier, when delivered and (d) if posted on the Partnership’s intranet website, on the day an e-mail is sent to a Limited Partner instructing it that a Notice has been posted.

“Officer” has the meaning set forth in Section 6.2.

“Original Partnership Agreement” has the meaning set forth in the recitals to this Agreement.

“Partner” means any of the General Partner or the Limited Partners, in its capacity as a partner of the Partnership, as the context requires.

“Partner Nonrecourse Debt” has the meaning set forth in Treasury Regulations Section 1.704-2(b)(4).

“Partner Nonrecourse Debt Minimum Gain” has the meaning set forth in Treasury Regulations Section 1.704-2(i). A Partner’s share of Partner Nonrecourse Debt Minimum Gain shall be determined in accordance with Treasury Regulations Section 1.704-2(i)(5).

“Partner Nonrecourse Deductions” has the meaning set forth in Treasury Regulations Sections 1.704-2(i)(1) and (2), and the amount of Partner Nonrecourse Deductions with respect to a Partner Nonrecourse Debt for a Partnership taxable year shall be determined in accordance with the rules of Treasury Regulations Section 1.704-2(i)(2).

“Partnership” means DB Aviator Manager Rollover Holdings, L.P., a Delaware limited partnership, as it may from time to time be constituted.

“Partnership Minimum Gain” has the meaning set forth in Treasury Regulations Section 1.704-2(d). In accordance with Treasury Regulations Section 1.704-2(d), the amount of Partnership Minimum Gain is determined by first computing, for each Partnership nonrecourse liability, any gain the Partnership would realize if it Disposed of the property subject to that liability for no consideration other than full satisfaction of the liability, and then aggregating the separately computed gains. A Partner’s share of Partnership Minimum Gain shall be determined in accordance with Treasury Regulations Section 1.704-2(g)(1).

“Partnership Representative” has the meaning set forth in Section 6.3.

“Partnership Sale” means (a) a sale of all or substantially all of the assets of the Partnership in one transaction or a series of related transactions, or (b) a direct or indirect sale of 100% of the equity interests of all Partners in the Partnership (whether by merger, consolidation, sale or Transfer of the Interests) in one transaction or a series of related transactions, in each case to a Purchaser.

“Partnership Sale Allocation Schedule” has the meaning set forth in Section 7.3(b).

“Partnership Sale Consideration” has the meaning set forth in Section 7.3(a).

“Percentage Interest” means, with respect to any Class A Limited Partner, as of any Valuation Date, (a) during the period from the Effective Date through (but excluding) the first date the Partnership consummates its first Subsequent Investment, a fraction (expressed as a percentage), (i) the numerator of which is the aggregate amount of Capital Contributions by such Class A Limited Partner and (ii) the denominator of which is the aggregate amount of Capital Contributions by all Class A Limited Partners and (b) from and after the date the Partnership consummates its first Subsequent Investment, a fraction (expressed as a percentage) (i) the numerator of which is the Fair Value of such Class A Limited Partner’s Interest and (ii) the denominator of which is the aggregate Fair Values of all Class A Limited Partners’ Interests.

“Person” means any individual, partnership (general or limited), corporation, limited liability company, trust or unincorporated organization, and a government or agency or political subdivision thereof.

“Purchaser” has the meaning set forth in Section 7.3(a).

“Regulatory Allocations” has the meaning set forth in Section 4.1(e).

“Securities Act” means the Securities Act of 1933, as amended, and all rules, rulings and regulations thereunder.

“Service Providers” has the meaning set forth in Section 14.15(a).

“Subsequent Investment” means any Investment made after the Effective Date (excluding the Investment made as a result of the Class A Limited Partners’ contribution of the Class A Units).

“Tax Liability” has the meaning set forth in Section 4.4.

“Transfer” means a sale, exchange, transfer, assignment, including through the transfer of Control by means of the transfer of voting stock or other equity interest, of an Interest. The terms “Transferee,” “Transferor” and “Transferred” have correlative meanings.

“Treasury Regulations” means the income tax regulations promulgated under the Code, as may be amended from time to time (including corresponding provisions of succeeding regulations).

“Valuation Date” means (a) the last Business Day of each calendar quarter and (b) any other date determined by the General Partner in its sole discretion.

1.2 Rules of Construction. The parties intend that any ambiguities will be resolved without reference to which party has drafted this Agreement. All Article, Section, subsection or Paragraph titles or other captions in this Agreement are for convenience only, are not part of this Agreement and in no way define, limit, extend or describe the scope or intent of any of its provisions. Unless the context otherwise requires: (a) a term has the meaning assigned to it; (b) an accounting term not otherwise defined has the meaning assigned to it in accordance with U.S. generally accepted accounting principles; (c) “or” is not exclusive; (d) words in the singular include the plural, and words in the plural include the singular; (e) “amended,” with reference to a law, a statute, rule or regulation, is deemed to be followed by “from time to time”; (f) “herein,” “hereof” and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section, Subsection, Paragraph, clause, or other subdivision; (g) all references to “Appendix,” “clause,” “Section,” “Subsection,” “Paragraph,” “Subparagraph” or “Article” refer to the particular Appendices, clauses, Sections, Subsections, Paragraphs, Subparagraphs or Articles in or attached to this Agreement; (h) “desirable” includes “necessary,” “advisable” and “appropriate”; (i) “including” or “includes” when following any general provision, sentence, clause, statement, term or matter, will be deemed to be followed by “, but not limited to,” and “, but is not limited to,” respectively; (j) all pronouns shall be deemed to refer to the masculine, feminine, neuter, singular or plural, as the identity of the person or persons, firm or corporation may require in the context thereof; and (k) any reference herein to a “day” that is not expressly referred to as a Business Day shall be a calendar day. Whenever in this Agreement a Person is permitted or required to make a decision or a determination (x) in its “discretion” or “sole discretion” or under a grant of similar authority or latitude, the Person will, to the fullest extent permitted by the Act, be entitled to consider any interests and factors as it desires, including its own interests, and will have no duty or obligation to give any consideration to any interest of, or factors affecting, the Partnership or the Partners; (y) in its “good faith,” in a “commercially reasonable” manner, or under another express standard, the Person will act under such

express standard and will not be subject to any other or different standards imposed by this Agreement or otherwise; or (z) and no standard is expressed, the Person will apply relevant provisions of this Agreement in making such decision or determination.

ARTICLE II ORGANIZATION

2.1 Formation. The Partnership has been formed pursuant to the Act. The rights and liabilities of the Partners will be as provided in the Act, except as expressly provided in this Agreement. If there is any inconsistency between any provision of this Agreement and any provision of the Act, this Agreement will govern to the extent such provision of the Act can be modified.

2.2 Name. The name of the Partnership is DB Aviator Manager Rollover Holdings, L.P. The General Partner is authorized to make any changes in the name of the Partnership, and may otherwise conduct the business of the Partnership under any other name that the General Partner may deem desirable. Any such change or other name, as the case may be, shall be designated in writing by the General Partner to the Limited Partners. In the case of a change of name of the Partnership pursuant to this Section 2.2, specific references herein to the name of the Partnership shall be deemed to have been amended to the name as so changed.

2.3 Principal Office; Place of Business. The principal office and place of business of the Partnership is located at 515 South Flower Street, 44th Floor, Los Angeles, California 90071. The General Partner may change the location of the Partnership's principal office and may establish such additional offices of the Partnership as it may from time to time determine upon Notice to the Limited Partners.

2.4 Registered Office. The address of the registered office of the Partnership in the State of Delaware is 251 Little Falls Drive, Wilmington, Delaware 19808, and the registered agent for service of process on the Partnership in the State of Delaware at such registered office is the Corporation Service Company.

2.5 Purpose. The purposes for which the Partnership is formed are (a) to hold direct and indirect interests in one or more Investments, (b) to engage in any other lawful business under the Act and applicable law that the General Partner determines the Partnership shall engage in and (c) to do all things necessary or incidental to the foregoing.

2.6 Term. The term of the Partnership began on June 24, 2020, which is the date the Certificate was filed with the Secretary of State of the State of Delaware and, unless earlier terminated or dissolved pursuant to the Act or this Agreement, the Partnership shall have a perpetual term.

2.7 Qualification in Other Jurisdictions. The Partnership shall be qualified or registered under assumed or fictitious names or foreign limited liability company statutes or similar laws in any jurisdiction in which the Partnership owns property or transacts business to the extent such qualification or registration is necessary or, in the judgment of the General Partner desirable in order to protect the limited liability of the Partners or to permit the Partnership to lawfully own property or transact business. The Partnership shall execute, file and publish all such certificates, notices, statements or other instruments necessary to

permit the Partnership lawfully to own property and conduct business as a limited partnership in all jurisdictions where the Partnership elects to own property or transact business and to maintain the limited liability of the Partners.

2.8 Title to Partnership Property. All property owned by the Partnership, whether real or personal, tangible or intangible, shall be deemed to be owned by the Partnership, and no Partner individually shall have any interest in such property. Title to all such property may be held in the name of the Partnership or a designee, which designee may be a Partner or an entity affiliated with a Partner.

ARTICLE III

CAPITALIZATION

3.1 Partners.

(a) In General. The name, address and Capital Contributions of the Partners shall be set forth in the books and records of the Partnership.

(b) Limitation on Liability. Except as otherwise provided in this Agreement or the Act, no Partner shall be obligated to make any contribution to the Partnership or have any liability for the debts and obligations of the Partnership. For the avoidance of doubt, no Partner shall have any financial obligations relating to the Partnership other than those expressly set forth herein. If, under this Agreement or applicable law, any Partner is required to return to or for the account of the Partnership or Partnership's creditors any amount previously distributed to such Partner, then the obligation shall be solely the obligation of such Partner and not the obligation of any other Partner (including the General Partner). The failure of the Partnership to observe any formalities or requirements relating to the exercise of its powers or management of its business or affairs under the Act or this Agreement shall not, in and of itself, be grounds for imposing personal liability on a Partner for liabilities of the Partnership.

3.2 Capital Contributions.

(a) Initial Capital Contributions. Each Class A Limited Partner contributed Class A Units in DCR Holdings (such Partner's "Class A Units") to the Partnership pursuant to that certain Assignment and Contribution Agreement dated as of the date hereof by and among the Class A Limited Partners and the Partnership (among others). As of the Effective Date, each Class A Limited Partner's Capital Account will reflect the value of such Class A Limited Partner's Class A Units as set forth in the books and records of the Partnership.

(b) Additional Capital Contributions. Except as expressly provided in Section 3.2(a), or as otherwise required by the Act, no Partner will be required to make any Capital Contributions to the Partnership.

(c) No Interest on or Return of Capital. No Partner shall be entitled to interest on any Capital Contribution or Capital Account. No Partner shall have the right to demand or receive the return of all or any part of any Capital Contribution or Capital Account, except as otherwise may be expressly provided herein, and no Partner shall be personally liable for the return of the Capital Contribution of any other Partner.

3.3 No Interest Paid. No Partner will be paid interest on any of its Capital Contributions or Capital Account.

3.4 Classification for Tax Purposes. The Partnership intends to be classified as a partnership for U.S. federal and state income tax purposes. Each Partner will file all tax returns and will otherwise take all tax reporting positions consistently with such treatment.

3.5 No Third Party Beneficiaries. The provisions of this Article III are intended solely to benefit the Partners and their permitted successors and assigns and, to the fullest extent permitted by applicable law, shall not be construed as conferring any benefit upon any creditor of the Partnership (and no such creditor shall be a third party beneficiary of this Agreement), and no Partner shall have any duty or obligation to any creditor of the Partnership to make any contributions or payments to the Partnership.

ARTICLE IV ALLOCATIONS; DISTRIBUTIONS

4.1 Capital Accounts. A separate Capital Account will be established and maintained for each Partner in accordance with this Section 4.1. The Capital Account for each Partner will initially consist of the amount of such Partner's initial Capital Contribution made pursuant to Section 3.2(a), increased thereafter by such Partner's Capital Contributions (if any) to the Partnership and allocated share of Net Profit (as hereinafter defined), and decreased thereafter by any money and the fair market value (net of liabilities) of any property distributed to such Partner by the Partnership and such Partner's allocated share of the Partnership's Net Loss (as hereinafter defined). To the extent determined by the General Partner, Capital Accounts will be maintained in accordance with the principles embodied in Sections 704(b) and (c) of the Internal Revenue Code of 1986, as amended (the "Code"), and the Treasury Regulations promulgated thereunder.

(a) Net Profit and Net Loss. For purposes of this Agreement, the terms "Net Profit" and "Net Loss" mean the Partnership's net profit and net loss, respectively, for the period or periods in question, determined in accordance with federal income tax accounting principles. The General Partner can make appropriate modifications to the computation of Net Profit and Net Loss if required to be consistent with the maintenance of the Partners' Capital Accounts pursuant to Section 4.1.

(b) Distributions In Kind. If property is distributed in kind to the Partners, the difference between the gross fair market value of such property (as determined by the General Partner) and its book basis will be considered gain or loss that is recognized by the Partnership and such gain or loss will be allocated to the Partners in accordance with the provisions of Section 4.1(c).

(c) Allocation of Net Profit or Net Loss. After giving effect to any Regulatory Allocations, all items of income, gain, loss and deduction comprising the Net Profit or Net Loss of the Partnership for each fiscal year or other taxable period following the Effective Date of this Agreement will be allocated as follows:

(1) All such items that are attributable to the Partnership's Net Investment Revenues will be allocated among the Partners to reflect appropriately the manner in which Net Investment Revenues are to be distributed pursuant to Section 4.2(b).

(2) All such items that are not covered by the above subparagraphs will be allocated among the Partners in such manner as the General Partner deems desirable.

(d) Special Allocations.

(1) Minimum Gain Chargeback (Nonrecourse Liabilities). Except as otherwise provided in Treasury Regulations Section 1.704-2(f), if there is a net decrease in Partnership Minimum Gain during any Partnership fiscal year, the Partners shall be specially allocated items of Partnership income and gain for such year (and if necessary in subsequent years) in an amount equal to each Partner's share of the net decrease in Partnership Minimum Gain, determined in accordance with Treasury Regulations Section 1.704-2(g). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Partner. The items to be so allocated shall be determined in accordance with Treasury Regulations Sections 1.704-2(f)(6) and 1.704-2(j)(2). This subsection is intended to comply with the minimum gain chargeback requirement in Treasury Regulations Section 1.704-2(f) and shall be interpreted consistently therewith.

(2) Partner Minimum Gain Chargeback. Except as otherwise provided in Treasury Regulations Section 1.704-2(i)(4), if there is a net decrease in Partner Nonrecourse Debt Minimum Gain during any Partnership fiscal year, each Partner who has a share of the Partner Nonrecourse Debt Minimum Gain, determined in accordance with Treasury Regulations Section 1.704-2(i)(5), shall be specially allocated items of Partnership income and gain for such year (and if necessary in subsequent years) in an amount equal to such Partner's share of the net decrease in the Partner Nonrecourse Debt Minimum Gain, determined in accordance with Treasury Regulations Section 1.704-2(i)(4), that is allocable to such Partner Nonrecourse Debt. Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Partner. The items to be so allocated shall be determined in accordance with Treasury Regulations Sections 1.704-2(i)(4) and 1.704-2(j)(2). This subsection is intended to comply with the minimum gain chargeback requirements in Treasury Regulation Section 1.704-2(i)(4) and shall be interpreted consistently therewith.

(3) Qualified Income Offset. In the event that any Partner unexpectedly receives any adjustments, allocations, or distributions described in Treasury Regulations Sections 1.704-1(b)(2)(ii)(d)(4), (5) or (6), items of Partnership income and gain shall be specially allocated to each such Partner in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations, the Adjusted Capital Account Deficit of such Partner as quickly as possible; provided that an allocation pursuant to this subsection shall be made only if and to the extent that such Partner would have an Adjusted Capital Account Deficit after all other allocations provided for in this Article have been tentatively made as if this subsection were not a part of this Agreement.

(4) Gross Income Allocation. In the event that any Partner has an Adjusted Capital Account Deficit at the end of any Partnership fiscal year which is in excess of the sum of (i) the amount such Partner is obligated to restore pursuant to any provision of this Agreement, and (ii) the amount such Partner is deemed to be obligated to restore pursuant to the penultimate sentences of Treasury Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5), each such Partner shall be specially allocated items of Partnership income and gain in the amount of such excess as quickly as possible, provided that an allocation pursuant to this subsection shall be made only if and to the extent that

such Partner would have an Adjusted Capital Account Deficit in excess of such sum after all other allocations provided for in this Article have been made as if the previous subsection and this subsection were not a part of this Agreement

(5) Loss Limitations. The Net Losses allocated pursuant to Section 4.1(c) shall not exceed the maximum amount of Net Losses that can be so allocated without causing any Partner to have an Adjusted Capital Account Deficit at the end of any fiscal year. In the event that some, but not all, of the Partners would have Adjusted Capital Account Deficits as a consequence of an allocation of Net Losses pursuant to Section 4.1(c), the limitation set forth in the preceding sentence shall be applied on a Partner-by-Partner basis so as to allocate the maximum permissible Net Losses to each Partner under Regulations Section 1.704-1(b)(2)(ii)(d). All Net Losses in excess of the limitation set forth in this Section 4.1(d)(5) shall be allocated to the Partner in proportion to their respective positive Capital Account balances, if any, and thereafter to the Partners in accordance with their interests in the Partnership as determined by the General Partner, in its reasonable discretion.

(6) Nonrecourse Deductions. The Nonrecourse Deductions shall be specially allocated in the same proportions as Net Loss.

(7) Partner Nonrecourse Deductions. Any Partner Nonrecourse Deductions for any Partnership fiscal year or other period shall be specially allocated to the Partners who bear the economic risk of loss with respect to the Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable in accordance with Treasury Regulations Section 1.704-2(i)(1).

(8) Section 754 Adjustments. To the extent that an adjustment to the adjusted tax basis of any Partnership asset in accordance with Code Section 734(b) or 743(b) is required pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(m) to be taken into account in determining Capital Accounts, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) and such gain or loss shall be specially allocated to the Partners in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to such sections of the Regulations.

(e) Curative Allocations. The allocations set forth in the preceding Section 4.1(d) (the “Regulatory Allocations”) are intended to comply with certain requirements of the Treasury Regulations. It is the intent of the Partners that, to the extent possible, all Regulatory Allocations shall be offset either with other Regulatory Allocations or with special allocations of Net Profit or Net Loss pursuant to that Section. Therefore, notwithstanding any other provision of the Agreement (other than the Regulatory Allocations), the General Partner shall make such offsetting special allocations of Net Profit or Net Loss in whatever manner the General Partner determines appropriate so that, after such offsetting allocations are made, each Partner’s Capital Account balance is, to the extent possible, equal to the Capital Account balance such Partner would have had if the Regulatory Allocations were not part of this Agreement. In exercising its discretion under this Section, the General Partner shall take into account future Regulatory Allocations under subsections (1) and (2) of Section 4.1(d) that, although not yet made, are likely to offset other Regulatory Allocations previously made under subsections (3) and (4) of Section 4.1(d).

(f) Varying Interests. If during any Partnership fiscal year there is a change in any Partner's Interest, allocations of the various items of Net Profit and Net Loss for such fiscal year will take into account the varying Interests of the Partners in the Partnership in a manner consistent with the requirements of Section 706 of the Code, using the interim closing of the books method or such other method as shall be reasonably approved by the General Partner, in its sole and absolute discretion.

(g) General Partner's Discretionary Powers. The General Partner can modify the allocation provisions set forth in this Section 4.1 if necessary (i) to satisfy the requirements of Sections 704(b) and (c) of the Code and the Treasury Regulations promulgated thereunder or (ii) to otherwise better reflect the overall economic or business arrangement of the Partners in respect of any particular item of income, gain, deduction or loss.

4.2 Distributions.

(a) Timing of Distributions. Distributions will be made at such times and in such amounts as shall be determined by the General Partner, in its sole discretion.

(b) Priority of Distributions. Subject to the remaining provisions of this Article IV, Net Investment Revenues shall be allocated among the Class A Limited Partners in proportion to their respective Percentage Interests as of the date of distribution, and the portion allocated to any Class A Limited Partner shall be distributed between such Class A Limited Partner and the Class B Limited Partner in the following order of priority (with all amounts referenced in this Section 4.2(b) being determined at the time of the applicable distribution):

(1) First, 100% to such Class A Limited Partner until the cumulative amount distributed to such Class A Limited Partner under this Section 4.2(b)(1) since inception of the Partnership equals the aggregate Capital Contributions of such Class A Limited Partner;

(2) Second, 100% to such Class A Limited Partner until the cumulative amount distributed to such Class A Limited Partner under Section 4.2(b)(1) and this Section 4.2(b)(2) since inception of the Partnership is sufficient for such Class A Limited Partner to achieve an 8% IRR with respect to the aggregate Capital Contributions of such Class A Limited Partner;

(3) Third, (i) 50% to such Class A Limited Partner and (ii) 50% to the Class B Limited Partner, until the cumulative amount distributed to the Class B Limited Partner under this Section 4.2(b) (in respect of such Class A Limited Partner) since inception of the Partnership equals 3.5% of the cumulative amount distributed to such Class A Limited Partner and the Class B Limited Partner (in respect of such Class A Limited Partner) under Section 4.2(b)(2) and this Section 4.2(b)(3);

(4) Fourth, (i) 96.5% to such Class A Limited Partner and (ii) 3.5% to the Class B Limited Partner, until the cumulative amount distributed to the Class A Limited Partner under Sections 4.2(b)(1), 4.2(b)(2), 4.2(b)(3) and this Section 4.2(b)(4) since inception of the Partnership is sufficient for such Class A Limited Partner to achieve a 10% IRR with respect to the aggregate Capital Contributions of such Class A Limited Partner;

(5) Fifth, (i) 50% to such Class A Limited Partner and (ii) 50% to the Class B Limited Partner, until the cumulative amount distributed to the Class B Limited Partner under this Section 4.2(b) (in respect of such Class A Limited Partner) since inception of the Partnership equals 5% of the cumulative amount distributed to the Class A Limited Partner and the Class B Limited Partner (in respect of such Class A Limited Partner) under Section 4.2(b)(2), 4.2(b)(3), 4.2(b)(4) and this Section 4.2(b)(5);

(6) Sixth, (i) 95% to such Class A Limited Partner and (ii) 5% to the Class B Limited Partner, until the cumulative amount distributed to such Class A Limited Partner under Sections 4.2(b)(1), 4.2(b)(2), 4.2(b)(3), 4.2(b)(4), 4.2(b)(5) and this Section 4.2(b)(6) since inception of the Partnership is sufficient for such Class A Limited Partner to achieve a 12% IRR with respect to the aggregate Capital Contributions of such Class A Limited Partner;

(7) Seventh, (i) 50% to such Class A Limited Partner and (ii) 50% to the Class B Limited Partner, until the cumulative amount distributed to the Class B Limited Partner under this Section 4.2(b) (in respect of such Class A Limited Partner) since inception of the Partnership equals 6.5% of the cumulative amount distributed to such Class A Limited Partner and the Class B Limited Partner (in respect of such Class A Limited Partner) under Section 4.2(b)(2), 4.2(b)(3), 4.2(b)(4), 4.2(b)(5), 4.2(b)(6) and this Section 4.2(b)(7); and

(8) Thereafter, (i) 93.5% to such Class A Limited Partner and (ii) 6.5% to the Class B Limited Partner.

4.3 Retention of Investment Revenues. The Partnership shall be permitted, in the sole discretion of the General Partner, to retain and not distribute some or all of the Investment Revenues for purposes of (a) satisfying any amounts then due and owing by any Partner to the Partnership, or as a reasonable reserve therefor; provided, that Investment Revenues retained to pay the amounts described in this clause (a) with respect to any Limited Partner shall only be retained from the Investment Revenues that would have otherwise been distributable to such Limited Partner or (b) paying any costs, expenses, obligations or liabilities payable by the Partnership, including through reimbursement of the General Partner or any of its Affiliates to the extent such amounts are then due and payable or as a reasonable reserve therefor.

4.4 Withholding. All payments made by the Partnership under this Agreement will be reduced by any tax or other amounts required to be withheld by the Partnership under applicable law. If the Partnership incurs any obligation to pay directly any amount in respect of taxes with respect to amounts allocated or distributed to one or more Partners, including but not limited to any "imputed underpayment" pursuant to 6225 of the Code, withholding taxes imposed on any Partner's or former Partner's share of the Partnership's gross or net income and gains (or items thereof), income taxes, proceeds from the disposition or acquisition of a Partnership interest (including any Partnership obligation imposed under Section 1446(f) of the Code), interest and penalties or additions to tax ("Tax Liability"), or if the amount of a payment or distribution of cash or other property to the Partnership is reduced as a result of withholding by other parties in satisfaction of any such Tax Liability:

(a) All payments by the Partnership in satisfaction of such Tax Liability and all reductions in the amount of a payment or distribution that the Partnership otherwise would have received

shall be treated, pursuant to this Section 4.4, as distributed to those Partners or former Partners to which the related Tax Liability is attributable, as determined by the General Partner in its sole discretion;

(b) Notwithstanding any other provision of this Agreement, subsequent distributions to the Partners shall be adjusted by the General Partner in an equitable manner so that, to the extent feasible, the burden of taxes withheld at the source or paid by the Partnership is borne by those Partners to which such Tax Liability is attributable; and

(c) The General Partner in its sole discretion may cause any amount treated pursuant to this Section 4.4 as distributed to any Partner or former Partner at any time that exceeds the amount, if any, of distributions to which such Person is then entitled under this Agreement to be treated as a loan to such Person, and the General Partner shall give prompt written Notice to such Person of the amount of such loan.

4.5 Distributions in Kind. Distributions pursuant to this Article IV may be made in cash or other assets of the Partnership, as determined by the General Partner. The General Partner may request, but no Limited Partner shall be required to give, a proxy with respect to any securities so distributed to such Limited Partner in kind. Any non-cash assets distributed to a Partner will be deemed to have been distributed in an amount equal to the fair market value of such assets, as determined by the General Partner in its sole discretion. No Limited Partner, regardless of the nature of its Capital Contribution, shall have a right to demand and receive any distribution in any form other than cash.

4.6 Delaware Act. Notwithstanding anything in this Agreement to the contrary, the Partnership shall not make any distributions pursuant to this Agreement to the extent such distribution would be prohibited under the Act or other applicable law. A Partner who receives a distribution in violation of this Section 4.6, and who knew at the time of the distribution that the distribution violated this Section 4.6, shall be liable to the Partnership for the amount of the distribution. A Partner who receives a distribution in violation of this Section 4.6, and who did not know at the time of the distribution that the distribution violated this Section 4.6, shall not be liable for the amount of the distribution.

ARTICLE V

LIMITED PARTNERS

5.1 Limited Partners Not to Participate in Management. The Limited Partners will: (a) not participate or take part in the management of the Partnership's business and affairs; (b) have no right or authority to act for or bind the Partnership; (c) have no right to call meetings of the Partners; and (d) have no approval, consent, or voting rights on any matter.

5.2 Additional Limited Partners. The General Partner can cause the Partnership to issue additional Interests and admit additional Partners on such terms and conditions as it determines to be appropriate. Any Person becoming a Partner pursuant to this Section 5.2 will be admitted to the Partnership upon its execution and delivery of such documents and contribution of such capital as the General Partner deems desirable. The issuance by the Partnership of an Interest to any new Partner or the increase of an Interest to any existing Partner shall not be subject to challenge by any existing Limited Partner.

5.3 Appraisal Rights. No Limited Partner shall have any appraisal rights with respect to its Interest (or any portion thereof) under any circumstances including circumstances in connection with (i) any amendment of this Agreement, (ii) any merger, consolidation or other business combination to which the Partnership is a party or (iii) the sale of all or substantially all of the Partnership's assets, including, without limitation, any Partnership Sale.

5.4 Death, Bankruptcy, Dissolution, etc. The death, bankruptcy, insolvency, dissolution or other cessation to exist as a legal entity of a Limited Partner shall not, in and of itself, dissolve the Partnership.

5.5 Withdrawal. No Limited Partner shall have the right to voluntarily withdraw from the Partnership unless agreed to by the General Partner in its sole discretion.

5.6 Meetings of Partners. No regular, annual, special or other meetings of Partners are required to be held.

ARTICLE VI GENERAL PARTNER; OTHER BUSINESS

6.1 Exclusivity. The General Partner has all of the rights, powers and obligations of a general partner of a limited partnership under the Act and otherwise as provided by law. Except as otherwise expressly provided in this Agreement or by law, the General Partner has the full, exclusive and complete right, power and discretion to operate, manage and control the Partnership and to make all decisions affecting Partnership affairs that the General Partner considers desirable to carry on the Partnership's business.

6.2 Officers. The General Partner shall have the authority to appoint and terminate officers of the Partnership (each, an "Officer") and retain and terminate employees, agents and consultants of the Partnership, at the Partnership's expense, and to delegate such duties to any such officers, employees, agents and consultants as the General Partner deems desirable, including the power, acting individually or jointly, to represent and bind the Partnership in all matters, in accordance with the scope of their respective duties.

6.3 Partnership Representative. The General Partner will cause to be prepared and filed all necessary federal, state, local and foreign income, franchise, gross, receipts, payroll and other tax returns for the Partnership. The "partnership representative" of the Partnership within the meaning of Section 6223 of the Code (the "Partnership Representative") will be selected by the General Partner. The General Partner is authorized to take (or cause the Partnership to take) such other actions as may be necessary pursuant to the Treasury Regulations or other guidance to cause any Person selected by the General Partner to be designated as the Partnership Representative and each Limited Partner agrees to consent to such designation to the extent requested by the General Partner. The Partnership Representative is authorized and required to represent the Partnership (at the Partnership's expense) in connection with all examinations of the Partnership's affairs by tax authorities, including administrative and judicial proceedings, and to expend Partnership funds for professional services and costs associated therewith. The Partnership Representative shall have the authority and responsibility to arrange for the preparation of, and timely file, the Partnership's tax returns, and may make any elections under Sections 6225 or

6226 of the Code in respect of certain matters related to any audit adjustments of the Partnership. Each Limited Partner further agrees that (i) such Limited Partner will not treat any Partnership item inconsistently on such Limited Partner's U.S. income tax return with the treatment of the item on the Partnership's U.S. income tax return (and such Limited Partner will not take any position on a foreign tax return that is inconsistent with the Partnership's position in such jurisdiction) and (ii) such Limited Partner will not independently act with respect to tax audits or tax litigation affecting the Partnership, unless previously authorized to do so in writing by the Partnership Representative, which authorization may be withheld by the Partnership Representative in its sole discretion.

6.4 Exercise of Discretion. Any action or determination permitted or required to be taken or made by the General Partner will be taken or made by the General Partner (if at all) in its sole and absolute discretion.

6.5 General Partner Not Liable for Return of Capital Contributions. None of the General Partner or any of its Affiliates shall be liable for the return of the Capital Contributions of any Limited Partner, or for the distribution or any other amounts due and owing by the Partnership to any Limited Partner, and such return or other distribution shall be made (if at all) solely from the assets of the Partnership in accordance with the express terms of this Agreement, and each Limited Partner hereby waives, to the fullest extent permitted by law, any and all claims that he, she or it may have against the General Partner and its Affiliates in this regard.

6.6 Bank Accounts. The General Partner may from time to time open bank accounts in the name of the Partnership, and to designate any Person to be the sole signatory or signatories thereon.

6.7 Resignation; Removal. The General Partner may resign at any time by giving written Notice to the Partnership. The resignation of the General Partner as general partner of the Partnership shall be effective upon the admission of a successor General Partner selected and appointed by a majority of the Percentage Interests of the Class A Limited Partners (determined as of the most recent Valuation Date), which admission shall occur at the time such successor General Partner executes a counterpart of this Agreement or otherwise agrees to be bound by this Agreement as General Partner. The resignation of any Person as the general partner of the Partnership shall not affect such Person's rights as a Limited Partner and shall not constitute a withdrawal of such Person as a Limited Partner unless such Person and the successor General Partner expressly agree otherwise. The General Partner may not be removed under any circumstances without its prior written consent.

6.8 Other Activities. The Partners and their Affiliates may engage in or possess an interest in other business ventures of every nature and description for their own account, independently or with others, including, without limitation, digital infrastructure business ventures, whether or not such other enterprises shall be in competition with any activities of the Partnership; and neither the Partnership nor the other Partners shall have any right by virtue of this Agreement in and to such independent ventures or to the income or profits derived therefrom.

6.9 Reliance by Third Parties. Persons dealing with the Partnership are entitled to rely conclusively upon a certificate of the General Partner to the effect that it is then acting as the General Partner and upon the power of the General Partner as herein set forth.

ARTICLE VII
TRANSFERABILITY OF INTERESTS

7.1 General Prohibition Against Transfer.

(a) Except as expressly permitted by Section 7.1(b), no Interest or portion thereof can be Transferred without the consent of the General Partner, which consent can be given or withheld, or made subject to such conditions as established by the General Partner, in its sole and absolute discretion. Any Transfer of an Interest made in contravention of the foregoing restriction shall be void *ab initio* and have no legal effect whatsoever.

(b) So long as the General Partner determines that such Transfer will not cause an adverse legal, tax or regulatory consequence to the Partnership or any of the Partners, the General Partner shall Consent to each Class A Limited Partner Transferring its Interest in whole or in part to any Affiliate or Estate Planning Entity of such Class A Limited Partner; provided, that:

(1) the transferor and proposed transferee execute and deliver to the General Partner a written instrument of Transfer (in form and substance satisfactory to the General Partner), which contains (A) the address and social security or taxpayer identification number of the proposed transferee (if any), (B) an agreement by the transferee, to the extent required by applicable Law, to deduct and withhold any taxes required to be withheld by the transferee including, without limitation, pursuant to Section 1445 and Section 1446 of the Code and (C) the Interests to be Transferred;

(2) the proposed transferee provides the General Partner with an appropriate, completed and executed IRS Form W-8 or Form W-9, as well as any other tax forms or information required by applicable law or deemed appropriate by the General Partner; and

(3) any costs incurred by the Partnership or the General Partner in connection with the Transfer are paid by the transferor Limited Partner or the transferee to the Partnership (whether or not such Transfer is ultimately consummated).

Any Transfer permitted under this Section 7.1(b) shall represent a Transfer of a *pro rata* portion of the Class A Limited Partner's Interest in all assets of the Partnership.

7.2 General Prohibition Against Pledge of Interest. No Interest can be pledged, hypothecated, or encumbered without the consent of the General Partner.

7.3 Drag-Along Right.

(a) In the event that the General Partner desires to consummate a Partnership Sale to an unrelated and unaffiliated third party purchaser (the "Purchaser"), then the General Partner shall have the right to require each Limited Partner to, and each Limited Partner shall, (i) if such sale is structured as a sale of Interests, Transfer, or cause to be Transferred, to the Purchaser all of the Interests held by the Limited Partners, or (ii) if such sale is structured as a merger, consolidation or sale of all or substantially all of the assets of the Partnership, waive dissenters' rights, appraisal rights or similar rights, if any, which the Limited Partners may have in connection therewith. The rights of the General Partner under this

Section 7.3 shall be exercisable by written notice delivered by the General Partner to the Limited Partners no later than 10 Business Days prior to the execution of a definitive agreement with regard to such Partnership Sale, which shall state (A) that the General Partner proposes to effect a Partnership Sale, (B) the proposed purchase price to be paid by the Purchaser pursuant to such Partnership Sale (the “Partnership Sale Consideration”) and (C) the other principal terms of such Partnership Sale.

(b) Prior to or in connection with the closing of any such proposed Partnership Sale, each Limited Partner shall execute any purchase agreement or other certificates, instruments and other agreements required to consummate the proposed Partnership Sale, including making individual representations and warranties, which shall be borne solely by such Limited Partner, and requisite indemnifications to the Purchaser; provided, however, that any indemnification obligations and liabilities owed to the Purchaser by the Limited Partners (including any escrows, holdbacks or adjustments in purchase price) shall be made on a several (but not joint) basis, *pro rata* in accordance with the portion of the aggregate consideration payable in connection with such Partnership Sale to the Limited Partners, which shall be limited, with respect to each Limited Partner, to the aggregate consideration payable to such Person in connection with such Partnership Sale; provided, that, in the case of indemnification obligations and liabilities arising as a result of a breach of a representation or warranty relating specifically to a particular Limited Partner, such indemnification shall be borne solely by such Limited Partner. At the closing of any such proposed Partnership Sale, the Limited Partners shall deliver to the Purchaser (x) such instruments of transfer as shall be reasonably requested by the Purchaser with respect to the Interests to be Transferred, against payment of the purchase price therefor in such Partnership Sale (subject to any holdbacks, escrows or adjustments in purchase price) and (y) the Limited Partners’ Interests, free and clear of any liens or encumbrances (other than those created by this Agreement or under applicable securities laws). The General Partner and Limited Partners shall each use their reasonable best efforts to obtain all other necessary consents from third parties and take such other actions as may be reasonably necessary or reasonably requested by the General Partner to consummate any Partnership Sale. Prior to consummation of a Partnership Sale, the General Partner shall prepare and deliver to the Limited Partners an allocation schedule, allocating the Partnership Sale Consideration amongst the Limited Partners (the “Partnership Sale Allocation Schedule”), which allocation as between the Class A Limited Partners and the Class B Limited Partner shall be based on the total amount that would be distributed to the Class A Limited Partners and the Class B Limited Partner if the total Partnership Sale Consideration allocable to the Partnership was distributed among the Partners pursuant to Section 4.2(b) as of the closing date of the Partnership Sale. The Partnership Sale Allocation Schedule shall be prepared in the General Partner’s good faith judgment. If and when received, the Partnership Sale Consideration shall be allocated to the Limited Partners in accordance with the Partnership Sale Allocation Schedule. The Partnership Sale Allocation Schedule shall be final and binding on all Limited Partners absent manifest error.

(c) In the event that a Partnership Sale is effectuated through a business combination (whether by way of merger, recapitalization or otherwise) or asset sale, the Partners shall take, or cause to be taken, all action, and do, or cause to be done, all things reasonably necessary, advisable or reasonably requested by the General Partner to consummate and make effective the business combination.

(d) There shall be no liability on the part of the General Partner, any of its Affiliates or the Partnership to the Limited Partners or any of their respective Affiliates if any Partnership Sale is

not consummated for any reason. For the avoidance of doubt, the determination of whether to effect a Partnership Sale in accordance with this Section 7.3 shall be in the sole and absolute discretion of the General Partner.

ARTICLE VIII DISSOLUTION, LIQUIDATION OF THE COMPANY

8.1 Dissolution. The Partnership will be dissolved at any time there are no Partners and upon the occurrence of any of the following events:

- (a) the entry of a decree of judicial dissolution of the Partnership pursuant to the Act;
- (b) a determination by the General Partner to dissolve the Partnership; or
- (c) any other event causing dissolution of the Partnership under the Act.

8.2 Liquidation and Termination.

(a) Upon dissolution of the Partnership, the Liquidator shall wind up the affairs of the Partnership as expeditiously as business circumstances allow and proceed within a reasonable period of time to sell or otherwise liquidate the assets of the Partnership and, after paying or making due provision by the setting up of reserves for all liabilities to creditors of the Partnership, distribute the assets among the Partners in accordance with the provisions for the making of distributions set forth in this Article VIII. Any Net Profits or Net Losses or other items realized in connection with the liquidation of the Partnership's assets shall be allocated among the Partners pursuant to Article IV (taking into account any distributions to be made pursuant to this Section 8.2 and, if a distribution in kind is necessary, after allocating any Net Profits or Net Losses, realized or unrealized, attributable to such distribution).

(b) No Partner shall be liable for the return of the Capital Contributions of other Partners; provided, that this provision shall not relieve any Partner of any other duty or liability it may have under this Agreement.

(c) Upon liquidation of the Partnership, all of the assets of the Partnership, or the proceeds therefrom, shall be distributed or used as follows and in the following order of priority:

- (1) for the payment of the debts and liabilities of the Partnership and the expenses of liquidation;
- (2) to the setting up of any reserves which the Liquidator may deem reasonably necessary for any contingent or unforeseen liabilities or obligations of the Partnership; and
- (3) to the Partners in accordance with Section 4.2.

(d) When the Liquidator has complied with the foregoing liquidation plan (and provided that no reserves are then being held in connection with Section 8.2(c)(2)), the Liquidator shall

execute, acknowledge and cause to be filed an instrument evidencing the cancellation of the Certificate, at which time the Partnership shall be terminated.

ARTICLE IX
LIABILITY; INDEMNIFICATION

9.1 Exculpation.

(a) None of the General Partner, Partnership Representative, their respective Affiliates or any of such Persons' respective former or current officers, directors, shareholders, partners, members, employees, agents or representatives (collectively, the "Indemnified Parties") shall be liable to the Partnership or any Partner for any loss, damage or claim incurred by reason of any action taken or omitted to be taken by such Indemnified Party in good faith reliance on the provisions of this Agreement.

(b) An Indemnified Party shall be fully protected in relying in good faith upon the records of the Partnership and upon such information, opinions, reports or statements (including financial statements and information, opinions, reports or statements as to the value or amount of the assets, liabilities, Net Profits and Net Losses of the Partnership or any facts pertinent to the existence and amount of assets from which distributions might properly be paid) of the following Persons or groups: (a) one or more officers or employees of the General Partner or its Affiliates or (b) any attorney, independent accountant, appraiser, consultant or other expert or professional employed or engaged by or on behalf of the Partnership, in each case under this clause (b), as to matters that such relying Person reasonably believes to be within such other Person's professional or expert competence. The preceding sentence shall in no way limit any Person's right to rely on information to the extent provided in the Act.

9.2 Indemnification. To the fullest extent permitted by the Act, as the same now exists or may hereafter be amended, substituted or replaced (but, in the case of any such amendment, substitution or replacement only to the extent that such amendment, substitution or replacement permits the Partnership to provide broader indemnification rights than the Act permitted the Partnership to provide prior to such amendment, substitution or replacement), the Partnership shall indemnify, hold harmless, defend, pay and reimburse each Indemnified Party against any and all losses, claims, damages, judgments, fines or liabilities, including reasonable legal fees or other expenses incurred in investigating or defending against such losses, claims, damages, judgments, fines or liabilities, and any amounts expended in settlement of any claims (collectively, "Indemnified Losses") to which such Indemnified Party may become subject by reason of: (a) any act or omission or alleged act or omission performed or omitted to be performed by such Indemnified Party on behalf of the Partnership, any Partner or any direct or indirect subsidiary of the Partnership in connection with its business; or (b) the fact that such Indemnified Party is or was acting in connection with the business of the Partnership as a Partner, any Affiliate of the foregoing or any member, stockholder, director, manager, officer, employee or agent of the foregoing Persons, or that such Indemnified Party is or was serving at the request of the General Partner as a partner, member, manager, director, officer, employee or agent of any of the Partnership's subsidiaries or Investments. The General Partner may cause the Partnership, at its expense, to purchase insurance reasonably necessary to insure the Indemnified Parties against liability hereunder.

9.3 Advancement. The Partnership shall promptly advance (or, if such advancement is not permitted by the Act, reimburse) each Indemnified Party for Indemnified Losses (as incurred) of such

Indemnified Party in connection with investigating, preparing to defend or defending any claim, lawsuit or other proceeding for which such Indemnified Party may be indemnified pursuant to this Article IX.

9.4 Non-Exclusive. The indemnification provided by Section 9.2 shall not be deemed exclusive of any other rights to indemnification to which those seeking indemnification may be entitled under any agreement or otherwise. The provisions of Section 9.2 shall continue to afford protection to each Indemnified Party regardless of whether such Indemnified Party remains in the position or capacity pursuant to which such Indemnified Party became entitled to indemnification under Section 9.2 and shall inure to the benefit of the executors, administrators, legatees and distributees of such Indemnified Party.

9.5 No Personal Liability. Any indemnification pursuant to Section 9.2 will be made only out of the assets of the Partnership (including the General Partner's right, exercisable in its sole and absolute discretion, to call for Capital Contributions) and will in no event cause any Partner to incur any personal liability in excess of its Interest nor shall it result in any liability of any Partner to any third party; provided, that each Partner shall be obligated to return any amounts distributed to it in order to fund any deficiency in the Partnership's indemnity obligations (and advancement of expenses in connection therewith) hereunder to the extent provided in Section 9.10. Nothing in this Article IX shall be construed so as to impose upon any Indemnified Party any liability in circumstances in which the liability arises from a written document the General Partner properly has entered into or caused the Partnership to enter into if the written document expressly limits liability thereon to the Partnership or expressly disclaims any liability thereunder on the part of any such Person.

9.6 Standard of Care. Whenever in this Agreement an Indemnified Party is permitted or required to make a decision (including a decision that is in such Indemnified Party's "sole and absolute discretion" or under a grant of similar authority or latitude), the Indemnified Party shall be entitled to consider only such interests and factors as such Indemnified Party desires, including its own interests, and shall have no duty or obligation to give any consideration to any interest of or factors affecting the Partnership, any Partner or any other Person. Whenever in this Agreement an Indemnified Party may be permitted or required to make a decision in "good faith," the Indemnified Party shall act under such express standard and shall not be subject to any other or different standard imposed by this Agreement or any other applicable law.

9.7 Severability. If this Article IX or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Partnership shall nevertheless indemnify and hold harmless each Indemnified Party pursuant to this Article IX to the fullest extent permitted by any applicable portion of this Article IX that shall not have been invalidated and to the fullest extent permitted by applicable law.

9.8 No Fiduciary Duties. This Agreement is not intended to, and does not, create or impose any fiduciary duty on any Indemnified Party. Furthermore, to the maximum extent not prohibited by applicable law, each of the Limited Partners and the Partnership hereby waives any and all fiduciary duties that, absent such waiver, may exist under or be implied by applicable law, and in doing so, acknowledges and agrees that the duties and obligation of each Indemnified Party to any Limited Partner or to the Partnership are only as and to the extent expressly set forth in this Agreement. The provisions of this Agreement, to the extent that they restrict or eliminate the duties and liabilities of an Indemnified Party otherwise existing at law or in equity, are agreed by the Partners to replace such other duties and

liabilities of such Indemnified Party. **ACCORDINGLY, THE LIMITED PARTNERS AND THE PARTNERSHIP AGREE THAT, TO THE FULLEST EXTENT NOT PROHIBITED BY THE ACT (I) FIDUCIARY DUTIES OF THE INDEMNIFIED PARTIES WITH RESPECT TO THE PARTNERSHIP ARE HEREBY ELIMINATED AND WAIVED AND DISCLAIMED, AND (II) DEFAULT FIDUCIARY DUTIES WILL NOT BE READ INTO THIS AGREEMENT OR OTHERWISE APPLY TO THE INDEMNIFIED PARTIES.**

9.9 Survival. The foregoing provisions of this Article IX shall survive any termination of this Agreement or the withdrawal, termination or de-affiliation of any Indemnified Party. No amendment, modification or repeal of this Article IX that adversely affects the rights of an Indemnified Party to indemnification for Indemnified Losses incurred or relating to a state of facts existing prior to such amendment, modification or repeal shall apply in such a way as to eliminate or reduce such Indemnified Party's entitlement to indemnification for such Indemnified Losses under Section 9.2 existing prior to such amendment, modification or repeal.

9.10 Return of Distributions If (a) the Partnership incurs any costs, expenses, losses, claims, damages, judgments, fines or liabilities (collectively, "Losses") related to any indemnification, contribution or similar obligations arising out of any transaction contemplated by Section 7.3, or any direct or indirect sale, Disposition or Transfer of all or any portion of any Investment (including, without limitation, indemnification required by this Agreement) and (b) the Partnership does not have adequate liquid assets to satisfy such Losses, then the General Partner may require each Limited Partner and former Limited Partner to return distributions previously made to such Limited Partner pursuant to Section 4.2 or Section 8.2(c)(3) (by payment to the Partnership), to the satisfaction, payment and settlement of any such Loss in an amount equal to the amount, if any, by which aggregate distributions to each Limited Partner pursuant to Sections 4.2 and 8.2(c)(3) would have been reduced if (x) no distributions had been made by the Partnership prior to such Loss, (y) such Loss had been allocated among the Limited Partners pursuant to Article IV and (z) thereafter, distributions had been made by the Partnership to the Limited Partners pursuant to the applicable provisions of Section 4.2 as reasonably determined by the General Partner. The Partners acknowledge and agree that (1) the intent of the calculations described in this Section 9.9 is to put the Limited Partners, as nearly as practicable, in the same economic position they would have been in had all Losses been paid by the Partnership before any distribution was made to the Limited Partners pursuant to Section 4.2 or Section 8.2(c)(3) (i.e., in "reverse order of the waterfall") ignoring for such purposes the impact on any IRR determined with respect to each Limited Partner and (2) the General Partner shall be entitled to interpret in good faith the provisions of this Agreement to make such allocations and give effect to the economic intent of this provision. Notwithstanding anything to the contrary in this Section 9.9, subject to the Act, (A) any amounts so returned by any Limited Partner will be credited to the Capital Account of such Limited Partner to the extent that any distribution to which such amounts relate was charged against such Capital Account at the time of such distribution; provided, however, that any such distributions returned to the Partnership pursuant to this Section 9.9 shall not be treated as Capital Contributions, (B) no Partner shall be required to return any distribution generated by an Investment following the third anniversary of the date such Investment was completely Disposed of by the Partnership unless, in the case of this clause (B), the General Partner has notified the Limited Partners of any contingent or actual claims on or before such third anniversary, in which case the obligation to return distributions pursuant to this Section 9.9 shall survive until such claims are resolved and (C) in connection with any Losses arising out of a transaction contemplated under Section 7.3, this Section

9.10 shall not be implemented in a manner that circumvents the requirements of Section 7.3(b) relating to how Limited Partners bear responsibility for indemnification obligations and liabilities. For purposes of this Section 9.9, an assignee of an Interest received from a Limited Partner will nevertheless be treated as a Limited Partner for the purpose of this Section 9.10.

ARTICLE X
AMENDMENTS

10.1 In General. This Agreement can be amended only in writing by the General Partner with the consent of Class A Limited Partners holding a majority of the Percentage Interests of all Class A Limited Partners (determined as of the most recent Valuation Date); provided, however, to the extent any amendment to this Agreement would disproportionately and adversely affect the Class B Limited Partner's Interest in a material respect as compared to the impact such amendment would have on the Class A Limited Partners, such amendment shall only become effective as to the Class B Limited Partner with its prior consent.

ARTICLE XI
RECORDS AND ACCOUNTING; TAX MATTERS

11.1 Records and Accounting.

(a) Fiscal Year; Taxable Year. The fiscal year and the taxable year of the Partnership will each be the calendar year.

(b) Books and Records. The books and records of the Partnership shall be kept in a manner appropriate and adequate for the Partnership's business. The Partnership shall maintain at its principal business office a copy of this Agreement and all of the other books and records required by the Act and other applicable law.

(c) Inspection. Except as otherwise expressly provided herein, unless otherwise approved by the General Partner, Limited Partners shall only be entitled to the minimum information and right to inspect the Partnership's books and records as is required by §17-305 of the Act to be provided to Partners and each Limited Partner shall be entitled to receive such information and access only if requested in writing; provided, however, that the General Partner may keep confidential from each Limited Partner, for such period of time as the General Partner deems desirable, any information that the General Partner believes (a) to be in the nature of trade secrets, (b) the disclosure of which is not in the best interests of the General Partner, the Partnership or their respective Affiliates, (c) the disclosure of which could damage the General Partner, the Partnership, their respective Affiliates or the business of any of the foregoing Persons, or (d) is required by law or by an agreement with a third party to be kept confidential. All requests for information or access shall be made in writing and shall specify the reasons for such request. The Partnership shall have 20 Business Days to respond to such request (or such longer period as may be reasonable under the circumstances given the volume or complexity of the request). The requesting Limited Partner shall reimburse the General Partner and the Partnership for all expenses incurred by the General Partner or the Partnership in order to provide such information or access (including expenses necessary to provide such information or access in a manner that is prudent in order to protect the interests of the General Partner, the Partnership or their respective Affiliates). The

Partnership shall have no obligation to generate information that does not exist nor organize information in a format that does not exist. The Partnership shall not have to respond to more than one request in any twelve month period made by the same Limited Partner. Notwithstanding the foregoing, no Limited Partner shall have any rights pursuant to this Section 11.1(c) after the date such Limited Partner ceases to be a Partner other than rights which such Limited Partner cannot waive pursuant to the Act. The Partners acknowledge and agree that they have bargained for and agreed to the provisions of this Section 11.1(c) and any other provisions of this Agreement which restrict access to information, that such provisions constitute a fundamental element of their agreement relating to the affairs of the Partnership, that such provisions limit rights of inspection otherwise available to them and that such provisions are intended to be enforceable notwithstanding any rights of inspection otherwise available under the Act or otherwise at law or in equity.

11.2 Tax Information. The Partnership will send to each Person who was a Partner at any time during a fiscal year of the Partnership, at the Partnership's expense, a report that will include all necessary information required by such Person for the preparation of its U.S. federal, state and local income tax returns.

ARTICLE XII SPECIAL POWER OF ATTORNEY

12.1 Appointment.

(a) Each Limited Partner hereby makes, constitutes and appoints the General Partner, with full power of substitution and resubstitution, its true and lawful agent and attorney-in-fact for such Limited Partner and in its name, place and stead, to sign, execute, certify, acknowledge, file and record (i) the Certificate, (ii) all instruments amending, restating or canceling the Certificate, as the same may hereafter be amended or restated, that may be appropriate, and (iii) such other agreements, instruments or documents as may be necessary or advisable (A) to reflect the exercise by the General Partner of any of the powers granted to it under this Agreement, (B) to reflect the admission to the Partnership of any Partner admitted in accordance with this Agreement or an increase in the Interests of any Partner or the withdrawal of any Partner in the manner prescribed in this Agreement, (C) all instruments that the General Partner deems appropriate to reflect a change or modification of this Agreement adopted in accordance with this Agreement and (D) that may be required of the Partnership or of the Partners by the laws of the State of Delaware or any other jurisdiction. Each Limited Partner authorizes such agent or attorney-in-fact to take any further action that such agent or attorney-in-fact shall consider necessary or advisable in connection with any of the foregoing, hereby giving such agent or attorney-in-fact full power and authority to do and perform each and every act or thing whatsoever requisite or advisable to be done in and about the foregoing as fully as such Limited Partner might or could do if personally present, and hereby ratifying and confirming all that such agent or attorney-in-fact shall lawfully do or cause to be done by virtue hereof.

(b) With respect to each Limited Partner, the foregoing power of attorney:

(1) is coupled with an interest, shall be irrevocable and shall survive the death, Disability or bankruptcy of such Limited Partner;

(2) may be exercised by the General Partner either by signing separately as attorney-in-fact for such Limited Partner or, after listing all of the Limited Partners executing an instrument, by a single signature of the General Partner acting as attorney-in-fact for all of them; and

(3) shall survive the delivery of a Transfer by such Limited Partner of the whole or any fraction of its Interest; except that, where the Transferee of the whole of such Limited Partner's Interest has been admitted to the Partnership as a Substituted Limited Partner, the power of attorney of the Transferor shall survive the delivery of such Transfer for the sole purpose of enabling the General Partner to execute, swear to, acknowledge and file any instrument necessary or appropriate to effect such substitution.

ARTICLE XIII

REPRESENTATIONS AND WARRANTIES OF THE LIMITED PARTNERS; INDEMNIFICATION

13.1 Representations and Warranties by Each Limited Partner. Each Limited Partner (except as expressly provided in this Section 13.1) hereby represents and warrants to, and agrees with, the other parties hereto, as follows:

(a) Independent Evaluation. Such Limited Partner is capable of evaluating the risks and merits of an investment in such Limited Partner's Interest and of protecting its own interests in connection with this investment. Such Limited Partner has consulted, or had the opportunity to consult, with such Limited Partner's own legal, tax and accounting advisors regarding all matters concerning an investment in the Partnership and the tax consequences of participating in the Partnership. Such Limited Partner has the financial ability to consummate the transactions contemplated by this Agreement (including the ability to fund the entire amount of all Capital Contributions required to be made by such Limited Partner under this Agreement).

(b) Securities Law Requirements. Such Limited Partner is acquiring its Interest for investment purposes for its own account only and not with a view to or for sale in connection with any distribution of all or any part of such Interest. Such Limited Partner acknowledges that its Interest has not been registered under the Securities Act or qualified under the Delaware Securities Act, Del. Code Ann. §§ 7301 et seq., as amended, or any other applicable "blue sky" laws in reliance, in part, on such Limited Partner's representations, warranties and agreements herein; such Interest constitutes "restricted securities" under the Securities Act in that such Interest will be acquired from the Partnership in a transaction not involving a public offering; and such Interest may be resold without registration under the Securities Act only in certain limited circumstances. Without limiting the representations and warranties set forth above, and without limiting the terms of Article VII, such Limited Partner will not make any Transfer of all or any part of its Interest that will result in the violation by such Limited Partner or by the Partnership of the Act, the Securities Act or any other applicable securities or other laws.

(c) Tax Consequences. Such Limited Partner acknowledges that the tax consequences to it of investing in the Partnership will depend on such Limited Partner's particular circumstances, and neither the Partnership nor the other Partners, nor the partners, members, managers, agents, officers, employees, consultants or Affiliates of any of them, will be responsible or liable for the tax consequences to such Limited Partner resulting from its investment in the Partnership. Such Limited Partner will look

solely to, and rely solely upon, such Limited Partner's own advisers with respect to the tax consequences of this investment.

(d) No Assurance of Tax Benefits. Such Limited Partner acknowledges that there can be no assurance that the Code, the Treasury Regulations promulgated thereunder or any other applicable laws will not be amended or interpreted in the future in such a manner so as to deprive the Partnership and/or the Partners of some or all of the tax benefits they might now receive, or that some of the deductions claimed by the Partnership or the allocations of items of income, gain, loss, deduction or credit among the Partners may not be challenged by the U.S. Internal Revenue Service or other applicable taxing authorities.

(e) Authorization. Such Limited Partner has all requisite capacity, power and authority to execute and deliver this Agreement. This Agreement constitutes a valid and binding obligation of such Limited Partner, enforceable against such Limited Partner in accordance with its terms. Such Limited Partner's execution and delivery of this Agreement and the performance of the transactions contemplated hereby will not violate any applicable laws or any order, judgment or decree of any governmental, regulatory or self-regulatory authority applicable to such Limited Partner or any of its properties or assets.

(f) No Conflicts. Such Limited Partner is not, and upon the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby will not be, in violation of any term of any employment contract, proprietary information agreement, noncompetition agreement, nonsolicitation agreement, confidentiality agreement or any other similar contract or any restrictive covenant relating to the right of any such Limited Partner to be employed or engaged by, or to be invested in, the Partnership because of the nature of the business conducted or to be conducted by the Partnership.

(g) No Litigation. There are no claims pending or, to the best knowledge of such Limited Partner, threatened against such Limited Partner which could have an adverse effect on (i) such Limited Partner's ability to fulfill his or her obligations under this Agreement or (ii) the validity of this Agreement or any transaction contemplated hereby.

(h) Reaffirmation. Each Limited Partner shall be deemed to reaffirm each of these representations and warranties upon the making of each Capital Contribution by such Limited Partner to the Partnership.

ARTICLE XIV

MISCELLANEOUS

14.1 Title to Partnership Property. All property owned by the Partnership, whether real or personal, tangible or intangible, shall be deemed to be owned by the Partnership as an entity, and no Partner, individually, shall have any ownership of such property. The Partnership may hold any of its assets in its own name or in the name of a nominee, which nominee may be one or more individuals, corporations, partnerships, trusts or other entities; provided, however, that such nominee shall be at the direction of the Partnership.

14.2 Validity. Each provision of this Agreement shall be considered separate and, if for any reason, any provision(s) which is not essential to the effectuation of the basic purposes of this Agreement is determined to be invalid, illegal or unenforceable, such invalidity, illegality or unenforceability shall not impair the operation of or affect those provisions of this Agreement which are otherwise valid. To the extent legally permissible, the parties shall substitute for the invalid, illegal or unenforceable provision a provision with a substantially similar economic effect and intent.

14.3 Governing Law. This Agreement, and the application or interpretation thereof, shall be governed exclusively by its terms and by the laws of the State of Delaware, excluding the conflict of laws provisions thereof. **TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES ALL RIGHT OF TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, ARISING OUT OF OR RELATED TO THIS AGREEMENT OR ANY MATTER ARISING HEREUNDER.**

14.4 Binding Agreement. This Agreement and all terms, provisions and conditions hereof shall be binding upon the parties hereto, and shall inure to the benefit of the parties hereto and, except as otherwise provided herein, to their respective heirs, executors, personal representatives, successors and lawful assigns.

14.5 Waiver of Action for Partition. Each of the parties hereto irrevocably waives during the term of the Partnership any right that it may have to maintain any action for partition with respect to any property of the Partnership.

14.6 Record of Limited Partners. The General Partner shall maintain at its office a record showing the names and addresses of all the Limited Partners. All Partners and their duly authorized representatives shall have the right to inspect such record.

14.7 Headings. All section headings in this Agreement are for convenience of reference only and are not intended to qualify the meaning of any section.

14.8 Terminology. All personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, shall include all other genders, the singular shall include the plural, and vice versa, as the context may require.

14.9 Counterparts. This Agreement may be executed in several counterparts and via facsimile or other electronic means, and all so executed shall constitute one Agreement, binding on all of the parties hereto, notwithstanding that all the parties are not signatories to the original or the same counterpart.

14.10 No Waiver. The failure of any Partner to seek redress for a violation or to insist on strict performance of, or to exercise any of its rights under, any provision of this Agreement will not constitute a waiver of any later act that would have constituted a violation of this Agreement or such Partner's ability to exercise any such right in the future unless such waiver is expressly set forth in a writing signed by the waiving Partner.

14.11 Disclaimer. The provisions of this Agreement are not intended for the benefit of any creditor or other Person (other than a Partner in such Partner's capacity as such) to whom any debts, liabilities or obligations are owed by (or who otherwise has any claim against) the Partnership or any of the Partners.

14.12 No Third Party Rights. This Agreement (other than, in respect of Indemnified Parties, Article IX) is for the sole and exclusive benefit of the General Partner and the Limited Partners, and their permitted successors and assigns. No other Person will have any rights under this Agreement, except, in respect of Indemnified Parties, under Article IX. Notwithstanding any other term of this Agreement, the consent of any Person who is not a party to this Agreement is not required for any amendment to, or variation, release, rescission or termination of, this Agreement.

14.13 Entire Agreement. This Agreement constitutes the entire agreement between the parties pertaining to the subject matter of this Agreement and fully supersedes any and all prior or contemporaneous agreements or understandings between them pertaining to that subject matter.

14.14 Services to the Partnership. The parties hereto hereby acknowledge and recognize that the Partnership has retained, and may in the future retain, the services of various Persons and professionals, including legal counsel and accountants, for the purposes of representing and providing services to the Partnership in connection with the investigation, consummation and operation of the Investments or otherwise. The parties hereby acknowledge that such Persons and professionals may have in the past represented and performed and currently and in the future may represent or perform services for the General Partner or its Affiliates. Accordingly, each party hereto consents to the representation or provision of services by such Persons and professionals to the Partnership and waives any right to claim a conflict of interest solely on the grounds of such relationship.

14.15 Confidentiality.

(a) Except as otherwise agreed by the General Partner, each Limited Partner shall maintain the confidentiality of (i) Non-Public Information, (ii) any information subject to a confidentiality agreement binding upon the General Partner or the Partnership of which such Limited Partner has written Notice and (iii) the identity of other Limited Partners and their Affiliates; provided, that each Limited Partner may disclose Non-Public Information (A) to its Affiliates, agents, professional consultants and investors upon notification to such Affiliate, agent, professional consultant or investor that such disclosure is made in confidence and shall be kept in confidence; provided, that such Limited Partner as a disclosing party shall be liable to the General Partner and the Partnership for the failure of any such Affiliates, agents, professional consultants or investors to comply with such confidentiality obligations in accordance with the terms of this Section 14.15(a), (B) to any of the Limited Partner's administrators, directors, officers, managers, employees, legal counsel or auditors (collectively, its "Service Providers"), but only in furtherance of the Partnership's business and only to the extent such Persons have a need for the information in connection with providing services to such Limited Partner; provided, that any such Service Provider shall either agree to maintain the confidentiality of the Non-Public Information in connection with the receipt thereof or shall be subject to an existing agreement or obligation (including professional responsibility standards) to the Limited Partner or the Partnership to maintain the confidentiality of such type of information or (C) after reasonable Notice to the Partnership and prior consultation with the General Partner (in each case, to the extent permitted by law) by such

Limited Partner, if, based on the written advice of legal counsel to such Limited Partner, such Limited Partner is compelled by court order or other legal process or in response to other governmentally imposed reporting or disclosure obligations including, without limitation, any act regarding the freedom of information to which it may be subject. As used in this Section 14.15(a), “Non-Public Information” means information regarding the Partnership (including information regarding any of its subsidiaries or any Investment), the General Partner or any of their respective Affiliates or any Person through which the Partnership holds any Investment, which is received by such Limited Partner pursuant to this Agreement, but does not include information that (i) was generally available to the public at the time such Limited Partner receives such information pursuant to this Agreement, (ii) subsequently becomes generally available to the public through no act or omission by such Limited Partner, its Affiliates, agents, professional consultants, investors or Service Providers or (iii) is communicated to such Limited Partner by a third party free of any obligation of confidence.

(b) Notwithstanding anything herein to the contrary, except as necessary to comply with securities laws, each Limited Partner (and each Affiliate, officer, employee, agent, professional consultant, regulator and existing investor with a contractual obligation of confidentiality to such Limited Partner) may disclose to any and all Persons, without limitation of any kind, the tax treatment and tax structure of the offering of limited partnership interests in the Partnership and all materials of any kind (including opinions or other tax analyses) that are provided to such Limited Partner relating to such tax treatment and tax structure. For this purpose, “tax structure” means any facts relevant to the federal income tax treatment of the offering but does not include information relating to the identity of the Partnership or the General Partner.

(c) Any obligation of a Limited Partner pursuant to this Section 14.15 may be waived by the General Partner in its sole discretion.

[Signature Pages Follow]

IN WITNESS WHEREOF, the Partners have executed this Agreement as of the date first above written.

GENERAL PARTNER:

COLONY VALHALLA GP, LLC

By: /s/ Justin Chang
Name: Justin Chang
Title: President

INITIAL LIMITED PARTNER:

COLONY CAPITAL ACQUISITIONS, LLC

By: /s/ Donna Hansen
Name: Donna Hansen
Title: Vice President

CLASS A LIMITED PARTNERS:

MCG ANALOG, LLC

By: /s/ Marc C. Ganzi
Name: Marc Ganzi
Title: Authorized Signatory

GANZI EXTENDED FAMILY TRUST

By: /s/ Marc C. Ganzi
Name: Marc Ganzi
Title: Trustee

[Additional Signature Page Follows]

BJJ ANALOG, LLC

By: /s/ Ben Jenkins
Name: Ben Jenkins
Title: Authorized Signatory

CLASS B LIMITED PARTNER:

VALHALLA MANAGEMENT HOLDINGS, LLC

By: /s/ Sureel Choksi
Name: Sureel Choksi
Title: Authorized Signatory

**Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Marc C. Ganzi, certify that:

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

Date: August 10, 2020

/s/ Marc C. Ganzi

Marc C. Ganzi
Chief Executive Officer and President

**Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Jacky Wu, certify that:

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

Date: August 10, 2020

/s/ Jacky Wu
Jacky Wu
Chief Financial Officer

**Certification of Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of Colony Capital, Inc. (the "Company") on Form 10-Q for the three months ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Marc C. Ganzi, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(i) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

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

Date: August 10, 2020

/s/ Marc C. Ganzi

Marc C. Ganzi
Chief Executive Officer and President

The foregoing certification is being furnished solely pursuant to 18 U.S.C §1350 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended or incorporated by reference in any registration statement of the Company filed under the Securities Act of 1933, as amended.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**Certification of Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of Colony Capital, Inc. (the "Company") on Form 10-Q for the three months ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jacky Wu, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(i) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

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

Date: August 10, 2020

/s/ Jacky Wu

Jacky Wu
Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C §1350 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended or incorporated by reference in any registration statement of the Company filed under the Securities Act of 1933, as amended.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.