

Colony Capital, Inc.
Form 10-Q
November 09, 2015
Table of Contents

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 September 30, 2015

OR

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

Commission file number 001-34456

COLONY CAPITAL, INC.

(Exact Name of Registrant as Specified in Its Charter)

Maryland

(State or Other Jurisdiction of
Incorporation or Organization)

27-0419483

(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)

2450 Broadway, 6th Floor

Santa Monica, California 90404

(Former name or former address, if changed since last report)

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

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

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

Large Accelerated Filer ✓

Accelerated Filer

“

Non-Accelerated Filer “

(Do not check if a smaller reporting company)

Smaller Reporting Company

“

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 November 5, 2015, 111,676,324 shares of the Registrant's Class A common stock and 563,987 shares of Class B common stock were outstanding.

Table of Contents

COLONY CAPITAL, INC.

TABLE OF CONTENTS

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements</u>	<u>2</u>
<u>Condensed Consolidated Balance Sheets as of September 30, 2015 (unaudited) and December 31, 2014</u>	<u>2</u>
<u>Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2015 and 2014 (unaudited)</u>	<u>4</u>
<u>Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2015 and 2014 (unaudited)</u>	<u>5</u>
<u>Condensed Consolidated Statements of Equity for the nine months ended September 30, 2015 and 2014 (unaudited)</u>	<u>6</u>
<u>Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2015 and 2014 (unaudited)</u>	<u>7</u>
<u>Notes to Condensed Consolidated Financial Statements:</u>	<u>9</u>
<u>1. Organization</u>	<u>9</u>
<u>2. Significant Accounting Policies</u>	<u>9</u>
<u>3. Combination with Colony Capital</u>	<u>13</u>
<u>4. Securitizations and Variable Interest Entities</u>	<u>15</u>
<u>5. Loans Receivable</u>	<u>17</u>
<u>6. Real Estate Assets</u>	<u>20</u>
<u>7. Investments in Unconsolidated Joint Ventures</u>	<u>21</u>
<u>8. Deferred Leasing Costs and Intangibles</u>	<u>23</u>
<u>9. Other Assets and Other Liabilities</u>	<u>25</u>
<u>10. Debt</u>	<u>26</u>
<u>11. Derivatives and Hedging</u>	<u>29</u>
<u>12. Balance Sheet Offsetting</u>	<u>31</u>
<u>13. Fair Value Measurements</u>	<u>32</u>
<u>14. Stockholders' Equity</u>	<u>34</u>
<u>15. Noncontrolling Interests</u>	<u>36</u>
<u>16. Earnings per Share</u>	<u>37</u>
<u>17. Related Party Transactions</u>	<u>38</u>
<u>18. Share-Based Compensation</u>	<u>39</u>
<u>19. Income Taxes</u>	<u>40</u>
<u>20. Commitments and Contingencies</u>	<u>41</u>
<u>21. Segment Information</u>	<u>42</u>
<u>22. Subsequent Events</u>	<u>46</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>47</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>68</u>
Item 4. <u>Controls and Procedures</u>	<u>69</u>
<u>PART II. OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	<u>70</u>
Item 1A. <u>Risk Factors</u>	<u>70</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>70</u>
Item 3. <u>Defaults Upon Senior Securities</u>	<u>70</u>
Item 4. <u>Mine Safety Disclosures</u>	<u>70</u>
Item 5. <u>Other Information</u>	<u>70</u>
Item 6. <u>Exhibits</u>	<u>71</u>

SIGNATURES

1

Table of Contents

PART I—FINANCIAL INFORMATION

ITEM 1. Financial Statements.

COLONY CAPITAL, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)

	September 30, 2015 (Unaudited)	December 31, 2014
ASSETS		
Cash	\$307,963	\$141,936
Loans receivable, net	4,048,649	2,131,134
Real estate assets, net		
Held for investment	2,686,402	1,643,997
Held for sale	355,645	—
Investments in unconsolidated joint ventures	923,712	1,646,977
Goodwill	685,068	20,000
Deferred leasing costs and intangible assets, net (including \$14,160 and \$0 held for sale intangible assets, net)	279,521	106,060
Due from affiliates	17,907	—
Other assets (including \$5,014 and \$0 held for sale)	399,743	181,744
Total assets	\$9,704,610	\$5,871,848
LIABILITIES AND EQUITY		
Liabilities:		
Line of credit	\$357,500	\$164,000
Accrued and other liabilities (including \$10,427 and \$0 held for sale)	356,639	128,119
Due to affiliates—contingent consideration	53,740	—
Due to affiliates—other	—	12,236
Dividends and distributions payable	63,017	47,537
Debt	2,892,788	1,979,665
Convertible senior notes	604,274	604,498
Total liabilities	4,327,958	2,936,055
Commitments and contingencies (Note 20)		
Equity:		
Stockholders' equity:		
Preferred stock, \$0.01 par value per share; \$625,750 and \$338,250 liquidation preference; 50,000 shares authorized; 25,030 and 13,530 shares issued and outstanding	250	135
Common stock, \$0.01 par value per share		
Class A, 449,000 shares authorized; 111,696 and 109,634 shares issued and outstanding	1,117	1,096
Class B, 1,000 shares authorized; 564 and 0 shares issued and outstanding	6	—
Additional paid-in capital	2,993,269	2,512,743
Distributions in excess of earnings	(105,127)	(68,003)
Accumulated other comprehensive loss	(12,645)	(28,491)
Total stockholders' equity	2,876,870	2,417,480
Noncontrolling interests in investment entities	2,063,654	518,313
Noncontrolling interests in Operating Company	436,128	—
Total equity	5,376,652	2,935,793
Total liabilities and equity	\$9,704,610	\$5,871,848

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

Table of Contents

COLONY CAPITAL, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)

The following table presents the assets and liabilities recorded in the condensed consolidated balance sheets attributable to securitization vehicles consolidated as variable interest entities ("VIE").

	September 30, 2015 (Unaudited)	December 31, 2014
Assets		
Loans receivable, net	\$ 1,224,206	\$ 807,761
Other assets	105,853	50,074
Total assets	\$ 1,330,059	\$ 857,835
Liabilities		
Debt	\$ 824,374	\$ 537,268
Accrued and other liabilities	91,601	38,443
Total liabilities	\$ 915,975	\$ 575,711

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

Table of Contents

COLONY CAPITAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Income				
Interest income	\$142,269	\$62,849	\$289,676	149,914
Property operating income	86,435	4,323	213,458	10,819
Equity in income of unconsolidated joint ventures	6,879	9,263	44,184	53,016
Fee income (including \$22,506, \$0, \$44,065 and \$0 from affiliates, respectively)	23,070	—	45,068	—
Other income (including \$2,054, \$258, \$4,051 and \$714 from affiliates, respectively)	4,325	847	8,108	1,303
Total income	262,978	77,282	600,494	215,052
Expenses				
Management fees (including \$0, \$1,810, \$5,897 and \$7,791 of share-based payments, respectively)	—	10,717	15,062	31,367
Investment and servicing expenses (including \$0, \$765, \$366 and \$2,114 reimbursable to affiliates, respectively)	6,804	1,500	15,383	4,129
Transaction costs	254	1,859	18,152	7,442
Interest expense	38,027	12,431	95,544	32,080
Property operating expenses	35,615	1,052	85,531	2,743
Depreciation and amortization	42,656	1,592	101,609	4,097
Provision for loan losses	26,495	—	30,937	—
Impairment of real estate assets	317	—	767	—
Compensation expense	25,734	499	54,993	1,484
Administrative expenses (including \$0, \$890, \$1,922, and \$2,300 reimbursable to affiliates, respectively)	11,154	2,186	26,731	6,367
Total expenses	187,056	31,836	444,709	89,709
Gain on sale of real estate assets, net	5,732	—	6,472	—
Gain on remeasurement of consolidated investment entities, net	—	—	41,486	—
Other (loss) gain, net	(6,491)	) 37	(8,282)	) 1,238
Income before income taxes	75,163	45,483	195,461	126,581
Income tax benefit	3,598	2,464	2,599	2,218
Net income	78,761	47,947	198,060	128,799
Net income attributable to noncontrolling interests:				
Investment entities	22,264	8,993	62,580	30,466
Operating Company	7,200	—	16,338	—
Net income attributable to Colony Capital, Inc.	49,297	38,954	119,142	98,333
Preferred dividends	12,094	6,972	30,476	17,898
Net income attributable to common stockholders	\$37,203	\$31,982	\$88,666	\$80,435
Net income per common share:				
Basic	\$0.33	\$0.30	\$0.79	\$0.86
Diluted	\$0.32	\$0.30	\$0.79	\$0.85

Weighted average number of common shares
outstanding:

Basic	111,443	104,810	110,758	92,566
Diluted	136,138	121,029	126,976	103,563
Dividends declared per common share	\$0.38	\$0.36	\$1.12	\$1.07

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

Table of Contents

COLONY CAPITAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income	\$78,761	\$47,947	\$198,060	\$128,799
Other comprehensive income (loss), net of tax:				
Equity in other comprehensive income (loss) of unconsolidated joint ventures, net	—	693	(451	) (2,928
Unrealized loss on beneficial interests in debt securities	—	—	—	(327
Net change in fair value of cash flow hedges	67	(1	) (277	) (9
Foreign currency translation adjustments:				
Foreign currency translation adjustment gain (loss)	9,018	(41,418	) 59,651	(34,869
Change in fair value of net investment hedges	9,838	22,576	(16,934	) 18,014
Net foreign currency translation adjustments	18,856	(18,842	) 42,717	(16,855
Other comprehensive income (loss)	18,923	(18,150	) 41,989	(20,119
Comprehensive income	97,684	29,797	240,049	108,680
Comprehensive income attributable to noncontrolling interests:				
Investment entities	23,530	5,868	82,247	27,758
Operating Company	10,066	—	22,814	—
Comprehensive income attributable to stockholders	\$64,088	\$23,929	\$134,988	\$80,922

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

Table of Contents

COLONY CAPITAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(In thousands)

(Unaudited)

	Preferred Stock		Common Stock		Additional	Distributions	Accumulated	Total	Noncontrolling	Noncontrolling	
	Shares	Amount	Shares	Amount	Paid-in Capital	in Excess of Earnings	Other Comprehensive Income (Loss)	Stockholders' Equity	Interests in Investment Entities	Interests in Operating Company	Total
Balance at December 31, 2013	10,080	\$ 101	76,492	\$ 765	\$ 1,701,274	\$(20,423)	\$ 2,593	\$ 1,684,310	\$ 269,917	\$—	\$ 1,954,227
Net income	—	—	—	—	—	98,333	—	98,333	30,466	—	128,799
Other comprehensive (loss) income	—	—	—	—	—	—	(17,411)	(17,411)	(2,708)	—	(20,119)
Issuance of 7.5% Series B Cumulative Redeemable Perpetual Preferred Stock	3,450	34	—	—	86,216	—	—	86,250	—	—	86,284
Issuance of common stock	—	—	32,606	326	717,544	—	—	717,870	—	—	718,196
Underwriter discount and offering costs	—	—	—	—	(3,551)	—	—	(3,551)	—	—	(3,551)
Issuance of common stock for incentive fees	—	—	21	—	464	—	—	464	—	—	464
Share-based compensation	—	—	515	5	8,087	—	—	8,092	—	—	8,102
Contributions from noncontrolling interests	—	—	—	—	—	—	—	—	81,907	—	81,907
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	(108,524)	—	(108,524)
Preferred stock dividends	—	—	—	—	—	(18,149)	—	(18,149)	—	—	(18,149)
Common stock dividends declared (\$1.07 per share)	—	—	—	—	—	(105,043)	—	(105,043)	—	—	(105,043)
Balance at September 30, 2014	13,530	\$ 135	109,634	\$ 1,096	\$ 2,510,034	\$(45,282)	\$(14,818)	\$ 2,451,165	271,058	\$—	\$ 2,726,423

Edgar Filing: Colony Capital, Inc. - Form 10-Q

Balance at December 31, 2014	13,530	\$135	109,634	\$1,096	\$2,512,743	\$(68,003)	\$(28,491)	\$2,417,480	\$518,313	\$—	\$2
Net income	—	—	—	—	—	119,142	—	119,142	62,580	16,338	19
Other comprehensive income	—	—	—	—	—	—	15,846	15,846	19,667	6,476	41
Issuance of 7.125% Series C Cumulative Redeemable Perpetual Preferred Stock	11,500	115	—	—	287,385	—	—	287,500	—	—	28
Issuance of Class A common stock	—	—	1,428	14	37,375	—	—	37,389	—	—	37
Issuance of Class B common stock	—	—	564	6	14,765	—	—	14,771	—	—	14
Issuance of units in Operating Company	—	—	—	—	—	—	—	—	—	568,794	56
Offering costs	—	—	—	—	(9,406)	—	—	(9,406)	—	—	(9
Share-based compensation	—	—	634	7	11,239	—	—	11,246	—	—	11
Consolidation of investment entities	—	—	—	—	—	—	—	—	1,700,114	—	1,
Contributions from noncontrolling interests	—	—	—	—	—	—	—	—	225,999	—	22
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	(463,019)	(16,312)	(4
Preferred stock dividends	—	—	—	—	—	(31,272)	—	(31,272)	—	—	(3
Common stock dividends declared (\$1.12 per share)	—	—	—	—	—	(124,994)	—	(124,994)	—	—	(1
Reallocation of equity of Operating Company (Note 15)	—	—	—	—	139,168	—	—	139,168	—	(139,168)	—
Balance at September 30, 2015	25,030	\$250	112,260	\$1,123	\$2,993,269	\$(105,127)	\$(12,645)	\$2,876,870	\$2,063,654	\$436,128	\$5

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

Table of Contents

COLONY CAPITAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2015	2014
Cash Flows from Operating Activities		
Net income	\$ 198,060	\$ 128,799
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of discount and net origination fees on purchased and originated loans	(18,218)	(64,282)
Paid-in-kind interest added to loan principal	(19,639)	(1,539)
Straight-line rents	(8,959)	(426)
Amortization of net above (below)-market lease values	2,560	(5)
Amortization of deferred financing costs	15,575	4,152
Equity in income of unconsolidated joint ventures	(44,184)	(53,016)
Distributions of income from unconsolidated joint ventures	54,469	60,842
Provision for loan losses	30,937	—
Impairment of real estate assets	767	—
Depreciation and amortization	101,609	4,097
Share-based compensation	11,246	8,556
Net gain on remeasurement of net assets of consolidated investment entities	(41,486)	—
Change in fair value of contingent consideration	(15,760)	—
Realized gain on sales of real estate assets	(6,472)	—
Foreign currency loss recognized on repayment of loans receivable	31,179	—
Changes in operating assets and liabilities:		
Decrease in due from affiliates	2,359	—
(Decrease) increase in other assets	968	(6,493)
Increase in accrued and other liabilities	47,493	16,782
(Decrease) increase in due to affiliates	(12,236)	2,167
Other adjustments, net	(8,111)	(33)
Net cash provided by operating activities	322,157	99,601
Cash Flows from Investing Activities		
Contributions to unconsolidated joint ventures	(339,222)	(325,617)
Distributions from unconsolidated joint ventures	340,157	118,251
Investments in purchased loans receivable, net of seller financing	(2,327)	(412,260)
Net disbursements on originated loans	(823,660)	(886,646)
Repayments of loans receivable	286,030	621,014
Cash receipts in excess of accretion on purchased credit impaired loans	361,156	—
Disbursements on acquisition of real estate assets, related intangibles and leasing commissions	(779,192)	(31,319)
Proceeds from repayment of beneficial interests in debt securities	—	28,000
Proceeds from sales of real estate assets	87,251	—
Acquisition of investment management business, net of cash acquired	(55,885)	—
Proceeds from settlement of derivative instruments	32,567	8,449
Other investing activities, net	(5,717)	(4,554)
Net cash used in investing activities	\$(898,842)	\$(884,682)

Table of Contents

COLONY CAPITAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(In thousands)

	Nine Months Ended September 30,	
	2015	2014
Cash Flows from Financing Activities		
Proceeds from issuance of preferred stock, net	\$277,945	\$83,533
Proceeds from issuance of common stock, net	—	717,870
Dividends paid to preferred stockholders	(26,151)	(16,064)
Dividends paid to common stockholders	(122,900)	(92,347)
Line of credit borrowings	954,900	861,800
Line of credit repayments	(761,400)	(1,000,300)
Proceeds from secured financing	1,314,192	217,313
Secured financing repayments	(690,346)	(89,990)
Net proceeds from issuance of convertible senior notes	—	394,592
Payment of deferred financing costs	(18,031)	(7,505)
Payment of offering costs	—	(834)
Contributions from noncontrolling interests	225,999	81,907
Distributions to noncontrolling interests	(471,066)	(108,524)
Other financing activities, net	(10,231)	(843)
Net cash provided by financing activities	672,911	1,040,608
Cash held by investment entities consolidated (Note 7)	75,412	—
Effect of exchange rates on cash	(5,611)	(911)
Net increase in cash	166,027	254,616
Cash, beginning of period	141,936	43,167
Cash, end of period	\$307,963	\$297,783
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	\$76,045	\$22,056
Cash paid for income taxes	\$1,769	\$1,528
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Dividends payable	\$63,017	\$46,908
Seller-provided secured financing on purchased loans	\$—	\$82,328
Deferred financing costs deducted from convertible debt issuance proceeds	\$—	\$10,063
Accrued and other liabilities assumed in connection with acquisitions, net of cash assumed	\$407	\$—
Interest reserve for seller financing returned to borrower upon resolution of underlying collateral loan	\$—	\$1,405
Deferred tax liability assumed in a real estate acquisition	\$29,987	\$—
Settlement of debt through issuance of units in Operating Company	\$10,000	\$—
Issuance of common stock for acquisition of investment management business	\$52,160	\$—
Issuance of units in Operating Company for acquisition of investment management business	\$558,794	\$—
Net assets of investment entities consolidated, net of cash assumed (Note 7)	\$2,637,278	\$—

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

Table of Contents

COLONY CAPITAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2015

(Unaudited)

1. Organization

Colony Capital, Inc. (prior to April 2, 2015, Colony Financial, Inc.) (the "Company") was organized on June 23, 2009 as a Maryland corporation. The Company is a leading global real estate and investment management firm that targets attractive risk-adjusted investment returns. Its portfolio is primarily composed of: (i) general partner interests in Company-sponsored private equity funds and vehicles; (ii) real estate equity; and (iii) real estate and real estate-related debt. The Company has elected to be taxed as a real estate investment trust ("REIT") under the Internal Revenue Code, for U.S. federal income tax purposes.

Prior to April 2, 2015, the Company was externally managed and advised by Colony Financial Manager, LLC (the "Manager"), which was a wholly-owned subsidiary of Colony Capital, LLC ("CCLLC"), a privately held global real estate investment firm. On April 2, 2015, Colony Capital Operating Company, LLC ("Operating Company" or "OP"), an operating subsidiary of the Company, acquired substantially all of the real estate investment management business and operations of CCLLC (the "Combination") and the Company became a self-managed REIT. The Company will use the Colony name as general partner to sponsor new investment vehicles. Details of the Combination are described more fully in Note 3.

In connection with the Combination, the Company reorganized into an umbrella partnership real estate investment trust ("UPREIT"). As part of the restructuring, the Company contributed to OP and its subsidiaries substantially all of the Company's other subsidiaries, assets and liabilities, other than certain indebtedness, in exchange for membership interests in OP ("OP Units"). Following the Combination, OP conducts all of the activities and owns substantially all of the assets and liabilities of the combined business.

2. Significant Accounting Policies

These interim financial statements include the Company's significant accounting policies as well as new accounting policies adopted upon the Combination. The accounting policies of the Company's unconsolidated joint 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, 2015 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 the Company's Annual Report on Form 10-K for the year ended December 31, 2014, as amended.

Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of the Company and its controlled subsidiaries. All significant intercompany accounts and transactions have been eliminated. The portions of the equity, net income and other comprehensive income of consolidated subsidiaries that are not attributable to the parent are presented separately as amounts attributable to noncontrolling interests in the consolidated financial statements.

The Company consolidates entities that meet the definition of a VIE for which the Company is deemed to be the primary beneficiary or otherwise, entities in which the Company controls through a majority voting interest. For entities in which the Company has a variable interest, the Company determines if the entity is a VIE by considering whether the entity's equity investment at risk is sufficient to finance its activities without additional subordinated financial support and whether the entity's at-risk equity holders have the characteristics of a controlling financial interest. Fees paid to the Company that are commensurate with both services provided and prevailing market

rates for such services are generally not, in and of themselves, considered variable interests and are excluded from assessment of the Company's economic exposure to a VIE. In performing the analysis of whether the Company is the primary beneficiary of a VIE, the Company considers whether it individually has the power to direct the activities of the VIE that most significantly affect the entity's performance

Table of Contents

and also has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. The Company also considers interests held by its related parties, including de facto agents, specifically interests in the VIE held by related parties under common control and the Company's indirect exposure to the VIE through its interests in other related parties on a proportionate basis. 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 its analysis, the Company considers both qualitative and quantitative factors, including, but not limited to: the amount and characteristics of its investment relative to other investors; the Company's and the other investors' 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 other investors 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 other investors. The determination of whether an entity is a VIE, and whether the Company is the primary beneficiary, involves significant judgment, including the determination of which activities most significantly affect the entities' performance, and estimates about the current and future fair values and performance of assets held by the VIE.

At each reporting period, the Company reassesses the status of an entity as a VIE and the determination of the Company as the primary beneficiary, or otherwise, if there is a change to the Company's ability to control through majority voting interest. Changes in consolidation status are applied prospectively. A business 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. The Company may also deconsolidate a subsidiary as a result of this reassessment, which may result in a gain or loss recognized upon deconsolidation depending on the carrying values of deconsolidated assets and liabilities compared to the fair value of any retained interests.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Business Combinations

The Company evaluates each purchase transaction to determine whether the acquired assets meet the definition of a business. Net cash paid to acquire a business or assets is classified as investing activities on the accompanying statements of cash flows.

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

For acquisitions that are not deemed to be businesses, the assets acquired are recognized based on their cost to the Company as the acquirer and no gain or loss is recognized unless the fair value of non-cash assets given as consideration differs from the carrying amount of the assets acquired. The cost of assets acquired in a group is allocated to individual assets within the group based on their relative fair values and does not give rise to goodwill. Transaction costs related to acquisition of assets are included in the cost basis of the assets acquired.

Contingent consideration is classified as an asset, liability, or equity, as applicable. Contingent consideration in connection with the acquisition of a business is measured at fair value on acquisition date, and unless classified as equity, is remeasured at fair value each reporting period thereafter until the consideration is settled, with changes in fair value included in net income. For contingent consideration in connection with the acquisition of assets, subsequent changes to the recorded amount are adjusted against the cost of acquisition.

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

Table of Contents

Intangibles

In a business combination, the Company recognizes identifiable intangibles that meet either the contractual-legal criterion or the separability criterion. Indefinite-lived intangibles are not subject to amortization until such time that its useful life is determined to no longer be indefinite, at which point, it will be assessed for impairment and its adjusted carrying amount amortized over its remaining useful life. Finite-lived intangibles are amortized over their useful life in a manner that reflects the pattern in which the intangible is being consumed if readily determinable such as expected cash flows, otherwise on a straight-line basis. The useful life of all identified intangibles will be periodically reassessed and if useful life changes, the carrying amount of the intangible will be amortized prospectively over the revised useful life. Finite-lived intangibles will be periodically reviewed for impairment and an impairment loss will be recognized if the carrying amount of the intangible is not recoverable and exceeds its fair value. Once recognized an impairment loss is not subject to subsequent reversal.

Identifiable intangibles recognized in acquisitions of operating real estate properties generally include in-place leases, above- or below-market leases and deferred leasing costs.

In-place leases generate value over and above the tangible real estate because a property that is occupied with leased space is typically worth more than a vacant building without an operating lease contract in place. The estimated fair value of acquired in-place leases is derived based on management's assessment of lost rental income and tenant reimbursements that would be incurred to lease a hypothetically vacant building to its actual existing occupancy level on the valuation date. The net amount recorded for acquired in-place leases is included in intangible assets and amortized on a straight-line basis as an increase to depreciation and amortization expense over the remaining term of the applicable leases.

The estimated fair value of the above- or below-market component of acquired leases represents the present value of the difference between contractual rents of acquired leases and market rents at the time of the acquisition for the remaining lease term, discounted for tenant credit risks. Above- or below-market operating lease values are amortized on a straight-line basis as a decrease or increase to rental income, respectively, over the applicable lease terms. Above- or below-market ground lease obligations are amortized on a straight-line basis as a decrease or increase to rent expense, respectively, over the applicable lease terms.

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

Goodwill is an unidentifiable intangible asset and recognized as a residual, generally measured as the excess of consideration transferred in a business combination over the identifiable assets acquired and liabilities assumed, including any noncontrolling interest in the acquiree. Goodwill is assigned to reporting units that are expected to benefit from the synergies of the business combination. Goodwill is tested for impairment at the reporting units to which it is assigned at least on an annual basis, or more frequently if events or changes in circumstances occur that would more likely than not reduce the fair value of a reporting unit below its carrying value. Goodwill impairment tests require judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units, and determination of the fair value of each reporting unit.

Fixed Assets

Fixed assets of the Company are presented within other assets and carried at cost less accumulated depreciation and amortization. Depreciation and amortization is recognized on a straight-line basis over the estimated useful life of the assets which range between 3 to 5 years for furniture, fixtures, equipment and capitalized software, 15 years for aircraft and over the shorter of the lease term or useful life for leasehold improvements.

Fee Income

Fee income consists of base management fees, asset management fees, advisory fees and servicing fees.

The Company earns base management fees for the day-to-day operations and administration of its managed funds, generally as a percentage of the limited partners' committed capital or net funded capital. Base management fees are recognized over the period in which the related services are performed in accordance with contractual terms of the underlying management and advisory agreements. Base management fees are generally accrued from the date of the

first closing of commitments or the first investment of the fund through the last day of the term of the fund.

The Company may receive a one-time asset management fee upon closing of each investment made by its managed funds. In accordance with contractual terms of the underlying management and advisory agreements, a portion of asset management fees is recognized upon completion of initial underwriting, with remaining fees deferred and recognized over the holding period of each investment in which the related services are performed for each investment. Asset management fees are calculated as a fixed percentage of the limited partners' net funded capital on each investment.

Table of Contents

The Company provides investment advisory services for real estate acquisitions to an unaffiliated party and receives a one-time advisory fee upon closing of the investment, calculated as a fixed percentage of the cost of investment. The earnings process is complete upon closing of an investment, at which time, advisory fees are recognized in full. The Company has no obligation to provide further services subsequent to closing of an investment and does not earn fees on unconsummated transactions.

Certain subsidiaries of the Company (each an asset management company or "AMC") were established to service and manage loan portfolios, including foreclosed properties, held by the Company's real estate investment entities for a servicing fee equal to a percentage of the outstanding unpaid principal balance of each loan portfolio. Servicing fees earned from investment entities that are consolidated by the Company are eliminated upon consolidation.

Hotel Operating Income

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

Other Income

Other income includes expense recoveries from borrowers and cost reimbursements from affiliates.

Expenses, primarily legal costs incurred in administering non-performing loans and foreclosed properties held by investment entities, may be subsequently recovered through payments received when these investments are resolved.

The Company recognizes income when the cost recoveries are determinable and repayment is assured.

Based on an arrangement assumed from the Manager through the Combination, the Company provides administrative services to certain of its affiliates, including property management on behalf of the Company's real estate investment entities. The Company is entitled to receive reimbursements of expenses incurred, generally based on expenses incurred that are directly attributable to the affiliates and/or a portion of overhead costs. The Company acts in the capacity of a principal under these arrangements. Accordingly, the Company records the expenses and corresponding reimbursement income on a gross basis in the period administrative services are rendered and costs are incurred.

Compensation

Compensation comprises salaries, bonus including discretionary awards and contractual amounts for certain senior executives, as well as benefits. Bonus is accrued over the employment period to which it relates.

Share-Based Compensation

Equity classified share-based awards that are granted to employees are measured at fair value at date of grant and remeasured at fair value only upon a modification to the terms of the award, while share-based awards granted to non-employees are remeasured at fair value at the end of each reporting period until the award is fully vested. Fair value is determined based on the closing price of the Company's listed Class A common stock at date of grant or remeasurement. The Company recognizes compensation expense on a straight-line basis over the requisite service period of the award, with the amount of compensation expense recognized at the end of any reporting period at least equal to the fair value of the portion of the award that has vested through that date. An expected forfeiture rate estimated based upon the Company's historical experience is applied against compensation expense during the year and adjusted for actual forfeitures at year end.

Gain on Remeasurement of Consolidated Investment Entities, Net

Gain on remeasurement of consolidated investment entities, net is the fair value remeasurement of the Company's proportional share of investments in joint ventures which were consolidated upon a reconsideration event in connection with the Combination (Note 7), net of cumulative translation adjustments reclassified to earnings.

Other Gain, Net

Other gain, net includes fair value changes related to derivatives not designated as accounting hedges, fair value changes on the contingent consideration arising from the Combination and gain (loss) from remeasurement of foreign currency transactions and translation of foreign currency balances.

Foreign Currency Translation

The Company translates the assets and liabilities of its non-U.S. dollar functional currency investments and subsidiaries into U.S. dollars using exchange rates in effect at the balance sheet date. Income and expenses from these investments and subsidiaries are translated at the average rate of exchange prevailing during the period such income was earned or expenses were incurred. Translation adjustments resulting from changes in exchange rates are recorded

as other comprehensive income

12

Table of Contents

or loss. Accumulated other comprehensive income or loss from foreign currency translation from such investments and subsidiaries is recognized upon sale or upon complete or substantially complete liquidation of the underlying investment in a foreign entity, and is included in other gain or loss in the accompanying statements of operations. When the Company sells part of its ownership interest in an equity method investment in a foreign entity, a proportionate share of the accumulated translation adjustment associated with the investment is reclassified into earnings. For purposes of presenting required disclosures of amounts to be recorded in the future as of balance sheet date, the Company uses the exchange rate in effect at the balance sheet date to translate such amounts that are denominated in foreign currencies.

Reclassification

Certain prior period amounts on the condensed consolidated statement of operations have been reclassified to conform to current period presentation.

Prepayment fees and accelerated amortization of origination fees or purchase discounts resulting from early repayments of loans receivable have been included in interest income as these amounts represent additional yields on the Company's investments in loans and the occurrence of an early repayment resulted only in an acceleration of interest income recognized. Such amounts had been previously presented as realized gain or loss on resolution of loans receivable.

Recent Accounting Updates

Revenue Recognition—In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers, which amended the existing accounting standards for revenue recognition. ASU 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, at an amount reflecting the consideration a company expects to receive in exchange for those goods or services. ASU 2014-09 may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect as of the date of initial application recognized in retained earnings. ASU 2014-09 is effective for fiscal years and interim periods beginning after December 15, 2016. Early adoption is not permitted. In July 2015, the FASB deferred the effective date of the new standard by one year to fiscal years and interim periods beginning after December 15, 2017. Early adoption is permitted but not before the original effective date. The Company is currently evaluating the potential impact of adopting this new guidance on its consolidated financial statements.

Consolidation—In February 2015, the FASB issued ASU No. 2015-02, Consolidation: Amendments to the Consolidation Analysis, which amended the existing accounting standards for consolidation under both the variable interest model and the voting model. Under ASU No. 2015-02, companies will need to re-evaluate whether an entity meets the criteria to be considered a VIE, whether companies still meet the definition of primary beneficiaries, and whether an entity needs to be consolidated under the voting model. ASU No. 2015-02 may be applied using a modified retrospective or full retrospective approach, and is effective for reporting periods beginning after December 15, 2015. Early adoption is permitted in any interim reporting period. On April 1, 2015, the Company adopted ASU No. 2015-02 on a full retrospective basis and re-evaluated its consolidation assessment, concluding that such adoption did not result in a consolidation of entities not previously consolidated nor a deconsolidation of entities previously consolidated.

Debt Issuance Costs—In April 2015, the FASB issued ASU No. 2015-03, Simplifying the Presentation of Debt Issuance Costs, which requires debt issuance costs to be presented on the balance sheet as a direct deduction from the associated debt liability, rather than deferring the charges as an asset. This aligns the presentation of debt issuance costs and debt discounts on the balance sheet. ASU No. 2015-03 is effective for fiscal years and interim periods beginning after December 15, 2015, and will be applied retrospectively to each prior period presented. Early adoption is permitted. The Company will comply with the new presentation requirements upon adoption.

Measurement-Period Adjustments in Business Combinations—In September 2015, the FASB issued ASU No. 2015-16, Simplifying the Accounting for Measurement-Period Adjustments, which requires that the cumulative impact of a measurement-period adjustment (including impact on prior periods) be recognized in the reporting period in which the adjustment amount is determined and therefore, eliminates the requirement to retrospectively account for the adjustment in prior periods presented. ASU No. 2015-16 is effective for fiscal years and interim periods beginning

after December 15, 2015, and is to be applied prospectively to measurement-period adjustments that occur after the effective date. Early adoption is permitted. The Company will comply with the new guidance upon adoption.

Table of Contents

3. Combination with Colony Capital

On April 2, 2015, pursuant to agreements dated December 23, 2014, OP completed its acquisition of the CCLLC trademark name and substantially all of its real estate investment management business and operations, excluding those conducted exclusively in connection with Colony American Homes, Inc. (“CAH”), which is now an internally managed company. The Combination was subject to approval of two-thirds of the Company’s non-affiliated shareholders, which was received at a special meeting of shareholders held on March 31, 2015.

Upon consummation of the Combination, CCLLC's personnel became employees of the Company and the Company became an internally managed REIT. The Company plans to sponsor new investment vehicles as general partner under the Colony name. In addition, the Company changed its name from Colony Financial, Inc. to Colony Capital, Inc. The Company’s common stock, which was reclassified as Class A Common Stock, continues to be listed on the NYSE under the ticker symbol “CLNY.”

Mr. Thomas J. Barrack, Jr., Executive Chairman, and Mr. Richard B. Saltzman, Chief Executive Officer and President, have entered into 5-year employment agreements and related lock-up arrangements with the Company, which, subject to certain exceptions for estate planning, partial share pledges and tax-related sales, will generally restrict them from transferring their respective interests in OP Units and/or shares received in connection with the Combination over the same period as their respective employment agreement terms, which restriction would be ratably reduced over such period. Messrs. Barrack and Saltzman also have entered into non-competition arrangements with the Company, each of which will provide for clawback as to a material portion of consideration in the event such individuals violate the non-compete restrictions during the same period as their respective lock-ups. The employment agreements, and related lock-ups and non-competition arrangements became effective at the closing of the Combination.

The consideration for the Combination consisted of an upfront and a contingent portion, as follows:

Upfront consideration paid in a combination of 1.43 million shares of Class A Common Stock, 563,987 shares of newly created Class B Common Stock and 21.34 million of OP Units, measured based upon the closing price of the Company’s common stock of \$26.19 on April 1, 2015, as well as \$60.9 million of cash payments made for working capital, transaction costs incurred on behalf of CCLLC and tax withholding on behalf of Mr. Saltzman. The aggregate upfront consideration was valued at \$671.9 million.

Contingent consideration to be paid in a combination of up to approximately 1.02 million shares of Class A Common Stock, 90,991 shares of Class B Common Stock and approximately 3.47 million OP Units, subject to multi-year performance targets for achievement of certain funds from operations per share targets and capital-raising thresholds from the funds management businesses. If the minimum performance target for either of these metrics is not met or exceeded, a portion of the contingent consideration paid in respect of the other metric would not be paid out in full. Each share of Class B Common Stock and each OP Unit will be, at the holder’s option, convertible into one share of Class A Common Stock, subject, in the case of OP Units, to the terms and conditions set forth in the operating agreement of OP.

The following is a summary of the consideration transferred, assets acquired and liabilities assumed on date of acquisition. See Note 8 for further discussions around intangible assets identified, including goodwill, and Note 13 for fair value measurement of contingent consideration.

Table of Contents

(In thousands)

Consideration transferred	
Cash paid	\$60,900
Class A and Class B common stock issued	52,160
OP Units issued	558,794
Estimated fair value of contingent consideration ⁽¹⁾	69,500
	\$741,354
Identifiable assets acquired and liabilities assumed ⁽²⁾	
Cash	\$5,015
Fixed assets	46,396
Other assets	23,039
Intangible asset:	
Investment management contracts	46,000
Customer relationships	46,800
Trade name	15,500
Notes payable	(44,337)
Deferred tax liability	(43,673)
Other liabilities	(18,454)
	76,286
Goodwill	665,068
	\$741,354

(1) Estimated fair value of the contingent consideration is subject to remeasurement each reporting period, as discussed in Note 13.

The estimated fair values and purchase price allocation are subject to retrospective adjustment during the (2) measurement period, not to exceed one year, based upon new information obtained about facts and circumstances that existed as of the date of acquisition.

Total income and net income attributable to Colony Capital, Inc. from the investment management segment, as included in the condensed consolidated statement of operations were \$22.7 million and \$7.3 million, respectively, for the three months ended September 30, 2015, and \$44.5 million and \$13.3 million, respectively, for the nine months ended September 30, 2015.

The following table presents pro forma results of the Company as if the Combination had been consummated on January 1, 2014. The amounts have been calculated pursuant to the application of the Company's accounting policies and adjusting the results of CCLLC's operations to reflect additional compensation expense, depreciation and amortization, income tax, and after eliminating intercompany transactions of the combined entities and allocation of net income to OP Units. The pro forma results for the nine months ended September 30, 2015 were adjusted to exclude acquisition-related expenses of approximately \$15.1 million. The unaudited pro forma results are not indicative of future operating results.

	Nine Months Ended September 30,	
(In thousands, except per share data)	2015	2014
Pro forma total income	\$631,593	\$300,641
Pro forma net income attributable to Colony Capital, Inc.	135,372	86,545
Pro forma net income attributable to common stockholders	104,896	68,647
Pro forma net income per common share:		
Basic	\$0.93	\$0.71
Diluted	\$0.91	\$0.71

4. Securitizations and Variable Interest Entities

The Company consolidates VIEs for which it is deemed to be the primary beneficiary.

Securitizations

The Company securitizes loans receivable using VIEs as a source of financing. Securitization usually occurs in conjunction with or shortly after the Company's origination or purchase of the commercial mortgage loans. The securitization vehicles are structured as pass through entities that receive principal and interest on the underlying mortgage loan collateral and distribute those payments to the holders of the notes or certificates issued by the securitization vehicles. The loans are transferred into securitization vehicles such that these assets are restricted and legally isolated from the creditors of the

Table of Contents

Company, and therefore are not available to satisfy the Company's obligations but only obligations of the securitization vehicles. The obligations of the securitization vehicles do not have any recourse to the general credit of any other consolidated entities, nor to the Company.

The Company retains beneficial interests in the securitization vehicles, usually equity tranches or subordinate securities, or in the interim period, senior securities. Affiliates of the Company or appointed third parties act as special servicer of the underlying collateral mortgage loans. The special servicer has the power to direct activities during the loan workout process on defaulted and delinquent loans as permitted by the underlying contractual agreements, which is subject to the consent of the Company, as the controlling class representative or directing holder who, under certain circumstances, has the right to unilaterally remove the special servicer.

The Company's continued involvement in the securitization vehicles as directing holder and controlling class representative allows the Company to maintain effective control over the loans transferred into the securitization trusts. Accordingly, these securitizations did not qualify as sale transactions and are accounted for as secured financing with the underlying mortgage loans pledged as collateral.

As the Company's rights as the directing holder and controlling class representative provide the Company the ability to direct activities that most significantly impact the economic performance of the securitization vehicles, the Company is determined to be the primary beneficiary of the securitization vehicles. All of the underlying assets, liabilities, equity, revenue and expenses of the securitization vehicles are consolidated into the Company's condensed consolidated financial statements. The Company's exposure to the obligations of the securitization vehicles is generally limited to its investment in these entities. The Company is not obligated to provide any financial support to these securitization vehicles and did not do so in the periods reported. As such, the risk associated with the Company's involvement in the securitization vehicles is limited to the carrying value of its investment in these entities.

The secured financing is presented as debt and the underlying loan collateral as loans receivable, net on the condensed consolidated balance sheets attributable to securitization vehicles consolidated as VIEs. The carrying value of the Company's investment in the securitization vehicles was \$414.1 million at September 30, 2015 and \$282.1 million at December 31, 2014.

Other Variable Interest Entities

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

Table of Contents

5. Loans Receivable

Below is a summary of the Company's loans receivable, including purchased credit-impaired ("PCI") loans. Carrying amount of loans receivable are presented gross of allowance for loan losses, except where indicated as net.

	September 30, 2015				December 31, 2014			
(Amounts in thousands)	Unpaid Principal Balance	Carrying Amount	Weighted Average Coupon	Weighted Average Maturity in Years	Unpaid Principal Balance	Carrying Amount	Weighted Average Coupon	Weighted Average Maturity in Years
Non-PCI Loans								
Fixed rate								
Mortgage loans	\$828,061	\$822,596	9.9%	4.1	\$134,636	\$126,185	6.4%	8.7
Securitized mortgage loans	139,793	143,043	6.4%	17.1	170,218	174,292	6.5%	17.1
B-notes	143,819	145,859	10.0%	3.2	143,376	140,312	8.5%	3.2
Mezzanine loans	174,198	176,733	11.9%	3.3	125,163	125,163	10.3%	4.6
	1,285,871	1,288,231			573,393	565,952		
Variable rate								
Mortgage loans	517,347	515,128	8.0%	1.6	331,192	326,491	6.9%	1.9
Securitized mortgage loans	1,078,694	1,073,934	5.5%	3.7	630,420	625,176	5.7%	6.2
Mezzanine loans	362,625	361,474	10.8%	0.9	367,863	365,825	10.9%	1.5
	1,958,666	1,950,536			1,329,475	1,317,492		
	3,244,537	3,238,767			1,902,868	1,883,444		
PCI Loans								
Mortgage loans	1,280,329	833,357			334,500	239,702		
Securitized mortgage loans	8,928	7,366			9,672	8,185		
	1,289,257	840,723			344,172	247,887		
Allowance for loan losses		(30,841)				(197)		
Total loans receivable, net	\$4,533,794	\$4,048,649			\$2,247,040	\$2,131,134		

Activity in loans receivable, net is summarized below:

(In thousands)	Nine Months Ended September 30,	
	2015	2014
Carrying amount, net at January 1	\$2,131,134	\$1,028,654
Loan acquisitions and originations	926,659	1,381,234
Paid-in-kind interest added to loan principal	19,639	1,539
Discount and net loan fee amortization	119,631	62,512
Loan repayments	(285,530)	(612,925)
Payments received from PCI loans	(463,069)	(6,319)
Transfer to real estate asset upon foreclosure	(4,489)	—
Provision for loan losses, excluding interest receivable	(30,716)	—
Consolidation of loans receivable held by investment entities (Note 7)	1,629,496	—
Effect of changes in foreign exchange rates	5,894	(20,894)
Carrying amount, net at September 30	\$4,048,649	\$1,833,801

As discussed in Note 7, effective April 2, 2015, the Company was deemed to have a controlling financial interest in a number of its real estate investment entities, previously accounted for under the equity method. As a result, the Company consolidated these investment entities, including loans receivable held by these entities, a majority of which were PCI loans.

Table of Contents

Loan Maturity and Aging

Carrying amount of loans receivable, excluding PCI loans, based on remaining maturities under contractual terms at September 30, 2015, was as follows:

(In thousands)	At September 30, 2015
Due in one year or less	\$774,471
Due after one year through five years	1,943,092
Due after five years	521,204
	\$3,238,767

The following table provides an aging summary of loans receivable at carrying amount, excluding PCI loans.

(In thousands)	Current or Less Than 30 Days Past Due	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total
At September 30, 2015	\$3,212,337	\$4,456	\$1,286	\$20,688	\$3,238,767
At December 31, 2014	1,864,466	12,002	3,058	3,918	1,883,444

Purchased Credit-Impaired Loans

PCI loans are acquired loans with evidence of credit quality deterioration since origination for which it is probable at acquisition that the Company will collect less than the contractually required payments. The excess of cash flows expected to be collected on PCI loans, measured as of the acquisition date, over the estimated fair value represents the accretable yield and is recognized in interest income over the remaining life of the loan using the effective interest method. The difference between contractually required payments as of the acquisition date and the cash flows expected to be collected represents the nonaccretable difference.

For the nine months ended September 30, 2015, there were no new PCI loans acquired other than those acquired through consolidation of the investment entities on April 2, 2015. The following table presents these PCI loans at acquisition date on April 2, 2015:

(In thousands)	
Contractually required payments including interest	\$1,936,499
Less: Nonaccretable difference	(850,212)
Cash flows expected to be collected	1,086,287
Less: Accretable yield	(121,130)
Fair value of loans acquired	\$965,157

Changes in accretable yield of all PCI loans during the period were as follows:

(In thousands)	Nine Months Ended September 30,	
	2015	2014
Beginning accretable yield	\$98,523	\$130,823
Additions	—	3,067
Changes in estimated cash flows	(16,519)	163
Accretion	(105,460)	(17,108)
Consolidation of PCI loans held by investment entities (Note 7)	121,130	—
Effect of changes in foreign exchange rates	(6,639)	(8,821)
Ending accretable yield	\$91,035	\$108,124

The 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.

Nonaccrual Loans

Loans receivable, excluding PCI loans, that are past due 90 days or more as to principal or interest, or where reasonable doubt exists as to timely collection, including such loans that are identified as impaired, are generally

placed on nonaccrual status. Interest receivable is reversed when loans are placed on nonaccrual status. Interest collections on nonaccruing loans for which ultimate collectability of principal is uncertain are applied as principal reductions; otherwise, such collections are credited to income when

Table of Contents

received. Loans may be restored to accrual status when all principal and interest is current and full repayment of the remaining contractual principal and interest is expected.

For PCI loans, if the cash flows expected to be collected could not be reasonably estimated to calculate the yield on the loans, the Company may consider placing such loans on nonaccrual, with interest income recognized using the cost recovery method or on a cash basis.

At September 30, 2015 and December 31, 2014, non-PCI loans with carrying amounts of \$20.7 million and \$3.9 million, respectively, have been placed on nonaccrual and there were no non-PCI loans past due 90 days or more that continued to accrue interest. At September 30, 2015 and December 31, 2014, no PCI loans were on nonaccrual status.

Impairment and Allowance for Loan Losses

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

Loans receivable are considered to be impaired when it is probable that the Company will not be able to collect all amounts due in accordance with contractual terms of the loans, including consideration of underlying collateral value. Allowance for loan losses generally excludes interest receivable as accrued interest receivable is reversed when a loan is placed on nonaccrual status, other than interest receivable on certain securitized loans for which the Company may receive interest advances from the servicer.

The Company evaluates impairment and allowance for loan losses on loans receivable, excluding PCI loans, on an individual loan basis. Impairment on PCI loans are evaluated on a pool basis based on loans with similar risk characteristics. The Company continues to estimate cash flows expected to be collected over the life of the PCI loans, and if, upon subsequent evaluation, the Company determines it is probable that the present value of the expected cash flows has decreased, the PCI loan is considered to be further impaired, resulting in a provision made for loan losses with a corresponding increase in allowance for loan losses.

Loans receivable, excluding PCI loans, are charged-off against allowance for loan losses when all or a portion of the principal amount, or interest on certain securitized loans as applicable, are determined to be uncollectible. A PCI loan is removed from its pool if it is sold, foreclosed or the expectation of any future proceeds is remote; and if its foreclosure or recovery value is less than its carrying value, the difference is first applied against the nonaccretable difference of the loan pool until fully utilized, thereafter the allocated basis of the PCI loan, on which there is a valuation reserve, is written-off against the allowance for loan losses.

The allowance for loan losses and carrying value of related loans receivable were as follows:

(In thousands)	At September 30, 2015		At December 31, 2014	
	Allowance for Loan Losses	Carrying Value	Allowance for Loan Losses	Carrying Value
Non-PCI Loans	\$228	\$4,891	\$197	\$3,438
PCI Loans	30,613	185,316	—	—
	\$30,841	\$190,207	\$197	\$3,438

Changes in allowance for loan losses for the nine months ended September 30, 2015 is presented below. For the nine months ended September 30, 2014, there was no provision made and no charge-off against the allowance for loan losses.

(In thousands)	Nine Months Ended September 30, 2015
Allowance for loan losses at January 1	\$197
Provision for loan losses	30,937

Charge-off	(293)
Allowance for loan losses at September 30	\$30,841	

Table of Contents

6. Real Estate Assets

The Company's real estate assets comprise the following:

(Amounts in thousands)	Estimated Useful Life (in weighted average years)	September 30, 2015	December 31, 2014
Real Estate Held for Investment			
Land	NA	\$499,995	\$265,263
Buildings and improvements	34	2,176,991	1,351,798
Tenant improvements	10	68,699	33,357
Foreclosed properties	39	11,528	—
		2,757,213	1,650,418
Less: Accumulated depreciation		(70,811)	(6,421)
		2,686,402	1,643,997
Real Estate Held for Sale			
Land, buildings and improvements	NA	265,173	—
Foreclosed properties	NA	90,472	—
		355,645	—
Real Estate Assets, Net		\$3,042,047	\$1,643,997

Consolidation of Real Estate Assets Held by Investments Entities

On April 2, 2015, the Company consolidated real estate assets, both real estate held for investment and held for sale, including foreclosed properties, held by investment entities which were previously accounted for under the equity method.

Real Estate Acquisitions

In January 2015, the Company acquired two higher education campuses in Switzerland. The acquisitions were deemed to be real estate asset acquisitions because the Company acquired the sellers' properties and concurrently entered into new leases with the sellers in a purchase-leaseback transaction. The total cost of approximately \$181 million, including capitalized acquisition costs of approximately \$4.1 million, included land of \$17.9 million, buildings and improvements of \$140.5 million and net lease intangibles of \$22.6 million.

During the nine months ended September 30, 2015, the Company made additional acquisitions of light industrial properties in Minnesota, Texas, mid-Atlantic region and Georgia for total purchase price of \$248.7 million. The acquisitions were deemed to be business combinations as the properties were acquired with existing leases. The total purchase price was allocated \$42.5 million to land, \$198.0 million to buildings and improvements and \$8.0 million to net lease intangibles. Total transaction costs of \$1.9 million were expensed in connection with the acquisitions.

In June 2015, the Company acquired a net-leased office complex in Norway, partially financed with a non-callable bond. The acquisition is a sale-leaseback transaction and deemed to be a real estate asset acquisition. The purchase price of approximately \$327.0 million, including capitalized transaction costs of \$2.8 million, was allocated \$68.3 million to land, \$256.0 million to buildings and improvements and \$27.8 million to lease intangibles.

Depreciation and Impairment

Depreciation expense on real estate held for investment was \$24.4 million and \$1.2 million for the three months ended September 30, 2015 and 2014, respectively, and \$58.8 million and \$2.9 million, respectively, for the nine months ended September 30, 2015 and 2014.

The Company recorded impairment on real estate assets of \$0.3 million and approximately \$0.8 million for the three and nine months ended September 30, 2015, respectively, in connection with light industrial properties classified as held for sale and written down to fair value less costs to sell, as well as a write-down in values on foreclosed properties.

Real Estate Held for Sale

Real estate assets of \$355.6 million were classified as held for sale during the nine months ended September 30, 2015 and remain as held for sale at September 30, 2015. Additionally, \$109.3 million of certain real estate assets which

were consolidated as held for sale on April 2, 2015, were transferred into held for investment in July 2015 as the criteria for classification as held for sale were no longer met.

Table of Contents

For the three and nine months ended September 30, 2015, the Company recorded gain on sale of real estate, net, of \$5.7 million and \$6.5 million, respectively.

Property Operating Income

Property operating income includes rental income, tenant reimbursements and hotel operating income. The components are summarized as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Amounts in thousands)	2015	2014	2015	2014
Rental income	\$60,333	\$4,323	\$150,384	\$10,819
Tenant reimbursements	6,837	—	21,722	—
Hotel operating income	19,265	—	41,352	—
	\$86,435	\$4,323	\$213,458	\$10,819

Tenant reimbursements relate to properties owned by the Company and leased to tenants under operating leases which have expiration dates through 2034. Certain leases also provide for additional rents based on real estate taxes, utilities, insurance and other operating expenses.

Future Minimum Rents

Future contractual minimum rental payments under noncancelable operating leases, excluding tenant reimbursements, as of September 30, 2015, are as follows:

Year Ending December 31,	(In thousands)
Remaining 2015	\$48,039
2016	186,341
2017	166,155
2018	142,867
2019	120,147
2020 and after	730,776
Total	\$1,394,325

7. Investments in Unconsolidated Joint Ventures

The Company's investments in unconsolidated joint ventures comprise the following:

(In thousands)	September 30, 2015	December 31, 2014
Investments in unconsolidated joint ventures:		
Equity method	\$823,844	\$1,646,977
Cost method	99,868	—
	\$923,712	\$1,646,977

Certain of the Company's investments in real estate debt and equity are structured as joint ventures with one or more private investment funds or other investment vehicles managed by CCLLC or its affiliates prior to the Combination ("Co-Investment Funds"), or to a lesser extent, with unaffiliated third parties. These investment entities are generally capitalized through equity contributions from the members, although certain investments are leveraged through various financing arrangements. The assets of the investment entities may only be used to settle the liabilities of these entities and there is no recourse to the general credit of the Company nor the other investors for the obligations of these investment entities. Neither the Company nor the other investors are required to provide financial or other support in excess of their capital commitments. The Company's exposure to the investment entities is limited to its equity method investment balance as of September 30, 2015 and December 31, 2014, respectively.

Equity Method Investments

Prior to the Combination, a majority of the Company's investments in real estate debt and equity which were held in joint ventures with Co-Investment Funds were accounted for under the equity method as the Company did not have a controlling financial interest but exercised significant influence over these investment entities. Upon closing of the Combination on April 2, 2015, the Company became the investment manager of the Co-Investment Funds and employees of CCLLC, including those who are directors or officers of the investment entities, became employees of

the Company. For real estate investment entities

21

Table of Contents

structured as joint ventures with Co-Investment Funds, combining the Company's interests with those held by the Co-Investment Funds, to which the Company now acts as investment manager, the Company is considered to have a controlling financial interest in these investment entities post-Combination. Therefore, the Combination represents a reconsideration event which resulted in a shift in controlling financial interest over these investment entities in favor of the Company. Accordingly, the Company consolidated 52 investment entities effective April 2, 2015. The Company did not acquire any economic interests in the Co-Investment Funds nor any additional economic interests in these investment entities as a result of the Combination.

Upon initial consolidation of the investment entities, the Company recorded the assets, liabilities, and noncontrolling interests of these entities at fair value. Loan receivables held by the investment entities were valued based on cash flow projections of principal and interest expected to be collected, discounted using interest rates available for borrowers with similar credit metrics, and considering any available market comparables or dealer quotes, if applicable. The fair value of real estate assets held by the investment entities were estimated using a combination of appraised values, broker quotes or market comparables. The carrying value of debt obligations of the investment entities approximated their fair values due to their short term nature or resulting yields that approximate market rates. The following table presents the combined assets, liabilities and noncontrolling interests of the consolidated investment entities as of April 2, 2015:

(In thousands)	April 2, 2015
Assets:	
Cash	\$75,412
Loans receivable, net	1,629,496
Real estate assets, net	812,672
Other assets	543,404
Total assets	\$3,060,984
Liabilities:	
Debt	\$282,555
Accrued and other liabilities	65,739
Total liabilities	348,294
Noncontrolling interests	1,700,114
Equity attributable to Colony Capital, Inc.	\$1,012,576

The fair value of the Company's proportionate share of equity interest in the investment entities was \$1.0 billion. The excess of fair value over carrying value of the Company's equity interest in these investment entities, net of cumulative translation adjustments reclassified to earnings, resulted in a remeasurement gain of \$41.5 million.

Total income and net income attributable to OP from these consolidated investment entities included in the condensed consolidated statement of operations for the three months ended September 30, 2015 were \$74.0 million and \$15.0 million, respectively, and for the nine months ended September 30, 2015 were \$163.0 million and \$34.0 million, respectively.

Activity in the Company's equity method investment is summarized below:

(In thousands)	Nine Months Ended September 30,	
	2015	2014
Balance at January 1	\$1,646,977	\$1,369,529
Contributions	241,562	325,617
Distributions	(394,625)	(179,093)
Equity in net income	44,184	53,016
Equity in other comprehensive (loss) income	(612)	937
Equity in realized loss (gain) reclassified from accumulated other comprehensive income	161	(3,865)
Equity method investment entities derecognized and consolidated	(957,009)	—
Equity method investments of newly consolidated investment entities	270,966	—

Foreign currency translation loss	(27,760	) (13,003)
Balance at September 30	\$823,844	\$1,553,138	

In July 2015, the Company received total distributions of \$77 million, which represented its 23.3% interest in a special distribution and a regular way quarterly distribution from CAH Operating Partnership, LP (“CAH OP”), an equity method investment that represents the Single-Family Residential Rentals segment.

Table of Contents

No single investment in an unconsolidated joint venture represented greater than 10% of total assets as of September 30, 2015 and December 31, 2014 or generated greater than 10% of net income before tax for the nine months ended September 30, 2015 and 2014.

Cost Method Investment

In January 2015, the Company funded its equity commitment of \$50 million to an investor consortium, alongside \$50 million from a passive co-investment partner, for the acquisition of common stock in an investee. The Company uses the cost method to account for this non-marketable equity investment as it has neither a controlling interest nor significant influence over the underlying investee. Under the cost method, dividends received from the investment are recorded as dividend income to the extent they are not considered a return of capital, which is recorded as a reduction to the cost of investment. No dividend income was recorded for the three and nine months ended September 30, 2015.

Related Party Transactions of Unconsolidated Joint Ventures

Prior to the Combination, CCLLC and its affiliates incurred compensation, overhead and direct costs, as well as costs of property management on behalf of the joint ventures and AMCs, for which they were reimbursed by the joint ventures for amounts allocated. Subsequent to the Combination, the Company has assumed the activities of the Manager and has consolidated all of the AMCs and a majority of the joint ventures. Therefore, such costs and corresponding reimbursements have been eliminated upon consolidation. Total costs from such affiliates allocated to the joint ventures were \$2.3 million for the three months ended March 31, 2015, and \$11.6 million and \$27.9 million for the three and nine months ended September 30, 2014, respectively. The Company's proportionate share, based upon its percentage interests in the joint ventures, were \$0.8 million for the three months ended March 31, 2015, and \$3.0 million and \$7.3 million for the three and nine months ended September 30, 2014, respectively.

8. Deferred Leasing Costs and Intangibles

The following table summarizes deferred leasing costs and intangible assets and intangible liabilities arising from acquisitions of operating real estate, including purchase-leaseback transactions, as well as acquisition of the investment management business:

(In thousands)	September 30, 2015			December 31, 2014		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Goodwill	\$685,068	\$ —	\$685,068	\$20,000	\$ —	\$20,000
Deferred Leasing Costs and Intangible Assets						
Trade name	\$15,500	\$ —	\$15,500	\$—	\$ —	\$—
In-place lease values	121,916	(21,230)	100,686	48,018	(2,295)	45,723
Above-market lease values	26,130	(5,813)	20,317	23,194	(280)	22,914
Below-market ground lease obligations	5,245	(33)	5,212	1,420	(14)	1,406
Deferred leasing costs	65,695	(9,461)	56,234	36,788	(771)	36,017
Investment management contracts	46,000	(9,557)	36,443	—	—	—
Customer relationships	46,800	(1,671)	45,129	—	—	—
Total deferred leasing costs and intangible assets	\$327,286	\$ (47,765)	\$279,521	\$109,420	\$ (3,360)	\$106,060
Intangible Liabilities						
Below-market lease values	\$20,111	\$ (3,305)	\$16,806	\$10,282	\$ (114)	\$10,168
Above-market ground lease obligations	171	(4)	167	171	—	171
Total intangible liabilities	\$20,282	\$ (3,309)	\$16,973	\$10,453	\$ (114)	\$10,339

At September 30, 2015, intangible assets and intangible liabilities related to real estate assets held for sale were approximately \$14.2 million and \$0.2 million, respectively. There were no intangible assets and intangible liabilities held for sale at December 31, 2014.

Acquisitions of Operating Real Estate

Goodwill of \$20.0 million arising from the acquisition of a light industrial operating platform on December 18, 2014 represents the value of the acquired operating platform, which primarily consists of its work force and business processes. The

Table of Contents

goodwill amount recognized is not expected to be deductible for income tax purposes. This goodwill is assigned and reported under the light industrial platform segment. As of September 30, 2015, no indications of potential impairment to goodwill were identified.

Lease intangibles are amortized on a straight-line basis over the remaining term of the respective lease contracts assumed upon acquisition.

Acquisition of Investment Management Business

Goodwill of \$665.1 million was recognized in connection with the acquisition of the investment management business through the Combination on April 2, 2015, and includes the fair value of the assembled workforce acquired. The goodwill amount recognized is not expected to be deductible for income tax purposes. This goodwill is assigned and reported under the investment management segment. As of September 30, 2015, no indications of potential impairment to goodwill were identified.

As a result of the acquisition of the investment management business, the Company recognized identifiable intangible assets which include the Colony trade name as well as contractual rights to earn future management fee income from in-place investment management contracts and customer relationships with institutional clients of private funds. The investment management contracts and customer relationships were valued using the income approach and represent the discounted incremental after tax cash flows or excess earnings that are attributable to these intangible assets over their remaining useful life. The discount rates applied were adjusted to reflect the relative risk of the respective fee income streams underlying each intangible asset. The value of the customer relationships also contemplated a retention rate based on the Company's historical rate of reinvestments by existing customers. The value of the trade name was calculated based upon the discounted savings of royalty fees and is derived by applying a hypothetical royalty rate against expected fee income.

Contractual rights from investment management contracts are amortized in accordance with their expected future cash flows over their estimated useful lives based on the remaining contractual period of the in-place investment management agreements acquired ranging between 3 to 5 years. Customer relationships with institutional clients of private funds are amortized on a straight-line basis over the estimated life of future funds to be sponsored by the Company ranging between 11 to 14 years. The trade name acquired is not currently subject to amortization as it is determined to have an indefinite useful life at time of acquisition.

The following table summarizes the amortization of deferred leasing costs and finite-lived intangible assets and intangible liabilities:

(Amounts in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Above-market lease values	\$ (1,911)	) \$ —	\$ (5,701)) \$ —
Below-market lease values	1,367	—	3,152	—
Decrease to rental income	\$ (544)	) \$ —	\$ (2,549)) \$ —
Net below-market ground lease obligations				
Increase to rent expense	\$5	\$ —	\$15	\$ —
In-place lease values	\$6,940	\$339	\$19,102	\$915
Deferred leasing costs	3,151	98	8,839	261
Investment management contracts	4,778	—	9,557	—
Customer relationships	836	—	1,671	—
Amortization expense	\$15,705	\$437	\$39,169	\$1,176

Table of Contents

The following table presents the estimated annual amortization of deferred leasing costs and finite-lived intangible assets and intangible liabilities for each of the next five years and thereafter:

(In thousands)

Year Ending December 31,	Remaining 2015	2016	2017	2018	2019	2020 and after	Total
Deferred Leasing Costs and Intangible							
Assets							
In-place lease values	\$6,111	\$19,639	\$14,213	\$10,716	\$8,344	\$41,663	\$100,686
Above-market lease values	1,856	6,557	4,683	2,893	1,416	2,912	20,317
Below-market ground lease obligations	10	40	40	40	40	5,042	5,212
Deferred leasing costs	2,838	10,552	8,745	7,047	5,354	21,698	56,234
Investment management contracts	4,778	15,003	9,940	4,509	1,555	658	36,443
Customer relationships	836	3,343	3,343	3,343	3,343	30,921	45,129
Intangible Liabilities							
Below-market lease values	\$1,202	\$4,385	\$3,635	\$2,705	\$1,306	\$3,573	\$16,806
Above-market ground lease obligations	1	6	6	6	6	142	167

9. Other Assets and Other Liabilities

Other Assets

The following table summarizes the Company's other assets:

(In thousands)	September 30, 2015	December 31, 2014
Restricted cash ⁽¹⁾	\$196,495	\$76,945
Deferred financing costs, net ⁽²⁾	53,590	51,103
Interest receivable	30,265	11,405
Other receivables, including straight-line rents	30,240	1,378
Derivative assets	22,832	26,479
Deferred tax asset	—	6,713
Prepaid expenses and other	21,126	7,721
Fixed assets, net	45,195	—
Total ⁽³⁾	\$399,743	\$181,744

(1) Restricted cash includes borrower escrow accounts, tenant security deposits and escrow accounts for interest, property taxes and capital expenditure reserves required under secured financing agreements.

(2) Deferred financing costs are shown net of accumulated amortization of \$21.7 million and \$13.1 million as of September 30, 2015 and December 31, 2014, respectively.

(3) At September 30, 2015, other assets related to real estate held for sale was \$5.0 million. There were no other assets held for sale at December 31, 2014.

Fixed assets, net consist of the following:

(In thousands)	September 30, 2015
Furniture, fixtures, equipment and software	\$2,112
Aircraft	45,305
	47,417
Less: Accumulated depreciation and amortization	(2,222)
Fixed assets, net ⁽¹⁾	\$45,195

The Company did not hold any fixed assets prior to and as of March 31, 2015. Fixed assets were acquired through the Combination. Depreciation and amortization expense included in the condensed consolidated statement of operations related to fixed assets was \$1.0 million and \$2.1 million for the three and nine months ended September 30, 2015.

Table of Contents

Accrued and Other Liabilities

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

(In thousands)	September 30, 2015	December 31, 2014
Borrower and tenant reserves	\$139,266	\$74,237
Deferred income	26,239	8,750
Interest payable	15,663	10,990
Intangible liabilities	16,973	10,339
Derivative liabilities	1,479	6,718
Current and deferred tax liabilities	64,770	429
Accrued compensation and other payables	92,249	16,656
Total ⁽¹⁾	\$356,639	\$128,119

(1) Intangible liabilities, net, of \$0.2 million and accrued and other liabilities of \$10.2 million were related to real estate assets held for sale at September 30, 2015. There were no accrued and other liabilities held for sale at December 31, 2014.

10. Debt

Line of Credit

The Company has a credit facility (the "JPM Credit Agreement") with JPMorgan Chase Bank, N.A. as administrative agent, and certain lenders. As of September 30, 2015, the JPM Credit Agreement provides a secured revolving credit facility in the maximum principal amount of \$800 million, which was increased from \$645 million on July 8, 2015. The maximum amount available to borrow under the JPM Credit Agreement at any time is limited by a borrowing base of certain investment assets, with the valuation of such investment assets generally determined according to a percentage of net book value or a multiple of Core Earnings (as defined in the management agreement between the Company and the Manager). As of September 30, 2015, the borrowing base valuation was sufficient to permit borrowings of up to the entire \$800 million commitment, of which \$442.5 million remained available.

Advances under the amended and restated JPM Credit Agreement accrue interest at a per annum rate equal to the sum of one-month LIBOR plus 2.75%. At September 30, 2015, the Company had outstanding borrowings bearing weighted average interest at 2.95%. The Company also pays a commitment fee of 0.5% or 0.4% of the unused amount (0.5% at September 30, 2015), depending upon usage.

The maturity date of the JPM Credit Agreement is August 5, 2016, and any amounts outstanding upon maturity will convert automatically to a fully amortizing 2-year term loan payable in quarterly installments. In the event of such conversions, the term loan will continue to bear interest at the same rate as the revolving loans from which it was converted.

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

The JPM Credit Agreement contains various affirmative and negative covenants, including financial covenants that require the Company to maintain minimum tangible net worth and liquidity levels and financial ratios, as defined in the JPM Credit Agreement. At September 30, 2015, the Company was in compliance with all of these financial covenants.

The JPM Credit Agreement also includes customary events of default, in certain cases subject to reasonable and customary periods to cure, including but not limited to: failure to make payments when due; breach of covenants; breach of representations and warranties; insolvency proceedings; cross default to material indebtedness or material judgment defaults; certain judgments and attachments; and certain change of control events. The occurrence of an event of default may result in the termination of the credit facility, accelerate the Company's repayment obligations, in certain cases limit the Company's ability to make distributions, and allow the lenders to exercise all rights and

remedies available to them with respect to the collateral. There have been no events of default since the inception of the credit facility.

Secured and Unsecured Debt

A number of financing arrangements at previously unconsolidated investment entities are now consolidated as a result of the Combination (Note 7). The following table summarizes certain information about the Company's secured and unsecured debt:

Table of Contents

(Amounts in thousands)					Carrying Amount	
Type	Collateral	Interest Rate (per annum)	Maturity Date	Payment Terms (1)	September 30, 2015	December 31, 2014
Secured Debt:						
Secured financing (2)	Portfolio of first mortgage loans and subordinated loan	1-month LIBOR+3.75%	Apr-2016	P&I	\$23,621	\$ —
Secured financing (2)	Portfolio of first mortgage loans and subordinated loan	1-month LIBOR+3.75%	Apr-2016	P&I	19,534	—
Secured financing (2)	Portfolio of first mortgage loans and subordinated loan	1-month LIBOR+4.0%	Jun-2016	P&I	7,046	—
Secured financing (2)	Portfolio of first mortgage loans and subordinated loan	1-month LIBOR+3.75%	Jul-2016	P&I	10,379	—
Secured financing (2)	Portfolio of first mortgage loans and subordinated loan	1-month LIBOR+3.25%	Sept-2016	P&I	6,442	—
Secured financing (2)	Portfolio of first mortgage loans and subordinated loan	1-month LIBOR+2.85%	Dec-2017	P&I	74,977	90,164
Secured financing (3)	First mortgage loan secured by residential properties	1-month LIBOR+3.75%	Mar-2016	P&I	10,360	—
Secured financing (4)	Senior participation interest in a first mortgage loan and subordinated loan	1-month LIBOR+2.85%	NA	P&I	—	80,213
Repurchase facility (5)	Eligible first mortgage loans originated within Transitional CRE Lending Platform	1 month LIBOR+2.50%	Feb-2016	I/O	37,458	85,520
Repurchase facility (5)	Eligible first mortgage loans, including any corresponding mezzanine loans, originated within Transitional CRE Lending Platform	1 month LIBOR+2.30% to 2.75%	Apr-2018	I/O	70,965	—
First mortgage loan (6)	Hotel properties	1-month LIBOR+3.50%	Dec-2015	I/O	55,017	—
First mortgage loan (7)	Office property in Phoenix	1-month LIBOR+2.65%	Jul-2018	I/O	13,500	—
First mortgage loan (8)	Office property in Minnesota	4.84% fixed	Jan-2024	(8)	88,000	88,000
First mortgage loan (9)	Commercial properties in United Kingdom	3-month LIBOR+2.50%	Aug-2018	I/O	90,465	—
First mortgage loan (10)	Office properties throughout Italy	4.02% fixed	Nov-2018	(10)	80,640	—
First mortgage loan (11)	Warehouse properties in Spain and shares of borrowing	3-month Euribor+2.80%	Jun-2022	I/O	26,413	—

Edgar Filing: Colony Capital, Inc. - Form 10-Q

	entities						
First mortgage loan ⁽¹²⁾	Portfolio of light industrial properties across the U.S.	1-month LIBOR+2.25%	Dec-2019	I/O	919,561	1,088,500	
First mortgage loan	Portfolio of light industrial properties across the U.S	3.80% fixed	Aug-2025	I/O	165,750	—	
Revolving credit facility	Portfolio of light industrial properties across the U.S	1-month LIBOR+2.25%	Jul-2016	I/O	11,530	—	
First mortgage loans ⁽¹³⁾	Two higher education campuses in Switzerland	2.72% fixed	Dec-2029	⁽¹³⁾	125,487	—	
Bond payable	Office property in Norway and shares of borrowing entity	3.91% fixed	Jun-2025	I/O	187,840	—	
					2,024,985	1,432,397	
Commercial Mortgage-Backed Securitization ("CMBS") Debt:							
CMBS 2014-FL1 ⁽¹⁴⁾	Portfolio of first mortgage loans originated within Transitional CRE Lending Platform	1-month LIBOR+1.78%	Apr-2031	I/O	126,239	126,204	
CMBS 2014-FL2 ⁽¹⁴⁾	Portfolio of first mortgage loans originated within Transitional CRE Lending Platform	1-month LIBOR+2.01%	Nov-2031	I/O	203,734	197,655	
CMBS 2015-FL3 ⁽¹⁴⁾	Portfolio of first mortgage loans originated within Transitional CRE Lending Platform	1-month LIBOR+2.36%	Sept-2032	I/O	340,350	—	
CMBS MF 2014-1 ⁽¹⁵⁾	Portfolio of first mortgage loans secured by multifamily properties	2.54% fixed	⁽¹⁵⁾	I/O	154,051	213,409	
					824,374	537,268	
Unsecured Debt:							
Unsecured note ⁽¹⁶⁾	—	—	Dec-2017	NA	—	10,000	
Notes Payable:							
Promissory notes ⁽¹⁷⁾	Corporate aircraft	5.02% fixed	Dec-2025	P&I	43,429	—	
Total					\$2,892,788	\$1,979,665	

Table of Contents

- (1) Payment terms: P&I = Periodic payment of principal and interest; I/O = Periodic payment of interest only with principal at maturity (except for principal repayments to release collateral properties disposed)
These non-recourse financings, in connection with the Company's acquisitions of loan portfolios, require monthly interest payments and principal curtailment based upon the ratio of principal outstanding to collateral cost basis.
- (2) The current principal curtailment requirement ranges from 65% to 80% of all excess cash flow from the underlying loan portfolios, after payment of certain loan servicing fees and monthly interest, but may increase or decrease in the future. The financing arrangements provide for either a single or a multiple 1-year extension option to the initial term.
- (3) The variable interest rate on the loan was fixed at 4.28% through an interest rate swap.
- (4) This was a non-recourse financing in connection with a loan portfolio acquisition and was paid off in April 2015.
The Company entered into two master repurchase agreements with different commercial banks to partially finance loans within its Transitional Commercial Real Estate ("CRE") Lending Platform, which provides up to \$150 million under each warehouse facility for financing of eligible assets within the platform. The initial term of each facility is subject to a 1 -year extension option.
- (5) The loan requires a 0.25% special servicing fee until maturity and a 0.50% workout fee on prepayments.
- (6) Initial term on the loan is subject to two 1-year extensions, during which principal and interest payments are required.
- (7) The loan requires monthly interest payments until January 2016, thereafter principal and interest payments based on a 30-year amortization schedule.
- (8) The loan has two 1-year extensions on its initial term and requires an interest rate cap to be maintained at a 2.25% strike on 3-month LIBOR.
Seller provided zero-interest financing on acquired portfolio of properties with imputed interest of 4.02%, requiring principal payments of €15,750,000, €35,437,500 and €27,562,000 in November 2016, November 2017 and November 2018, respectively. A discount was established at inception and is being accreted to debt principal as interest expense.
- (9) The loan requires an interest rate cap to be maintained at a 1.50% strike on 3-month EURIBOR.
This loan was obtained in connection with the acquisition of the portfolio of light industrial real estate assets and operating platform in December 2014, has three 1-year extension options, with interest rate increasing to 1-month LIBOR plus 2.5% after the fourth anniversary date, and requires an interest rate cap to be maintained at a 3.0% strike on 1-month LIBOR.
- (10) Concurrent with the acquisition of two single-tenant net leased properties, the Company obtained two 15-year, non-recourse, term loans which bear interest at a fixed weighted-average rate of 2.72%. The loans require quarterly interest payments until October 2015, thereafter principal and interest payments based on a 33-year amortization schedule.
- (11) The Company, through its indirect Cayman subsidiaries—Colony Mortgage Capital Series 2014-FL1 Ltd, Colony Mortgage Capital Series 2014-FL2 Ltd and Colony Mortgage Capital Series 2015-FL3 Ltd.—securitized commercial mortgage loans originated within the Company's Transitional CRE Lending Platform. Generally, the senior notes issued by the securitization trusts were sold to third parties and subordinated notes retained by the Company. These 3 securitizations are accounted for as secured financing with the underlying mortgage loans pledged as collateral. Principal repayments from the underlying collateral loans must be applied to repay the debt until the balance is paid in full, notwithstanding the contractual maturities on the notes. The underlying collateral loans have initial terms of 2 to 3 years. Interest rate spreads on these CMBS debt are presented above on a weighted average basis.
- (12) The Company transferred acquired loans, secured by multifamily properties, into a securitization trust, Colony Multifamily Mortgage Trust 2014-1, with the most senior certificates issued by the trust sold to third parties and the Company retaining the remaining certificates. The securitization was accounted for as a secured financing with the underlying mortgage loans pledged as collateral. The certificates do not have a contractual maturity date. Notwithstanding, principal repayments from the underlying collateral loans must be applied to repay the debt until the balance is paid in full. The underlying collateral loans have initial remaining terms of 1 to 24 years.
- (13)

- In connection with the acquisition of the portfolio of light industrial real estate assets and operating platform in December 2014, the Company issued an unsecured note, scheduled to mature on the third anniversary of the acquisition date, to Cobalt Capital Management, L.P. ("CCM"), an affiliate of Cobalt Capital Partners, L.P. and a service provider that continues to manage the light industrial portfolio and its day-to-day operations. In May 2015, CCM exercised its rights pursuant to provisions under the note and contributed the note to OP in exchange for OP Units (Note 15).
- (16) Concurrent with the Combination, the Company assumed two promissory notes bearing interest at a fixed weighted-average rate of 5.02%.
- (17)

The financing agreements require minimum scheduled principal payments or payments that depend upon the net cash flows from the collateral assets and the ratio of principal outstanding to collateral. The following table summarizes such future scheduled minimum principal payments and estimated principal payments based upon reasonable expectations of cash flows from the underlying collateral assets as of September 30, 2015:

Table of Contents

Year Ending December 31,	(In thousands)
Remaining 2015	\$ 117,317
2016	334,551 (1)
2017	457,087 (1)
2018	421,040 (1)
2019	947,953
2020 and after	622,228
Total	\$2,900,176

(1) Amounts include a combined \$7.4 million of discount on seller-provided zero-interest financing being accreted to debt principal.

Convertible Senior Notes

Convertible Senior Notes issued by the Company and outstanding as of balance sheet dates are as follows:

Description	Issuance Date	Due Date	Interest Rate	Conversion Price (per share of common stock)	Redemption Date	September 30, 2015		December 31, 2014	
						Outstanding Principal (in thousands)	Carrying Amount (in thousands)	Outstanding Principal (in thousands)	Carrying Amount (in thousands)
5% Convertible Senior Notes	April 2013	April 15, 2023	5.00% fixed	\$ 23.60	On or after April 22, 2020	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
3.875% Convertible Senior Notes	January and June 2014	January 15, 2021	3.875% fixed	24.82	On or after January 22, 2019	402,500	404,274	402,500	404,498
						\$602,500	\$ 604,274	\$602,500	\$ 604,498

The Company may redeem the Convertible Senior Notes at its option at any time on or after the respective redemption dates of the Convertible Notes if the last reported sale price of the Company's common stock has been at least 130% of the conversion price of the convertible notes then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption, at a redemption price equal to 100% of the principal amount of the convertible notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date.

11. Derivatives and Hedging

The Company uses derivative instruments to manage the risk of changes in interest rates and foreign exchange rates, arising from both its business operations and economic conditions. Specifically, the Company enters into derivative instruments to manage differences in the amount, timing, and duration of the Company's known or expected cash receipts and cash payments, the values of which are driven by interest rates, principally relating to the Company's investments and borrowings. Additionally, the Company's foreign operations expose the Company to fluctuations in foreign interest rates and exchange rates. The Company enters into derivative instruments to protect the value or fix certain of these foreign denominated amounts in terms of its functional currency, the U.S. dollar. Derivative instruments used in the Company's risk management activities may be designated as qualifying hedge accounting relationships ("designated hedges") or otherwise used for economic hedging purposes ("non-designated hedges"). The Company does not use derivative instruments for speculative or trading purposes.

Changes in fair value of derivatives designated as accounting hedges are recorded in accumulated other comprehensive income ("AOCI") and reclassified into the line item in the income statement in which the hedged item is recorded in the same period the hedged item affects earnings. Hedge ineffectiveness as well as changes in fair value

on derivatives not designated as accounting hedges are recorded in earnings in other (loss) gain, net.

Table of Contents

Gross fair value of derivative assets and derivative liabilities included in the condensed consolidated balance sheets are as follows:

(In thousands)	September 30, 2015			December 31, 2014		
	Designated Hedges	Non-Designated Hedges	Total	Designated Hedges	Non-Designated Hedges	Total
Derivative Assets						
Foreign exchange contracts	\$22,014	\$ 138	\$22,152	\$25,820	\$ —	\$25,820
Interest rate contracts	13	667	680	402	257	659
Included in other assets	\$22,027	\$ 805	\$22,832	\$26,222	\$ 257	\$26,479
Derivative Liabilities						
Foreign exchange contracts	\$1,460	\$ 3	\$1,463	\$6,718	\$ —	\$6,718
Interest rate contracts	16	—	16	—	—	—
Included in accrued and other liabilities	\$1,476	\$ 3	\$1,479	\$6,718	\$ —	\$6,718

Certain counterparties to the derivative instruments require the Company to deposit cash or other eligible collateral for derivative financial liabilities exceeding \$100,000. As of September 30, 2015, the Company had no amounts on deposit related to these agreements.

Foreign Exchange Contracts

The following table summarizes the aggregate notional amounts of designated and non-designated foreign exchange contracts in place as of September 30, 2015 along with certain key terms:

		Notional Amount (in thousands)				FX Rates (\$ per unit of foreign currency)	Range of Expiration Dates
Hedged Currency	Instrument Type	Designated	Non-Designated				
EUR	FX Collar	€ 132,785	€ 290			Min \$1.09 / Max \$1.53	December 2015 to November 2020
GBP	FX Collar	£ 68,000	£ —			Min \$1.45 / Max \$1.82	September 2017 to December 2019
EUR	FX Forward	€ 101,978	€ 1,022			Range between \$1.10 to \$1.40	March 2016 to July 2018
GBP	FX Forward	£ 14,712	£ 338			Range between \$1.51 to \$1.52	November 2015 to December 2015
CHF	FX Forward	CHF 54,447	CHF 1,098			Range between \$1.47 to \$1.50	January 2030
NOK	FX Forward	NOK923,000	NOK			\$0.12	November 2015

Designated Net Investment Hedges

The Company's foreign denominated net investments in subsidiaries or joint ventures, which hold loans receivable or real estate assets, totaled approximately €226.7 million, £102.8 million, CHF53.0 million and NOK926.4 million, or a total of \$572.2 million, as of September 30, 2015 and €315.9 million and £128.0 million, or a total of \$581.7 million, as of December 31, 2014.

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

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

above a specified level.

These foreign exchange contracts are used to protect certain of the Company's foreign denominated investments and receivables from adverse foreign currency fluctuations.

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 earnings. For the three months ended September 30, 2015, following substantially complete liquidation of the underlying investments of foreign subsidiaries, a net realized gain of \$7.7 million on net investment hedges was reclassified out of AOCI into other (loss) gain, net. For the nine months ended September 30, 2015, including the impact from consolidation of foreign equity-method investments on April 2, 2015, net realized gains of \$47.0 million on designated net

Table of Contents

investment hedges were reclassified out of AOCI, with \$39.3 million as a component of gain on remeasurement of consolidated investment entities, net, and \$7.7 million included in other (loss) gain, net. There were no realized gains or losses on net investment hedges transferred from equity into earnings during the three and nine months ended September 30, 2014.

Non-Designated Hedges

At the end of each quarter, the Company reassesses the effectiveness of its net investment hedges and as appropriate, dedesignates the portion of the derivative notional that is in excess of the beginning balance of its net investments as non-designated hedges. For the three and nine months ended September 30, 2015, the Company recognized \$0.1 million of net unrealized gain and \$0.2 million of net unrealized loss, respectively, on the dedesignated portion of net investment hedges in other (loss) gain, net. For the three and nine months ended September 30, 2014, there were no dedesignations of net investment hedges.

Additionally, there were no other foreign exchange contracts that were non-designated at September 30, 2015 and December 31, 2014.

Interest Rate Contracts

The Company uses various interest rate derivatives, designated as cash flows hedges or otherwise non-designated, to limit the exposure of increases in interest rates on various floating rate debt obligations.

As of September 30, 2015, the Company held the following designated and non-designated interest rate contracts:

Instrument Type	Notional Amount (in thousands)		Index	Strike	Expiration
	Designated	Non-Designated			
Interest rate swaps	\$ 10,350	\$ —	1-Month LIBOR	4.28%	March 2016
Interest rate caps	\$ 750,000	\$ 382,750	1-Month LIBOR	3.00%	December 2016
Interest rate caps	\$ 112,418	\$ —	1-Month LIBOR	2.50%	November 2015 to August 2016
Interest rate caps	€ —	€ 23,751	3-Month EURIBOR	1.50%	June 2022
Interest rate caps	£ —	£ 53,820	3-Month LIBOR	2.25%	November 2018

Designated Cash Flow Hedges

Unrealized loss of approximately \$0.1 million for ineffectiveness related to a cash flow hedge was recorded in earnings for both the three and nine month periods ended September 30, 2015. There was no ineffectiveness on cash flow hedges for the three and nine months ended September 30, 2014.

Non-Designated Hedges

For the three and nine months ended September 30, 2015, net unrealized loss associated with non-designated interest rate contracts of \$0.2 million and \$0.6 million, respectively, were recorded in other (loss) gain, net.

For the three and nine months ended September 30, 2014, unrealized gain on non-designated interest rate contracts of \$4,000 and \$18,000, respectively, were included in other (loss) gain, net.

12. Balance Sheet Offsetting

The Company enters into agreements subject to enforceable master netting arrangements with its derivative counterparties that allow the Company to offset the settlement of derivative assets and liabilities in the same currency by derivative instrument type or, in the event of default by the counterparty, to offset all derivative assets and liabilities with the same counterparty. The Company presents derivative assets and liabilities with the same counterparty on a gross basis on the condensed consolidated balance sheets. The table below sets forth derivative positions where the Company has a right of set off under netting arrangements with the same counterparty.

Table of Contents

(In thousands)	Gross Amounts of Assets (Liabilities) Included on Consolidated Balance Sheets	Gross Amounts Not Offset on Consolidated Balance Sheets		
		(Assets) Liabilities	Cash Collateral Received (Pledged)	Net Amounts of Assets (Liabilities)
September 30, 2015				
Derivative Assets				
Foreign exchange forwards	\$ 10,219	\$(964	) \$—	\$9,255
Foreign exchange collars	11,933	(499	) —	11,434
Interest rate caps	680	—	—	680
	\$22,832	\$(1,463	) \$—	\$21,369
Derivative Liabilities				
Foreign exchange forwards	\$(964	) \$964	\$—	\$—
Foreign exchange collars	(499	) 499	—	—
Interest rate swap	(16	) —	—	(16
	\$(1,479	) \$1,463	\$—	\$(16
December 31, 2014				
Derivative Assets				
Foreign exchange forwards	\$ 10,667	\$—	\$—	\$ 10,667
Foreign exchange collars	15,153	(6,718	) —	8,435
Interest rate caps	480	—	—	480
Interest rate swap	179	—	—	179
	\$26,479	\$(6,718	) \$—	\$19,761
Derivative Liabilities				
Foreign exchange collars	\$(6,718	) \$6,718	\$—	\$—
	\$(6,718	) \$6,718	\$—	\$—

13. Fair Value Measurements

Level 1 fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair values use quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or valuation techniques utilizing inputs that are observable directly or indirectly. Level 3 fair values are determined based on valuation techniques using at least one significant assumption or input that is unobservable and requires significant management judgment or estimate.

Recurring Fair Values

Derivative assets and derivative liabilities are carried at fair value on a recurring basis and classified under Level 2 fair value hierarchy, as presented in Note 11, Derivatives and Hedging. These interest rate contracts and foreign exchange contracts are traded over-the-counter and valued based on observable inputs such as contractual cash flows, yield curve, foreign currency rates and credit spreads, taking into consideration any credit valuation adjustments, as applicable. Although credit valuation adjustments, such as the risk of default, rely on Level 3 inputs, the Company has determined that these inputs are not significant to the overall valuation of its derivatives. As a result, derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

Contingent consideration payable in connection with the Combination, included in due to affiliates, is remeasured at fair value each reporting period and classified under Level 3 of the fair value hierarchy. At closing of the Combination on April 2, 2015 and at June 30, 2015, the fair value was measured using a discounted payout analysis that was based on probability-weighted average estimates of achieving prescribed multi-year performance targets. These targets include a contractually-defined funds from operations ("Benchmark FFO") per share metric and capital raising in the funds management business. If the minimum performance target for either of these metrics is not met or exceeded, a

portion of the contingent consideration paid in respect of the other metric would not be paid out in full. At September 30, 2015, the Company estimated the fair value of contingent consideration tied to Benchmark FFO by using a Monte Carlo simulation technique and considered the volatility of the Company's Class A common stock price against the potential payout, arriving at an estimated fair value of \$53.7 million. The change in valuation methodology followed the stock market dislocation in August 2015 and the resulting increase in market volatility. The \$16.9 million decrease in the estimated fair value of contingent consideration for the three months ended September 30, 2015 primarily reflected a sustained decline in the Class A common stock price, and was recognized as a component of other gain in the condensed consolidated statements of operations. In addition to the Company's Class A common stock price at September 30, 2015 and projected Benchmark FFO during the contingency period, the fair value of contingent consideration tied to Benchmark FFO was estimated using the following key inputs:

Table of Contents

	September 30, 2015
Benchmark FFO volatility	25.30%
Equity volatility	28.00%
Risk-free interest rate	0.85%
Correlation ⁽¹⁾	80.00%

(1) Represents the assumed correlation between Benchmark FFO and the Company's Class A common stock price
Nonrecurring Fair Values

The Company holds certain assets carried at fair value on a nonrecurring basis, which comprise loans held for sale, foreclosed properties and real estate held for sale carried at the lower of fair value and carrying value less estimated costs to sell. There were no assets carried at nonrecurring fair values at December 31, 2014. Nonrecurring fair values at September 30, 2015 were \$70.1 million and consisted of foreclosed properties classified as held for sale that were written down to fair value. These assets fall under the Level 3 fair value hierarchy and their fair values were determined based on appraised values less estimated costs to sell. For the three and nine months ended September 30, 2015, \$0.3 million and \$0.8 million, respectively, were recognized in impairment of real estate assets on the condensed consolidated statements of operations, in connection with foreclosed properties held for sale and additionally, in relation to write down of a real estate asset that was sold in April 2015.

Fair Value Disclosure of Financial Instruments Reported at Cost

Carrying amounts and estimated fair values of financial instruments reported at amortized cost are presented below:

(In thousands)	Fair Value Measurements				Carrying Value
	Level 1	Level 2	Level 3	Total	
September 30, 2015					
Assets					
Investments in unconsolidated joint ventures	\$—	\$—	\$1,293,236	\$1,293,236	\$923,712
Loans held for investment	—	—	4,142,609	4,142,609	4,048,649
Liabilities					
Line of credit	—	357,500	—	357,500	357,500
Secured and unsecured debt	—	—	2,024,962	2,024,962	2,024,985
CMBS debt	—	821,152	—	821,152	824,374
Notes payable	—	—	43,429	43,429	43,429
Convertible senior notes	600,682	—	—	600,682	604,274
December 31, 2014					
Assets					
Investments in unconsolidated joint ventures	\$—	\$—	\$1,963,965	\$1,963,965	\$1,646,977
Loans held for investment	—	—	2,163,500	2,163,500	2,131,134
Liabilities					
Line of credit	—	164,000	—	164,000	164,000
Secured and unsecured debt	—	—	1,442,397	1,442,397	1,442,397
CMBS debt	—	536,927	—	536,927	537,268
Convertible senior notes	617,763	—	—	617,763	604,498

Fair values of loans held for investment are estimated based on cash flow projections of principal and interest expected to be collected, discounted using interest rates available for borrowers with similar credit metrics, and considering any available market comparables or dealer quotes, if applicable. Carrying values of loans held for investment are presented net of allowances for loan losses, where applicable.

Fair values of investments in unconsolidated joint ventures are primarily derived by applying the Company's ownership interest to the fair value of the underlying assets and liabilities of each joint venture. The Company's proportionate share of each joint venture's fair value approximates the Company's fair value of the investment, as the timing of cash flows of the joint venture does not deviate materially from the timing of cash flows the Company

receives from the joint venture.

Fair value of the line of credit approximated carrying value as its prevailing interest rate and applicable terms were recently renegotiated and agreed upon with the Company's lender in December 2014. Fair values of the secured and unsecured financing were estimated by discounting expected future cash outlays at current interest rates available for similar instruments. Fair value of CMBS debt was determined using the last trade price of similar instruments in active markets, and for recent securitizations, fair value

Table of Contents

approximates carrying value. Fair value of notes payable approximated carrying values based on market rate for debt with similar underlying collateral. Fair value of convertible senior notes was determined using the last trade price in active markets.

The carrying values of cash, interest receivable, due from affiliates and accrued and other liabilities approximate fair values due to their short term nature.

14. Stockholders' Equity

Preferred Stock

The table below summarizes the preferred stock outstanding as of September 30, 2015:

Description	Dividend Rate Per Annum	Initial Issuance Date	Shares Outstanding (in thousands)	Par Value (in thousands)	Liquidation Preference (in thousands)	Redemption Period
Series A 8.5% Cumulative Redeemable Perpetual	8.5%	March 2012	10,080	\$ 101	\$252,000	On or after March 27, 2017
Series B 7.5% Cumulative Redeemable Perpetual	7.5%	June 2014	3,450	34	86,250	On or after June 19, 2019
Series C 7.125% Cumulative Redeemable Perpetual	7.125%	April 2015	11,500	115	287,500	On or after April 13, 2020
			25,030	\$ 250	\$625,750	

In April 2015, the Company issued 11.5 million shares of its 7.125% Series C Cumulative Redeemable Perpetual Preferred Stock through an underwritten public offering and received proceeds of approximately \$278 million, net of underwriting discounts, commissions and offering costs payable by the Company.

Each series of the Company's preferred stock is redeemable at \$25.00 per share plus accrued and unpaid dividends (whether or not declared) exclusively at the Company's option. The redemption period for each series of preferred stock is subject to the Company's right under limited circumstances to redeem the preferred stock earlier in order to preserve its qualification as a REIT or upon the occurrence of a change of control (as defined in the articles supplementary relating to each series of preferred stock). All series of preferred stock are at parity with respect to dividends and distributions, including distributions upon liquidation, dissolution or winding up, and all preferred stock are senior to the Company's common stock. Dividends of each series of preferred stock are payable quarterly in arrears in January, April, July and October.

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

Common Stock

At the closing of the Combination on April 2, 2015, all outstanding common stock at that time was reclassified on a one-for-one basis to Class A common stock, with equivalent terms, and a new class of common stock, Class B, was created. As discussed in Note 3, 1.43 million shares of Class A Common Stock and 563,987 shares of Class B Common Stock were issued as part of the upfront consideration for the Combination.

Except with respect to voting rights, Class A and Class B common stock have the same rights and privileges and rank equally, share ratably in dividends and distributions, and are identical in all respects as to all matters. Class B common stock may only be issued in conjunction with the issuance of OP Units, which are membership interests in the

Operating Company, in a ratio of no more than one share of Class B common stock for every thirty-five and one-half OP Units. 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 attributable to Class B common stock holders and therefore, does not provide any disproportionate voting rights. Each share of Class B common stock shall convert automatically into one share of Class A common stock if the Executive Chairman or his beneficiaries directly or indirectly transfer beneficial ownership of Class B common stock or OP Units held by them, other than to certain qualified transferees, which generally includes affiliates and employees. In addition, each holder of Class B common stock has the right, at the holder's option, to convert all or a portion of such holder's Class B common stock into an equal number of shares of Class A common stock.

Table of Contents

At-The-Market Stock Offering Program ("ATM Program")

In May 2015, the Company entered into separate "at-the-market" equity distribution agreements with certain sales agents to offer and sell, from time to time, shares of its common stock having an aggregate offering price of up to \$300 million. Sales of the shares may be made in negotiated transactions and/or transactions that are deemed to be "at the market" offerings, including sales made by means of ordinary brokers' transactions, including directly on the New York Stock Exchange ("NYSE"), or sales made to or through a market maker other than on an exchange. The Company pays each sales agent a commission not to exceed 2% of the gross sales proceeds for any common stock sold through such agent.

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 acquisition of Class A common stock either in the open market, directly from the Company as newly issued common stock, or in privately negotiated transactions with third parties. For the nine months ended September 30, 2015, there were no shares of Class A common stock acquired under the DRIP Plan.

Accumulated Other Comprehensive Income (Loss)

Changes in Components of AOCI—Stockholders and Noncontrolling Interests

The following tables present the changes in each component of AOCI attributable to stockholders and noncontrolling interests, net of immaterial tax effect. The changes in AOCI attributable to noncontrolling interests in 2014 were immaterial.

(In thousands)	Equity in AOCI of Unconsolidated Joint Ventures	Unrealized Gain/(Loss) on Beneficial Interests in Debt Securities	Gain (Loss) on Cash Flow Hedges	Foreign Currency Translation Gain (Loss)	Gain (Loss) on Net Investment Hedges	Total
Balance at December 31, 2013	\$ 3,621	\$ 325	\$(19)	\$ 1,849	\$(3,183)	\$ 2,593
Other comprehensive income (loss) before reclassifications	937	(2,488)	(7)	(32,165)	17,761	(15,962)
Amounts reclassified from accumulated other comprehensive income	(3,865)	2,163	—	—	253	(1,449)
Net other comprehensive (loss) income	(2,928)	(325)	(7)	(32,165)	18,014	(17,411)
Balance at September 30, 2014	\$ 693	\$ —	\$(26)	\$(30,316)	\$ 14,831	\$(14,818)

Table of Contents

(In thousands)	Equity in AOCI of Unconsolidated Joint Ventures	Gain (Loss) on Cash Flow Hedges	Foreign Currency Translation Gain (Loss)	Gain (Loss) on Net Investment Hedges	Total
Balance at December 31, 2014					
Stockholders	\$ 451	\$(101)	\$(52,643)	\$23,802	\$(28,491)
Noncontrolling interests in investment entities	—	(52)	(3,616)	(1)	(3,669)
	451	(153)	(56,259)	23,801	(32,160)
Other comprehensive income (loss) before reclassifications					
Stockholders	(612)	(221)	(41,382)	30,001	(12,214)
Noncontrolling interests in investment entities	—	(144)	14,591	—	14,447
Noncontrolling interests in Operating Company	—	(10)	1,185	(107)	1,068
Amounts reclassified from accumulated other comprehensive income					
Stockholders	161	51	67,194	(39,346)	28,060
Noncontrolling interests in investment entities	—	37	5,183	—	5,220
Noncontrolling interests in Operating Company	—	10	12,880	(7,482)	5,408
Net other comprehensive (loss) income	(451)	(277)	59,651	(16,934)	41,989
Balance at September 30, 2015					
Stockholders	—	(271)	(26,831)	14,457	(12,645)
Noncontrolling interests in investment entities	—	(159)	16,158	(1)	15,998
Noncontrolling interests in Operating Company	—	—	14,065	(7,589)	6,476
	\$ —	\$(430)	\$3,392	\$6,867	\$9,829

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 September 30,		Nine Months Ended September 30,		Affected Line Item in the Condensed Consolidated Statements of Operations
Component of AOCI reclassified into earnings	2015	2014	2015	2014	
Equity in realized (loss) gain on sale of marketable securities of unconsolidated joint ventures	\$—	\$—	\$(161)	\$3,865	Equity in income of unconsolidated joint ventures
Settlement loss on beneficial interests in debt securities	—	—	—	(2,163)	Other (loss) gain, net
Release of cumulative translation adjustments	—	—	(45,407)	—	Gain on remeasurement of consolidated investment entities, net
Release of cumulative translation adjustments	(21,787)	(254)	(21,787)	(253)	Other (loss) gain, net
Realization of net gain on net investment hedges	—	—	32,965	—	Gain on remeasurement of consolidated investment entities, net
Realization of net gain on net investment hedges	6,492	—	6,492	—	Other (loss) gain, net
Unrealized gain (loss) on dedesignated net investment hedges	88	—	(111)	—	Other (loss) gain, net
Unrealized (loss) on ineffective cash flow hedge	(51)	—	(51)	—	Other (loss) gain, net

15. Noncontrolling Interests

Noncontrolling Interests in Investment Entities

This represents interests in consolidated real estate investment entities held primarily by Co-Investment Funds, which prior to the Combination, were managed by CCLLC or its affiliates, and to a lesser extent, held by unaffiliated third parties. Allocation of net income or loss is based on contractual arrangements that govern sharing of economic returns from the

36

Table of Contents

investment entities, absence of which, allocation of net income or loss is made in accordance with relative ownership interests held by equity owners in each investment entity.

Noncontrolling Interests in Operating Company

This represents membership interests in OP held by affiliates and senior executives. A majority of the OP Units held by noncontrolling interests were issued as part of the consideration for the Combination. Noncontrolling interests in OP are attributed a share of net income or loss in OP based on their weighted average ownership interest in OP during the period. At the end of each period, noncontrolling interests in OP is adjusted to reflect their ownership percentage in OP at the end of the period, through a reallocation between controlling and noncontrolling interests in OP, as applicable.

Noncontrolling interests in OP, subject to lock-up agreements, have the right to require OP to redeem part or all of such member's OP Units. OP can redeem the noncontrolling interests either through issuance of the Company's Class A common stock on a one-for-one basis, in the form of registered or unregistered shares, or make a cash payment based on the market value of an equivalent number of shares of the Company's common stock at the time of redemption.

In June 2015, OP issued an additional 412,865 common OP Units to an affiliate, CCM. As discussed in Note 10, the Company issued a \$10 million unsecured note to CCM in connection with the acquisition of a portfolio of light industrial real estate assets and operating platform in December 2014. In May 2015, CCM exercised its rights under the note and contributed the note to OP in exchange for OP Units.

16. 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		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Net income allocated to common stockholders				
Net income	\$78,761	\$47,947	\$198,060	\$128,799
Net income attributable to noncontrolling interests:				
Investment entities	(22,264)	(8,993)	(62,580)	(30,466)
Operating Company	(7,200)	—	(16,338)	—
Net income attributable to Colony Capital, Inc.	49,297	38,954	119,142	98,333
Preferred dividends	(12,094)	(6,972)	(30,476)	(17,898)
Net income attributable to common stockholders	37,203	31,982	88,666	80,435
Net income allocated to participating securities (nonvested shares)	(310)	(248)	(918)	(735)
Net income allocated to common stockholders—basic	36,893	31,734	87,748	79,700
Interest expense attributable to convertible notes ⁽¹⁾	6,819	4,172	12,541	8,554
Net income allocated to common stockholders—diluted	\$43,712	\$35,906	\$100,289	\$88,254
Weighted average common shares outstanding				
Weighted average number of common shares outstanding—basic	111,443	104,810	110,758	92,566
Weighted average effect of dilutive shares ⁽¹⁾	24,695	16,219	16,218	10,997
Weighted average number of common shares outstanding—diluted	136,138	121,029	126,976	103,563
Earnings per share				
Basic	\$0.33	\$0.30	\$0.79	\$0.86
Diluted	\$0.32	\$0.30	\$0.79	\$0.85

⁽¹⁾ OP units, subject to lock-up agreements, may be redeemed for registered or unregistered Class A common shares on a one-for-one basis. At September 30, 2015, there were 21,749,000 OP units outstanding that may be redeemed into 21,749,000 Class A common shares. These OP units would not be dilutive and were not included in the computation of diluted earnings per share for the three and nine months ended September 30, 2015.

For the nine months ended September 30, 2015, excluded from the calculation of diluted net income per share is the effect of adding back \$7.9 million of interest expense and 8,476,400 weighted average dilutive common share equivalents for the assumed conversion of the Convertible Notes, as their inclusion would be antidilutive. Also excluded from the calculation of diluted income per share is the effect of adding back \$280,000 of interest expense and 251,000 weighted average dilutive common share equivalents for the assumed repayment of the \$10 million unsecured note issued to CCM (see Note 10) in shares of the Company's common stock as its inclusion would be antidilutive.

Table of Contents

For the three and nine months ended September 30, 2014, excluded from the calculation of diluted net income per share is the effect of adding back \$2.6 million and \$7.9 million, respectively, of interest expense and 8,476,400 weighted average dilutive common share equivalents for the assumed conversion of the Convertible Notes, as their inclusion would be antidilutive.

17. Related Party Transactions

Affiliates include funds and other investment vehicles managed by the Company, directors, senior executives, and employees, and prior to the Combination, the Manager and its affiliates.

Amounts due from and due to affiliates, as presented on the condensed consolidated balance sheets, consist of the following:

(In thousands)	September 30, 2015	December 31, 2014
Due from Affiliates		
Management fee receivable	\$ 10,776	\$—
Due from funds and unconsolidated joint ventures	3,852	—
Other	3,279	—
	\$ 17,907	\$—
Due to Affiliates		
Contingent consideration	\$ 53,740	\$—
Amounts due to the Manager or its affiliates:		
Base management fee expense	—	9,173
Secondment reimbursement	—	1,393
Reimbursement of direct and allocated administrative and investment costs	—	1,670
	\$ 53,740	\$ 12,236

Prior to the Combination, the Company was externally managed by an affiliate. Amounts payable to the Manager under this arrangement included:

Base management fee of 1.5% per annum of stockholders' equity, as defined;

Incentive fee each quarter, measured based on a core earning metric, as defined in the management agreement, payable in shares of the Company's common stock;

Reimbursement of certain expenditures incurred by the Manager, including allocation of overhead costs; and

Cost of employment for the Company's chief financial officer pursuant to a secondment agreement with an affiliate of the Manager.

Amounts incurred and payable to the Manager or its affiliates for periods prior to the Combination were as follows:

(In thousands)	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	2014
Base management fee expense	\$ 8,907	\$ 9,165	\$ 23,112
Incentive fees	—	—	464
Compensation pursuant to secondment agreement	325	450	989
Direct and allocated investment-related expenses	765	366	2,114
Direct and allocated administrative expenses	890	1,922	2,300
	\$ 10,887	\$ 11,903	\$ 28,979

Subsequent to the Combination which closed on April 2, 2015, the Company is internally managed and incurs all costs directly. Additionally, the management and investment personnel of the Manager became employees of the Company. Transactions with affiliates post-Combination include the following:

Base and Asset Management Fees—Pursuant to management and advisory agreements, the Company earns base and asset management fee income from managing Colony-sponsored funds and their respective investments. Base and asset management fees from affiliates, included in fee income, totaled \$22.5 million and \$44.1 million for the three

and nine months ended September 30, 2015, respectively.

Table of Contents

Other Income—The Company received cost reimbursement for administrative services provided to affiliates, including property management services on behalf of the Company's real estate investment entities, of approximately \$2.1 million and \$4.0 million for the three and nine months ended September 30, 2015, respectively, included in other income.

Due from Funds—The Company pays certain expenses on behalf of Colony-sponsored funds in the normal course of business, for which it is reimbursed. Such amounts due from funds was \$1.5 million at September 30, 2015.

Advances—Certain employees are permitted to participate in co-investment vehicles which generally invest in Colony-sponsored funds alongside third party investors. Additionally, the Company grants loans to certain employees in the form of promissory notes bearing interest rates of up to 7% per annum with varying terms and repayment conditions. At September 30, 2015, such outstanding advances were immaterial.

Corporate Aircraft—The Company's corporate aircraft may occasionally be used for business purposes by affiliated entities or for personal use by certain senior executives of the Company. Affiliated entities and senior executives reimburse the Company for their usage based on the incremental cost to the Company of making the aircraft available for such use, and includes direct and indirect variable costs of operating the flights. These reimbursements were immaterial for the three months ended September 30, 2015 and amounted to \$0.1 million for the nine months ended September 30, 2015, included in other income.

Contingent Consideration Liability—The contingent consideration in connection with the Combination is payable to certain senior executives of the Company, if prescribed performance targets are met, as described in Note 3.

18. Share-Based Compensation

Director Stock Plan

The Company's 2009 Non-Executive Director Stock Plan (the "Director Stock Plan") provides for the grant of restricted stock, restricted stock units and other stock-based awards to its non-executive directors. The maximum number of shares of stock reserved under the Director Stock Plan is 100,000. The individual share awards generally vest one year from the date of grant.

Equity Incentive Plan

The 2014 Equity Incentive Plan (the "Equity Incentive Plan"), an amendment and restatement of the Company's 2011 Equity Incentive Plan (the "2011 Plan"), provides for the grant of options to purchase shares Class A of common stock, share awards (including restricted stock and stock units), stock appreciation rights, performance awards and annual incentive awards, dividend equivalent rights, long-term incentive units, cash and other equity-based awards. Certain named executive officers of the Company, along with other eligible employees, directors as well as service providers are eligible to receive awards under the Equity Incentive Plan. The Company has reserved a total of 2,500,000 additional shares of Class A common stock for issuance pursuant to the Equity Incentive Plan, in addition to (i) the number of shares of Class A common stock available for issuance under the 2011 Plan and (ii) the number of shares of Class A common stock subject to outstanding awards under the 2011 Plan that terminate by expiration, forfeiture, cancellation or otherwise without the issuance of such shares of Class A common stock. The Equity Incentive Plan will expire in 2024 unless earlier terminated by the Company. The share awards granted under the Equity Incentive Plan generally vest 25% upfront and the remainder over a 3-year period from the date of grant.

Prior to the Combination, stock grants made to the Manager and its employees were considered non-employee awards and were remeasured at fair value at each period end until the awards fully vested, with such costs forming part of management fee expense. Following the Combination in which the management and investment personnel of the Manager became employed by the Company, these stock grants are treated as equity classified employee awards. The outstanding awards as of the date of closing of the Combination were remeasured at fair value based on the closing price of the Company's Class A common stock on that date and compensation cost recognized on a straight-line basis over the remaining vesting period of the awards, presented within compensation expense. There were no changes to the existing service requirement or any other terms of the awards, nor new conditions attached to the awards in connection with the Combination.

Stock grants made to non-executive directors of the Company continue to be classified as employee awards.

Amortization of stock grants to non-executive directors are included in compensation expense subsequent to the

Combination, previously in administrative expense.

39

Table of Contents

Share-based compensation expense recognized in the condensed consolidated statements of operations is as follows:

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Stock grants to the Manager and employees ⁽¹⁾	\$2,414	\$1,810	\$10,719	\$7,791
Stock grants to non-executive directors	97	111	527	301
	\$2,511	\$1,921	\$11,246	\$8,092

Changes in the Company's nonvested share awards are summarized below:

	Restricted Stock Grants			Weighted Average Grant Date Fair Value
	Non-Executive Directors	Manager and Employees ⁽¹⁾	Total	
Nonvested shares at December 31, 2014	15,234	674,204	689,438	\$19.54
Granted	23,226	618,081	641,307	24.42
Vested	(23,532)	(484,947)	(508,479)	20.71
Forfeited	—	(6,905)	(6,905)	26.06
Nonvested shares at September 30, 2015	14,928	800,433	815,361	22.59
Weighted average grant-date fair value for shares granted during the period	\$25.24	\$24.39		

⁽¹⁾ All outstanding stock grants made to the Manager prior to the Combination became employee awards effective April 2, 2015.

Fair value of shares vested were \$65,400 for three months ended September 30, 2015, and \$12.4 million and \$6.9 million for the nine months ended September 30, 2015 and 2014, respectively. There were no shares vested for the three months ended September 30, 2014. Fair value of shares vested was determined based on the closing price of the Company's Class A common stock on respective vesting dates for non-employee awards and on the date of closing of the Combination for employee awards.

As of September 30, 2015, aggregate unrecognized compensation cost related to nonvested restricted stock grants was approximately \$13.8 million and is expected to be fully recognized over a weighted-average period of approximately 23 months.

19. Income Taxes

The Company has elected to treat certain of its corporate subsidiaries as taxable REIT subsidiaries (each a "TRS"), which may hold assets that the REIT cannot, or does not intend, to hold directly, or to engage in certain real estate or non-real estate related business activities. Our current primary sources of income subject to tax are income from loan resolutions in some of our loan portfolios, income from our interests in asset management companies which manage some of our loan portfolios, hotel operations from our real estate equity portfolio and fee income from our investment management business. Each TRS entity is treated as a regular corporation for income tax purposes and may be subject to federal, state, local and foreign taxes on its income and/or property.

Components of the Company's income tax benefit is presented below:

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Current				
Federal	\$(218)	) \$400	\$354	\$1,053
State	(41)	) (846)	) 370	(649)
Foreign	704	—	1,187	—

Edgar Filing: Colony Capital, Inc. - Form 10-Q

Total current tax expense (benefit)	445	(446	) 1,911	404	
Deferred					
Federal	(3,214	) (1,668	) (3,699	) (2,140)
State	(712	) (350	) (694	) (482)
Foreign	(117	) —	(117) —)
Total deferred tax (benefit)	(4,043	) (2,018	) (4,510	) (2,622)
Total income tax (benefit)	\$(3,598	) \$(2,464	) \$(2,599	) \$(2,218)

40

Table of Contents

Deferred tax assets and liabilities arise from temporary differences in recognition for GAAP and income tax purposes, the carrying values of intangible assets and income from investments conducted through TRSs, primarily due to timing of discount amortization on purchased loans, accelerated depreciation methods used for income tax purposes and accelerated impairment or remeasurement gain recognized under GAAP. At September 30, 2015, the Company had a net deferred tax liability of \$62.8 million, included in accrued and other liabilities. This included deferred tax liabilities of \$43.7 million and \$3.5 million, respectively, related to the tax effect on the carrying values of identifiable intangible assets arising from the Combination and on the remeasurement gain recognized upon consolidation of investment entities previously accounted for under the equity method. The Company also recorded \$30.0 million of deferred tax liability during the nine months ended September 30, 2015 related to tax basis difference on a sale-leaseback transaction. At December 31, 2014, the Company had a net deferred tax asset of \$6.5 million, included in other assets.

20. Commitments and Contingencies

Investment Commitments

Investments in Unconsolidated Joint Ventures—Pursuant to the operating agreements of certain unconsolidated joint ventures, the joint venture partners may be required to fund additional amounts for future investments, unfunded lending commitments, ordinary operating costs, guaranties or commitments of the joint ventures. As of September 30, 2015, the Company's share of those commitments was \$221.1 million.

Consolidated Real Estate Debt Investments—The Company, through its real estate debt investment entities, may be required to fund additional amounts to borrowers pursuant to certain loan agreements. As of September 30, 2015, combined unfunded lending commitments totaled \$135.5 million, of which the Company's share, net of noncontrolling interests, was \$108.1 million.

Consolidated Real Estate Equity Investments—As of September 30, 2015, the Company, through a wholly-owned real estate equity investment entity, had a \$35.0 million commitment to acquire an operating property.

In connection with the Company's acquisition of a light industrial portfolio and operating platform in December 2014, the Company, together with 38% third-party limited partners, may be required to fund additional amounts for future real estate acquisitions and operating costs through ColFin Industrial Partnership, as directed by the general partner of this entity, which is a controlled affiliate of the Company. As of September 30, 2015, the unfunded commitment to ColFin Industrial Partnership was \$231.6 million, representing \$144.4 million for the Company and \$87.2 million for the limited partners. As of September 30, 2015, the light industrial platform had a commitment of \$10.3 million to acquire an additional building in Atlanta.

New Real Estate Equity Investments—In September 2015, the Company entered into a purchase agreement to acquire a triple-net property in a sale-leaseback transaction in Europe, and made a deposit of approximately \$1.8 million. As of September 30, 2015, the unfunded purchase commitment was \$32.9 million.

Lease Commitments

Ground Leases—In connection with property acquisitions, the Company may assume noncancelable operating ground leases as lessee or sublessee. At September 30, 2015, the ground leases assumed expire at various dates through 2078. Certain leases require contingent rent payments based on a percentage of gross rental receipts, net of operating expenses, as defined in the lease. For the three and nine months ended September 30, 2015, ground rent expense was \$61,000 and \$236,000, respectively, including contingent rent. Rents paid under the ground leases are recoverable from tenants.

Office Leases—The Company leases office space under noncancellable operating leases with expiration dates through 2025. The lease agreements provide for payment of various operating expenses, with certain operating costs incurred by the landlord subject to escalation clauses. Rent expense in connection with leases of office space was \$1.5 million and \$2.8 million, respectively, for the three and nine months ended September 30, 2015, included in administrative expenses. Prior to the Combination on April 2, 2015, such administrative cost was incurred directly by the Manager. As of September 30, 2015, future minimum rental payments on noncancellable operating ground leases and office leases were as follows:

Table of Contents

(In thousands)

	Ground Leases	Office Leases
Year Ending December 31,		
Remaining 2015	\$63	\$1,042
2016	255	4,690
2017	255	4,247
2018	255	3,219
2019	255	1,983
2020 and after	12,360	8,908
Total	\$13,443	\$24,089

Contingent Consideration

The consideration for the Combination included a contingent portion payable in shares of Class A and Class B common stock as well as OP Units, subject to multi-year performance targets. At September 30, 2015, the estimated fair value of the contingent consideration was \$53.7 million, as discussed in Note 13.

Litigation

In the ordinary course of business, the Company may be involved in litigation and claims which may result in legal costs and liability that could have a material effect on the Company's financial position and results of operations. As of September 30, 2015, the Company was not involved in any such litigation.

21. Segment Information

The Company conducts its business through the following reportable segments:

Real Estate Equity

- (1) Light industrial real estate assets and operating platform;
- (2) Single-family residential rentals through an equity method investment;
- (3) Other real estate equity investments;

Real Estate Debt

- (4) Loan originations and acquisitions; and

Investment Management

- (5) Investment management of Company-sponsored funds and other investment vehicles.

The Company's acquisition of a portfolio of light industrial real estate properties and associated operating platform in December 2014 represented a new segment, Light Industrial Platform, within its real estate equity business.

Following the closing of the Combination on April 2, 2015, the acquired investment management business formed a new segment, Investment Management. Additionally, costs previously borne and allocated by its Manager are now incurred directly by the Company and certain assets held by the Manager were transferred to the Company as part of the Combination.

Amounts not allocated to specific segments include corporate level cash and corresponding interest income, fixed assets, corporate level financing and related interest expense, income and expense in relation to cost reimbursement arrangements with affiliates, costs in connection with unconsummated deals, compensation expense not directly attributable to other segments, corporate level administrative and overhead costs, contingent consideration in connection with the Combination as well as non-real estate investments and related revenues and expenses.

The chief operating decision maker assesses the performance of the business based on net income (loss) of each of the reportable segments, after attribution to noncontrolling interests at segment level, where applicable. The various real estate equity, real estate debt and investment management segments represent distinct revenue streams to the Company, consisting of property operating income, interest income and fee income, respectively. Costs which are directly attributable, or otherwise can be subjected to a reasonable and systematic allocation, have been allocated to each of the reportable segments.

The following tables present the operating results of the Company's reportable segments:

Table of Contents

	Real Estate Equity						Amounts	
(In thousands)	Light Industrial Platform	Single-Family Residential Rentals	Other	Real Estate Debt	Investment Management	Not Allocated to Segments	Total	
Three Months Ended September 30, 2015								
Income:								
Interest income	\$—	\$ —	\$—	\$142,158	\$ —	\$111	\$142,269	
Property operating income	41,706	—	43,585	1,144	—	—	86,435	
Equity in (loss) income of unconsolidated joint ventures	—	(4,140)	2,433	9,121	(389)	(146)	6,879	
Fee income	—	—	—	—	23,070	—	23,070	
Other income	313	—	—	2,006	—	2,006	4,325	
Total income (loss)	42,019	(4,140)	46,018	154,429	22,681	1,971	262,978	
Expenses:								
Transaction, investment and servicing costs	274	—	63	6,508	—	213	7,058	
Interest expense	11,917	—	5,920	7,784	—	12,406	38,027	
Property operating expenses	14,442	—	19,516	1,657	—	—	35,615	
Depreciation and amortization	21,233	—	14,728	31	5,620	1,044	42,656	
Provision for loan losses	—	—	—	26,495	—	—	26,495	
Impairment of real estate assets	—	—	—	317	—	—	317	
Compensation expense	1,334	—	753	3,361	10,756	9,530	25,734	
Administrative expenses	525	—	245	1,076	706	8,602	11,154	
Total expenses	49,725	—	41,225	47,229	17,082	31,795	187,056	
Gain on sale of real estate assets, net	661	—	4,931	140	—	—	5,732	
Other (loss) gain, net	(113)	—	(88)	(23,170)	(23)	16,903	(6,491)	
Income tax benefit (expense)	22	—	(212)	733	3,082	(27)	3,598	
Net (loss) income	(7,136)	(4,140)	9,424	84,903	8,658	(12,948)	78,761	
Net (loss) income attributable to noncontrolling interests:								
Investment entities	(2,353)	—	3,923	20,694	—	—	22,264	
Operating Company	(776)	(671)	893	10,411	1,404	(4,061)	7,200	
Net (loss) income attributable to Colony Capital, Inc.	\$ (4,007)	\$ (3,469)	\$ 4,608	\$ 53,798	\$ 7,254	\$ (8,887)	\$ 49,297	

Table of Contents

(In thousands)	Real Estate Equity			Real Estate Debt	Amounts Not Allocated to Segments	Total
	Single-Family Residential Rentals	Other				
Three Months Ended September 30, 2014						
Income:						
Interest income	\$—	\$—		\$62,730	\$119	\$62,849
Property operating income	—	4,323		—	—	4,323
Equity in (loss) income of unconsolidated joint ventures	(4,582	) (3,834	)	17,679	—	9,263
Other income	—	—		258	589	847
Total (loss) income	(4,582	) 489		80,667	708	77,282
Expenses:						
Management fees	—	—		—	10,717	10,717
Transaction, investment and servicing costs	—	141		1,781	1,437	3,359
Interest expense	—	1,098		3,317	8,016	12,431
Property operating expenses	—	1,052		—	—	1,052
Depreciation and amortization	—	1,592		—	—	1,592
Compensation expense	—	—		—	499	499
Administrative expenses	—	—		197	1,989	2,186
Total expenses	—	3,883		5,295	22,658	31,836
Other gain, net	—	—		37	—	37
Income tax benefit	—	1,897		497	70	2,464
Net (loss) income	(4,582	) (1,497	)	75,906	(21,880	) 47,947
Net income attributable to noncontrolling interests	—	580		8,413	—	8,993
Net (loss) income attributable to Colony Capital, Inc.	\$(4,582	) \$(2,077	)	\$67,493	\$(21,880	) \$38,954

Table of Contents

	Real Estate Equity					Amounts	
(In thousands)	Light Industrial Platform	Single-Family Residential Rentals	Other	Real Estate Debt	Investment Management	Not Allocated to Segments	Total
Nine Months Ended September 30, 2015							
Income:							
Interest income	\$7	\$ —	\$8	\$289,550	\$ —	\$111	\$289,676
Property operating income	117,057	—	93,791	2,610	—	—	213,458
Equity in (loss) income of unconsolidated joint ventures	—	(9,701)	13,483	40,937	(389)	(146)	44,184
Fee income	—	—	—	219	44,849	—	45,068
Other income	313	—	—	4,325	—	3,470	8,108
Total income (loss)	117,377	(9,701)	107,282	337,641	44,460	3,435	600,494
Expenses:							
Management fees	—	—	—	—	—	15,062	15,062
Transaction, investment and servicing costs	3,712	—	1,735	12,552	—	15,536	33,535
Interest expense	27,756	—	11,936	22,066	—	33,786	95,544
Property operating expenses	40,818	—	41,186	3,527	—	—	85,531
Depreciation and amortization	61,220	—	26,843	190	11,234	2,122	101,609
Provision for loan losses	—	—	—	30,937	—	—	30,937
Impairment on real estate assets	450	—	—	317	—	—	767
Compensation expense	2,286	—	1,225	6,986	22,266	22,230	54,993
Administrative expenses	1,122	—	1,537	3,601	1,759	18,712	26,731
Total expenses	137,364	—	84,462	80,176	35,259	107,448	444,709
Gain on sale of real estate assets, net	669	—	4,931	864	—	8	6,472
Gain on remeasurement of consolidated investment entities, net	—	—	10,223	31,263	—	—	41,486
Other (loss) gain, net	(180)	—	(882)	(23,174)	(23)	15,977	(8,282)
Income tax benefit (expense)	440	—	(3,264)	(1,262)	6,732	(47)	2,599
Net (loss) income	(19,058)	(9,701)	33,828	265,156	15,910	(88,075)	198,060
Net (loss) income attributable to noncontrolling interests:							
Investment entities	(6,783)	—	8,283	61,080	—	—	62,580
Operating Company	(1,409)	(935)	3,114	23,966	2,566	(10,964)	16,338
Net (loss) income attributable to Colony Capital, Inc.	\$(10,866)	\$ (8,766)	\$22,431	\$180,110	\$ 13,344	\$(77,111)	\$119,142

Table of Contents

(In thousands)	Real Estate Equity		Real Estate Debt	Amounts Not Allocated to Segments	Total
	Single-Family Residential Rentals	Other			
Nine Months Ended September 30, 2014					
Income:					
Interest income	\$—	\$—	\$149,734	\$180	\$149,914
Property operating income	—	10,819	—	—	10,819
Equity in (loss) income of unconsolidated joint ventures	(11,417	) 6,327	58,106	—	53,016
Other income	—	—	714	589	1,303
Total (loss) income	(11,417	) 17,146	208,554	769	215,052
Expenses:					
Management fees	—	—	—	31,367	31,367
Transaction, investment and servicing costs	—	212	8,236	3,123	11,571
Interest expense	—	3,257	8,444	20,379	32,080
Property operating expenses	—	2,743	—	—	2,743
Depreciation and amortization	—	4,097	—	—	4,097
Compensation expense	—	—	—	1,484	1,484
Administrative expenses	—	—	577	5,790	6,367
Total expenses	—	10,309	17,257	62,143	89,709
Other gain, net	—	—	165	1,073	1,238
Income tax benefit (expense)	—	2,622	(367	) (37	) 2,218
Net (loss) income	(11,417	) 9,459	191,095	(60,338	) 128,799
Net income attributable to noncontrolling interests	—	1,789	28,677	—	30,466
Net (loss) income attributable to Colony Capital, Inc.	\$(11,417	) \$7,670	\$162,418	\$(60,338	) \$98,333

The assets of each of segment are summarized as follows.

(In thousands)	September 30, 2015	December 31, 2014
Light industrial platform	\$1,867,389	\$1,693,282
Single-family residential rentals	405,524	494,613
Other real estate equity	1,722,971	558,630
Real estate debt	4,650,484	3,022,355
Investment management	830,039	—
Amounts not allocated to segments	228,203	102,968
Total assets ⁽¹⁾	\$9,704,610	\$5,871,848

Beginning in 2015, the Company allocated cash and other assets held within investment holding entities that previously had not been allocated to segments. The impact of this change was an additional allocation of \$63.4 million to segment assets at December 31, 2014, made up primarily of cash balances that can be directly attributed to the respective segments.

22. Subsequent Events

The Company has evaluated subsequent events and transactions through the date these condensed consolidated financial statements were issued and determined that no subsequent events have occurred that would require recognition in the accompanying consolidated financial statements or disclosure in the notes to the consolidated financial statements.

Table of Contents

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

In this quarterly report on Form 10-Q (this "Report") we refer to Colony Capital, Inc. as "we," "us," "Company," or "our," unless we specifically state otherwise or the context indicates otherwise. We refer to our manager, Colony Financial Manager, LLC, as the "Manager," and the former parent company of the Manager, Colony Capital, LLC, together with its consolidated subsidiaries (other than us), as "CCLLC."

The following discussion should be read in conjunction with our unaudited consolidated financial statements and the accompanying notes thereto, which are included in Item 1 of this Report, as well as the information contained in our Annual Report on Form 10-K, as amended, for the fiscal year ended December 31, 2014, which is accessible on the Securities and Exchange Commission's (the "SEC") website at www.sec.gov.

IMPORTANT INFORMATION RELATED TO FORWARD-LOOKING STATEMENTS

Some of the statements contained in this Report constitute forward-looking statements within the meaning of 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 in Section 21E of the Exchange Act. 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 our strategy, plans or intentions.

While forward-looking statements reflect our good faith beliefs, assumptions and expectations, they are not guarantees of future performance. Furthermore, we disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, of new information, data or methods, future events or other changes. We caution investors not to place undue reliance on these forward-looking statements and urge you to carefully review the disclosures we make concerning risks in sections entitled "Risk Factors," "Forward-Looking Statements," and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our most recent Annual Report on Form 10-K, as amended.

Overview

We are a leading global real estate and investment management firm with more than 300 employees in 14 offices across 10 countries. We target attractive risk-adjusted investment returns and our portfolio is primarily composed of: (i) general partner interests in Company sponsored private equity funds and vehicles; (ii) real estate equity; and (iii) real estate and real estate-related debt. We have elected to be taxed as a real estate investment trust, or REIT, for U.S. federal income tax purposes.

Prior to April 2, 2015, we were externally managed and advised by the Manager pursuant to the terms of a management agreement. The Manager was a wholly-owned subsidiary of CCLLC, a privately held independent global real estate investment firm founded in 1991 by Thomas J. Barrack, Jr., our Executive Chairman.

On March 31, 2015, our shareholders approved the acquisition by our operating subsidiary Colony Capital Operating Company, LLC ("Operating Company" or "OP") of substantially all of CCLLC's real estate and investment management businesses and operations, which closed on April 2, 2015 (the "Combination"). Prior to the Combination, CCLLC sponsored \$24 billion of equity across a variety of distinct funds and investment vehicles that collectively invested over \$60 billion of total capital. Our acquisition of CCLLC's asset management business provides us with an investment management platform with approximately \$9 billion of third party fee-paying equity under management. Following the Combination, we are led by our Executive Chairman, Mr. Barrack, and Chief Executive Officer, Richard B. Saltzman, and employ the full management and investment team of CCLLC. Pursuant to the Combination, CCLLC's management contracts for its existing real estate and non-real estate funds and investment vehicles, other than CCLLC's interests in Colony American Homes ("CAH"), which became a self-managed REIT effective November 4, 2014, were contributed to the Company. As a result of the Combination, we now have the right to conduct all future Colony-branded investment activities, including the formation of real estate and non-real estate private investment funds, and own the Colony name and related intellectual property. The consideration for the

Combination was paid primarily in the form of the Company's Class A common stock, Class B common stock and OP membership units (exchangeable for shares of the Company's Class A common stock or their equivalent in cash). Upon consummation of the Combination, all of CCLLC's senior executives became employed by the Company. In order to further demonstrate their collective long term commitment to the Company's business, Messrs. Barrack and Saltzman entered into five-year employment agreements, certain other key senior executives entered into three-year employment agreements, and all such executives entered into or are subject to lock-up arrangements with the Company, which, subject to

Table of Contents

certain exceptions for estate planning, partial share pledges and tax-related sales, generally restrict them from transferring their respective interests in the Company's operating partnership units and/or shares received in the Combination over the same period as their respective employment agreement terms.

Organizational Structure

In connection with the Combination, the Company reorganized into an umbrella partnership real estate investment trust ("UPREIT"). As part of the restructuring, the Company contributed to OP and its subsidiaries substantially all of the Company's other subsidiaries, assets and liabilities, other than certain indebtedness, in exchange for membership interests in OP ("OP Units"). Following the Combination, OP conducts all of the activities and owns substantially all of the assets and liabilities of the combined business.

The Company's organizational structure before and after the Combination is depicted in the diagrams below.

Pre-Combination

-
- (1) At closing of the Combination, CLNY contributed to OP substantially all of CLNY's other subsidiaries, assets and liabilities in exchange for additional OP Units.

Table of Contents

Post-Combination

Our Business

Our business objective is to provide attractive risk-adjusted returns to our investors through a diversified portfolio of direct and indirect real estate-related equity and real estate debt investments, including interests held through our investment management business. The total return profile of our investments is composed of both current yield, which is distributed through regular-way dividends, and capital appreciation potential, which is distributed through regular-way and/or special dividends. Our investments are diversified across a wide spectrum of commercial real estate property types – office, industrial, retail, hospitality, single-family and multifamily residential – and geographically, with investments across North America and Europe. Our investments typically fall within these broad categories:

Direct investment in real estate equity, which includes light industrial properties and operating platform, single family homes for rent, triple net lease investments, real estate acquired in settlement of loans, common equity in real estate or related companies, and certain preferred equity investments with profit participation meeting certain risk or return profiles.

Direct investment in real estate debt, which includes:

- Loan acquisitions including the purchase of performing, sub-performing and/or non-performing commercial real estate debt (including loan-to-own strategies), often at significant discounts to par; and
- Originations including structured senior and subordinate debt secured by mortgages and/or equity interests in commercial real estate with a bias towards current yield

Table of Contents

Following the Combination, we will sponsor new private equity funds and vehicles as general partner and we intend to primarily execute our investment strategy through indirect investments in the funds or vehicles that we will manage. Our business generates interest income and property operating income from our real estate debt and real estate equity investments, and through our share of earnings from investments in real estate joint venture entities. Subsequent to the Combination, management fee income will be an additional revenue contributor.

Segments

As of September 30, 2015, we operate our business in the following reportable segments:

Real Estate Equity

- Light industrial real estate assets and associated operating platform, held through a co-investment partnership
- (1) formed and managed by us acting as general partner, which represented a new segment upon acquisition in December 2014;
 - (2) Single-family residential rentals through our equity method investment in CAH Operating Partnership, L.P. ("CAH");
 - (3) Other real estate equity investments, which include real estate acquired in settlement of loans or from acquisition of operating properties, common equity in real estate or related companies, and certain preferred equity investments with profit participation meeting certain risk or return profiles;

Real Estate Debt

- (4) Originations including senior and subordinated commercial mortgage backed securities and preferred equity, as well as secondary loan acquisitions including performing and non-performing commercial real estate debt; and

Investment Management

- (5) Investment management of Company sponsored funds and other investment vehicles, which formed a new segment following the Combination on April 2, 2015.

The various real estate equity, real estate debt and investment management segments represent distinct revenue streams to the Company, consisting of rental and property operating income, interest income and fee income, respectively. Costs which are directly attributable, or otherwise can be subjected to a reasonable and systematic allocation, have been allocated to each of the reportable segments.

Table of Contents

The summarized balance sheets of our reportable segments are presented as follows:

	Real Estate Equity					Amounts	
(\$ in thousands)	Light Industrial Platform	Single Family Residential Rentals	Other	Real Estate Debt	Investment Management	Not Allocated to Segments	Total
September 30, 2015							
Assets							
Loans held for investment, net	\$—	\$—	\$—	\$4,048,649	\$—	\$—	\$4,048,649
Real estate assets, net							
Held for investment	1,684,993	—	990,103	11,306	—	—	2,686,402
Held for sale	6,157	—	259,017	90,471	—	—	355,645
Investments in unconsolidated joint ventures	—	405,524	291,579	208,319	10,936	7,354	923,712
Other assets	176,239	—	182,272	291,739	819,103	220,849	1,690,202
Total assets	1,867,389	405,524	1,722,971	4,650,484	830,039	228,203	9,704,610
Liabilities							
Debt	1,096,841	—	667,363	1,085,155	—	1,005,203	3,854,562
Other liabilities	59,044	—	73,422	133,858	76,614	130,458	473,396
Total liabilities	1,155,885	—	740,785	1,219,013	76,614	1,135,661	4,327,958
Noncontrolling interests:							
Investment entities	260,462	—	399,579	1,403,613	—	—	2,063,654
Operating Company	59,332	53,282	77,146	266,577	98,992	(119,201)	436,128
Stockholders' equity	\$391,710	\$352,242	\$505,461	\$1,761,281	\$654,433	\$(788,257)	\$2,876,870
By Geography: ⁽¹⁾							
United States	100%	100%	52%	80%	65%		
Europe	—%	—%	48%	15%	32%		
Other	—%	—%	—%	5%	3%		

	Real Estate Equity					Amounts	
(In thousands)	Light Industrial Platform	Single Family Residential Rentals	Other	Real Estate Debt	Investment Management	Not Allocated to Segments	Total
December 31, 2014							
Assets							
Loans receivable, net	\$—	\$—	\$—	\$2,131,134	\$—	\$—	\$2,131,134
Real estate assets, net							
Held for investment	1,511,275	—	132,722	—	—	—	1,643,997
Investments in unconsolidated joint ventures	—	494,613	393,813	758,551	—	—	1,646,977
Other assets	182,007	—	32,095	132,670	—	102,968	449,740
Total assets	1,693,282	494,613	558,630	3,022,355	—	102,968	5,871,848
Liabilities							
Debt	1,098,500	—	88,000	793,165	—	768,498	2,748,163

Edgar Filing: Colony Capital, Inc. - Form 10-Q

Other liabilities	32,996	—	13,366	75,291	—	66,239	187,892
Total liabilities	1,131,496	—	101,366	868,456	—	834,737	2,936,055
Noncontrolling interests in investment entities	203,277	—	28,699	236,313	—	50,024	518,313
Stockholders' equity	\$358,509	\$494,613	\$428,565	\$1,917,586	\$ —	\$(781,793)	\$2,417,480
By Geography: ⁽¹⁾							
United States	100%	100%	63%	77%	—%		
Europe	—%	—%	37%	21%	—%		
Other	—%	—%	—%	2%	—%		

(1) Geographic breakdown for each segment is based on the book value of net investments or stockholders' equity of the underlying investments held by each segment, except for the investment management segment, which is based on assets under management.

Table of Contents

Results of Operations

Three Months Ended September 30, 2015 and 2014

(In thousands)	Three Months Ended September 30, 2015							Three Months Ended September 30, 2014			
	Real Estate Equity							Real Estate Equity			
	Light Industrial Platform	Single Family Residential Rentals	Other	Real Estate Debt	Investment Management	Amounts Not Allocated to Segments	Total	Single Family Residential Rentals	Other	Real Estate Debt	Amounts Not Allocated to Segments
Income											
Interest income	\$—	\$—	\$—	\$142,158	\$—	\$111	\$142,269	\$—	\$—	\$62,730	\$119
Property operating income	41,706	—	43,585	1,144	—	—	86,435	—	4,323	—	—
Equity in (loss) income of unconsolidated joint ventures	—	(4,140)	2,433	9,121	(389)	(146)	6,879	(4,582)	(3,834)	17,679	—
Fee income	—	—	—	—	23,070	—	23,070	—	—	—	—
Other income	313	—	—	2,006	—	2,006	4,325	—	—	258	589
Total income (loss)	42,019	(4,140)	46,018	154,429	22,681	1,971	262,978	(4,582)	489	80,667	708
Expenses											
Management fees	—	—	—	—	—	—	—	—	—	—	10,717
Transaction, investment and servicing costs	274	—	63	6,508	—	213	7,058	—	141	1,781	1,437
Interest expense	11,917	—	5,920	7,784	—	12,406	38,027	—	1,098	3,317	8,016
Property operating expenses	14,442	—	19,516	1,657	—	—	35,615	—	1,052	—	—
Depreciation and amortization	21,233	—	14,728	31	5,620	1,044	42,656	—	1,592	—	—
Provision for loan losses	—	—	—	26,495	—	—	26,495	—	—	—	—
Impairment of real estate assets	—	—	—	317	—	—	317	—	—	—	—
Compensation expense	1,334	—	753	3,361	10,756	9,530	25,734	—	—	—	499
Administrative expenses	525	—	245	1,076	706	8,602	11,154	—	—	197	1,989
Total expenses	49,725	—	41,225	47,229	17,082	31,795	187,056	—	3,883	5,295	22,658
Gain on sale of real estate assets, net	661	—	4,931	140	—	—	5,732	—	—	—	—

Edgar Filing: Colony Capital, Inc. - Form 10-Q

Other (loss) gain, net	(113)	—	(88)	(23,170)	(23)	16,903	(6,491)	—	—	37	—
Income tax benefit (expense)	22	—	(212)	733	3,082	(27)	3,598	—	1,897	497	70
Net (loss) income	(7,136)	(4,140)	9,424	84,903	8,658	(12,948)	78,761	(4,582)	(1,497)	75,906	(21,880)
Net (loss) income attributable to noncontrolling interests:											
Investment entities	(2,353)	—	3,923	20,694	—	—	22,264	—	580	8,413	—
Operating Company	(776)	(671)	893	10,411	1,404	(4,061)	7,200	—	—	—	—
Net (loss) income attributable to Colony Capital, Inc.	\$(4,007)	\$(3,469)	\$4,608	\$53,798	\$7,254	\$(8,887)	\$49,297	\$(4,582)	\$(2,077)	\$67,493	\$(21,880)

Table of Contents

Nine Months Ended September 30, 2015 and 2014

(In thousands)	Nine Months Ended September 30, 2015 Real Estate Equity						Nine Months Ended September 30, 2014 Real Estate Equity				
	Light Industrial Platform	Single Family Residential Rentals	Other	Real Estate Debt	Investment Management	Amounts Not Allocated to Segments	Total	Single Family Residential Rentals	Other	Real Estate Debt	Amounts Not Allocated to Segments
Income											
Interest income	\$7	\$—	\$8	\$289,550	\$—	\$111	\$289,676	\$—	\$—	\$149,734	\$—
Property operating income	117,057	—	93,791	2,610	—	—	213,458	—	10,819	—	—
Equity in (loss) income of unconsolidated joint ventures	—	(9,701)	13,483	40,937	(389)	(146)	44,184	(11,417)	6,327	58,106	—
Fee income	—	—	—	219	44,849	—	45,068	—	—	—	—
Other income	313	—	—	4,325	—	3,470	8,108	—	—	714	58,106
Total income (loss)	117,377	(9,701)	107,282	337,641	44,460	3,435	600,494	(11,417)	17,146	208,554	70,212
Expenses											
Management fees	—	—	—	—	—	15,062	15,062	—	—	—	3,435
Transaction, investment and servicing costs	3,712	—	1,735	12,552	—	15,536	33,535	—	212	8,236	3,435
Interest expense	27,756	—	11,936	22,066	—	33,786	95,544	—	3,257	8,444	20,000
Property operating expenses	40,818	—	41,186	3,527	—	—	85,531	—	2,743	—	—
Depreciation and amortization	61,220	—	26,843	190	11,234	2,122	101,609	—	4,097	—	—
Provision for loan losses	—	—	—	30,937	—	—	30,937	—	—	—	—
Impairment of real estate assets	450	—	—	317	—	—	767	—	—	—	—
Compensation expense	2,286	—	1,225	6,986	22,266	22,230	54,993	—	—	—	1,225
Administrative expenses	1,122	—	1,537	3,601	1,759	18,712	26,731	—	—	577	5,000
Total expenses	137,364	—	84,462	80,176	35,259	107,448	444,709	—	10,309	17,257	60,212
Gain on sale of real estate assets, net	669	—	4,931	864	—	8	6,472	—	—	—	—
	—	—	10,223	31,263	—	—	41,486	—	—	—	—

Gain on remeasurement of consolidated investment entities, net												
Other (loss) gain, net	(180	) —	(882	) (23,174	) (23	) 15,977	(8,282	) —	—	165	1,	
Income tax benefit (expense)	440	—	(3,264	) (1,262	) 6,732	(47	) 2,599	—	2,622	(367	) (3	
Net (loss) income	(19,058	) (9,701	) 33,828	265,156	15,910	(88,075	) 198,060	(11,417	) 9,459	191,095	(6	
Net (loss) income attributable to noncontrolling interests:												
Investment entities	(6,783	) —	8,283	61,080	—	—	62,580	—	1,789	28,677	—	
Operating Company	(1,409	) (935	) 3,114	23,966	2,566	(10,964	) 16,338	—	—	—	—	
Net (loss) income attributable to Colony Capital, Inc.	\$(10,866)	\$(8,766)	\$22,431	\$180,110	\$13,344	\$(77,111)	\$119,142	\$(11,417)	\$7,670	\$162,418	\$	

Table of Contents

During these periods, our results were substantially impacted by the Combination, as discussed below, as well as our continued capital raising efforts and ongoing investment activities, with increasing focus on investments in real estate equity in addition to real estate debt.

Effects of the Combination

Effective April 2, 2015, with the closing of the Combination, our business has expanded to include investment management which provides a new source of revenue in the form of fee income. Following the internalization of our Manager, we have replaced management fees with directly incurred costs such as compensation, overhead costs and other administrative expenses.

Additionally, as a result of the Combination in which we became the investment manager of Colony-sponsored funds, we are now deemed to hold a controlling financial interest in 52 real estate investment entities that have participating interests from these funds. We previously accounted for these investment entities under the equity method, reflecting only our proportionate interests in these entities. We did not acquire any additional interests nor dispose any existing interests in these 52 investment entities in conjunction with the Combination. Beginning April 2, 2015, we now consolidate these 52 investments entities. Consequently, our results for the three and nine months ended September 30, 2015 are not directly comparable to the same periods in prior year. Upon consolidation, we remeasured the assets and liabilities of these consolidated investment entities at fair value and recognized a total gain of \$41.5 million, net of cumulative translation adjustment reclassified to earnings, with a corresponding deferred income tax expense of \$3.5 million. For the three and nine months ended September 30, 2015, the consolidation of these investment entities resulted in a gross-up of total income, before the effect of lower equity in income of unconsolidated joint ventures, as well as total expenses, with a corresponding increase in net income attributable to noncontrolling interests in investment entities.

A discussion of the performance of our segments for the three and nine months ended September 30, 2015 follows.

Equity—Light Industrial Platform

We acquired a portfolio of light industrial properties and operating platform in December 2014. The portfolio acquisition was completed through an indirectly owned operating partnership with third-party limited partners who own 38% of the property portfolio, while we acquired 100% of the associated operating platform. The total unfunded commitment to the operating partnership is currently \$231.6 million, comprising our share of \$144.4 million and \$87.2 million from the limited partners. As of September 30, 2015, the portfolio consisted of 318 buildings totaling approximately 33.8 million square feet across 16 major U.S. markets and was 91% leased.

Real estate assets held by the light industrial platform was \$1.5 billion at December 31, 2014 and grew to \$1.7 billion at September 30, 2015. During the nine month period ended September 30, 2015, the light industrial platform acquired 25 new buildings across Minnesota, Texas, the mid-Atlantic region and Georgia totaling \$248.7 million, with disposition of 5 buildings across New Jersey and Texas totaling \$27.4 million. At September 30, 2015, the light industrial platform had a commitment to acquire an additional building in Atlanta, which closed in October 2015. Debt levels remained consistent at \$1.1 billion between December 31, 2014 and September 30, 2015, reflecting the net impact of a refinancing and paydown of the original mortgage loan as well as drawdown on a new credit facility entered into in the third quarter of 2015. Specifically, in July 2015, the light industrial platform refinanced \$151.1 million of short-term floating rate bridge debt with \$165.8 million of fixed rate debt on assets for longer term hold, and closed on a \$100.0 million revolving credit facility to pursue additional acquisitions, of which \$11.5 million was drawn at September 30, 2015. Over time, the Company expects to term out additional floating rate acquisition debt with longer term, fixed rate debt.

Three Months Ended September 30, 2015 and 2014

A net loss of \$7.1 million was recorded, of which \$4.0 million was attributable to us after allocation to noncontrolling interests. Property operating income, which comprises rental income and tenant reimbursements, was \$41.7 million, offset by expenses of \$49.7 million. Total expenses consisted of primarily \$14.4 million of property operating expenses and \$21.2 million of depreciation and amortization. Interest expense incurred was \$11.9 million, which included \$3.1 million of deferred financing costs related to the portion of debt extinguished upon refinancing in July 2015. Approximately \$0.7 million of gains was also recorded from sales of real estate assets in the third quarter of 2015.

Nine Months Ended September 30, 2015 and 2014

Net loss was \$19.1 million, including the effect of \$0.4 million of deferred tax benefit. Net loss attributable to us was approximately \$10.9 million after allocation to noncontrolling interests. Property operating income, which consists of rental income and tenant reimbursements, was \$117.1 million, offset by expenses of \$137.4 million. Total expenses included primarily \$40.8 million of property operating expenses and \$61.2 million of depreciation and amortization. Interest expense

Table of Contents

incurred was \$27.8 million, which included \$3.1 million of deferred financing costs related to the portion of debt extinguished upon refinancing in July 2015. Additionally, there was \$0.2 million of net gains from sales of real estate assets, after writing down held for sale assets prior to disposal.

Equity—Single Family Residential Rentals

Our investment in single-family residential rental homes represents a 23% interest in CAH which is reported under the equity method. CAH is in the business of acquiring single family residential properties either directly or indirectly through joint venture investments, renovating and managing these properties to hold for investment and generating rental income through operating leases. Renovation and leasing activity within CAH's portfolio of single family homes has continued into the third quarter of 2015, and occupancy rate has remained consistent with the prior quarter at 94% in approximately 19,000 homes across eleven states. These include properties that are wholly-owned by CAH or jointly owned through a joint venture with Fannie Mae.

During the second quarter of 2015, CAH completed its third securitization transaction totaling \$640 million. Proceeds from the securitization were used to repay outstanding amounts under CAH's revolving credit facility and pay a special distribution. In July 2015, the Company received total distributions of \$77 million from CAH which represented its 23.3% share of the special distribution as well as a regular way distribution for the second quarter of 2015.

In September 2015, CAH and Starwood Waypoint Residential Trust ("SWAY") entered into a definitive merger agreement to combine the two companies in a stock-for-stock transaction. The combined internally managed company, to be renamed Colony Starwood Homes, is expected to own and manage over 30,000 homes and achieve significant cost synergies in the range of \$40 to \$50 million. Upon completion of the transaction, existing SWAY shareholders and the former owner of the SWAY manager will own approximately 41% of the combined shares of the company, while former CAH shareholders will own approximately 59% of the combined shares of the company. The share allocation was determined based on each company's net asset value and is not subject to adjustment. Under the agreement, the Company will receive approximately 15.1 million shares of SWAY representing 13.8% of the combined company. The combined shares of the company will continue to trade on the New York Stock Exchange. The transaction has been approved by the boards of both CAH and SWAY and is expected to close in the first quarter of 2016, subject to approval of SWAY shareholders and customary closing conditions.

CAH continues to focus on the growth and development of Colony American Finance ("CAF"), its wholly owned subsidiary that lends to other owners of single family homes for rent. The CAF business unit is excluded from the proposed merger with SWAY. Expansion of this lending program is a strategic initiative for CAH in 2015. CAF has raised \$113 million of private equity with associated management fees and carried interest that inures to the benefit of CAH. CAF has cumulatively closed approximately \$1.1 billion of loans as of October 31, 2015 and closed on its first securitization in October on 69 loans totaling \$252 million of UPB, selling \$224 million of matched-term, non-recourse senior bonds with a weighted average coupon of 3.5%, with CAF retaining a \$28 million interest. For the three and nine months ended September 30, 2015, our share of results from CAH improved to a lower net loss of \$4.1 million and \$9.7 million, respectively, compared to a net loss of \$4.6 million and \$11.4 million, respectively, for the three and nine months ended September 30, 2014. This reflects improvements in the operating results of CAH as occupancy rose from 84% to 94% between September 30, 2014 and 2015 following higher renovation and leasing productivity. Additionally, during this period, our ownership interest in CAH decreased by 1% to 23.3% subsequent to the internalization of CAH's external manager in November 2014. As of September 30, 2015, the carrying value of our investment in CAH stood at \$405.5 million.

Equity—Other Real Estate Equity Investments

Our investment in other real estate equity comprise interests in a diverse portfolio of real estate assets which includes multifamily, office, hotel, industrial, educational institutions and other commercial properties. Certain of our equity interests were obtained through foreclosures or deed-in-lieu of foreclosures on collateral assets from originated or acquired debt and preferred equity instruments. Interests in our real estate equity portfolio is held both directly and indirectly through our investments in unconsolidated joint ventures. Since the completion of the Combination transaction in April 2015, most of our investment activity in this segment is focused on buying assets that will be contributed to various Company-sponsored funds and vehicles.

At September 30, 2015, real estate assets, net has grown to \$1.2 billion, including \$0.3 billion held for sale, from a total of \$0.1 billion at December 31, 2014. Total debt also grew to \$0.7 billion at September 30, 2015 from \$0.1 billion at December 31, 2014. The consolidation of previous equity-method investments and in addition, new consolidated investments that closed after September 30, 2014, collectively contributed \$0.9 billion of real estate assets, net and \$0.5 billion of debt as of September 30, 2015. Investments in unconsolidated joint ventures, however, decreased from \$0.4 billion to \$0.3 billion between December 31, 2014 and September 30, 2015 resulting primarily from consolidation of the previous equity-method investments.

Table of Contents

We continue to expand out footprint in Europe with three new real estate equity investments in Europe through the third quarter of 2015. At September 30, 2015, 48% of our net investments in the other real estate equity segment reside in Europe compared to 37% at December 31, 2014.

Three Months Ended September 30, 2015 and 2014

For the three months ended September 30, 2015, the other real estate equity segment recorded net income of \$9.4 million, of which \$4.6 million of net income was attributable to us after allocation to noncontrolling interests. In comparison, a \$1.5 million net loss was incurred for the three months ended September 30, 2014 and after attributing \$0.6 million of net income to noncontrolling interests, our share of net loss was approximately \$2.1 million. The increase in net income of \$10.9 million, before attribution to noncontrolling interests, was driven by the following:

The consolidation of previous equity-method investments as well as new consolidated investments contributed an increase of \$39.3 million in property operating income, partially offset by increases of \$13.1 million in depreciation and amortization, \$18.5 million in property operating expenses, and \$4.8 million in interest expense between the three months ended September 30, 2014 and 2015.

Our share of results from unconsolidated investments was a net income of \$2.4 million for the three months ended September 30, 2015 compared to a net loss of \$3.8 million for the three months ended September 30, 2014. The improvement in results was driven mainly by a combination of lower net losses in 2015 from unconsolidated investments that were made in 2014 as well as subsequent consolidation in April 2015 of an investment that was previously incurring net losses, in addition to other unconsolidated investments that were recording net profits. We also recorded \$4.9 million of gain on sale of real estate assets in Europe during the third quarter of 2015. There were no sales of real estate assets in 2014.

The above increases in net income was partially offset by \$1.0 million of expenses, primarily compensation and administrative costs, as well as a \$2.1 million change in income taxes from a net benefit due to net operating losses to an expense for the three months ended September 2014 and 2015, respectively.

Nine Months Ended September 30, 2015 and 2014

For the nine months ended September 30, 2015, net income of the other real estate equity segment was \$33.8 million, of which \$22.4 million was attributable to us after allocation to noncontrolling interests, compared to net income of \$9.5 million with \$5.0 million of net income attributable to us after noncontrolling interests, for the same period in 2014.

Upon consolidation of the investment entities that were accounted for as equity-method investments prior to the closing of the Combination on April 2, 2015, we remeasured their assets and liabilities at fair value and recognized a net remeasurement gain of \$10.2 million, or \$7.7 million after the effect of deferred tax expense. Excluding the effect of the net remeasurement gain, net income before attribution to noncontrolling interests increased approximately \$16.6 million comparing the nine months ended September 30, 2015 and 2014, attributed to the following:

The consolidation of previous equity-method investments contributed an increase of approximately \$83.0 million in property operating income, partially offset by increases of \$22.7 million in depreciation and amortization, \$38.4 million in property operating expenses, and \$8.7 million in interest expense between the nine months ended September 30, 2014 and 2015.

Our share of net income from unconsolidated investments also increased from \$6.3 million to \$13.5 million comparing the nine months ended September 30, 2014 and 2015. There was overall improvement in results of investees, including lower losses in 2015 and recording of net profit in 2015 compared to net loss in 2014, for both investments that were equity-method up to April 2, 2015 prior to consolidation as well as investments that continue to be unconsolidated as of September 30, 2015, partially offset by net losses from new unconsolidated investments in 2015.

In the third quarter of 2015, we disposed certain real estate assets from our portfolio in Europe which resulted in gains of \$4.9 million.

The above increases in net income was partially offset by \$8.7 million of expenses, mainly compensation and administrative costs, as well as \$3.3 million of net income tax expense, primarily \$2.5 million of deferred tax expense related to the remeasurement gain upon consolidation of the investment entities on April 2, 2015, compared to an

income tax benefit of \$2.6 million due to net operating losses for the nine months ended September 30, 2014.

Real Estate Debt

Our real estate debt portfolio includes originations and acquisitions of senior loans and subordinated debt including preferred equity that meets certain risk and fixed return parameters. We hold our real estate debt investments and generate

Table of Contents

interest income either directly or indirectly through our investments in unconsolidated investment entities. We have been continually investing in our target assets over time, and therefore, income from some investments may reflect less than a full quarter's results of operations. We have also sold or received early payoffs on some of our debt investments, sometimes at substantial gains, which affect period over period comparability.

At September 30, 2015, total assets has grown to approximately \$4.7 billion from \$3.0 billion at December 31, 2014. The increase in total assets was driven primarily by \$1.6 billion of consolidated loans receivable held by the previous equity-method investments as well as \$0.3 billion of new originations and acquisitions, net of repayments during the period, which increased total loans receivable from \$2.1 billion at December 31, 2014 to \$4.0 billion at September 30, 2015. These consolidated investment entities also contributed \$0.1 billion of foreclosed real estate assets as of September 30, 2015. However, these increases to total assets were partially offset by a \$0.6 billion decrease in investments in unconsolidated joint ventures from \$0.8 billion as of December 31, 2014 to \$0.2 billion as of September 30, 2015 following the consolidation of previous equity-method investments. Total debt also recorded an increase of \$0.3 billion from \$0.8 billion at December 31, 2014 to \$1.1 billion at September 30, 2015. The increase in debt can be attributed to approximately \$0.1 billion of debt consolidated from previous equity-method investments as well as \$0.3 billion from a third securitization transaction under the Company's Transitional CRE Lending Platform in September 2015 which is accounted for as a secured financing, partially offset by decreasing balances on other existing deal level financing.

Our overall net investment exposure to Europe in the real estate debt segment decreased from 21% as of December 31, 2014 to 15% as of September 30, 2015 as a result of paydowns out pacing new investments during this period.

Three Months Ended September 30, 2015 and 2014

For the three months ended September 30, 2015, net income of the real estate debt segment was \$84.9 million, of which our share of net income was \$53.8 million after attribution to noncontrolling interests. This is in comparison to \$75.9 million of net income for the three months ended September 30, 2014, with our share of net income being approximately \$67.0 million after attribution to noncontrolling interests. The increase in net income of \$9.0 million, before noncontrolling interests, reflects the net impact of the following:

Interest income increased \$79.4 million, driven primarily by \$47.4 million of interest income from consolidation of the previous equity-method investments, \$41.1 million interest income recognized upon early pay-off of a loan portfolio in September 2015, as well as \$15.2 million of additional interest income from new loans originated or acquired and being financed through securitization under the Transitional CRE Lending Platform . These increases were partially offset by higher interest income from other loans in the third quarter of 2014, mainly \$19.9 million of interest income recognized upon partial prepayment of a loan in September 2014.

Our share of net income from unconsolidated investments, however, decreased from \$17.7 million to \$9.1 million for the three months ended September 30, 2015 and 2014, respectively. The \$8.6 million decrease consists of \$14.4 million decrease from consolidation of previous equity-method investments, partially offset by a \$1.1 million increase in net income from investments that continue to be unconsolidated as of September 30, 2015, as well as an addition of \$4.7 million in net income from new unconsolidated investments.

The consolidation of previous equity-method investments contributed to an increase of \$1.7 million in other income, offset by \$4.7 million increase in transaction, investment and servicing costs. Other income for the three months ended September 30, 2015 was made up of mainly expense recoveries from borrowers, in particular legal costs incurred in administering non-performing loans held by these investment entities, which are subsequently recovered through payments received when loans are resolved.

Foreclosed properties held by previous equity-method investments that were consolidated contributed negatively to net income for the third quarter of 2015, with \$0.5 million of net loss from operations of held for lease properties and \$0.2 million net loss from held for sale properties. There were no foreclosed properties held by the real estate debt segment in 2014.

Interest expense increased from \$3.3 million to \$7.8 million for three months ended September 30, 2014 and 2015, respectively. The \$4.5 million increase is mainly attributable to interest expense of \$4.4 million from securitizations of our loan portfolios in October 2014 and November 2014, which were accounted for as secured financing.

Compensation and administrative costs were \$4.4 million compared to \$0.2 million for the third quarters of 2015 and 2014, respectively.

Provision for loan losses of \$26.5 million was recorded for the three months ended September 30, 2015 on purchased credit impaired loans resulting from a decrease in estimated cash flows expected to be collected from these loans. Of the total provision, \$26.0 million related to loans held by previous equity-method investments consolidated on April 2, 2015. There was no provision for loan losses recorded for the three months ended September 30, 2014.

Table of Contents

A net loss of \$23.2 million was also recognized in other (loss) gain, net, resulting primarily from \$30.9 million of net foreign currency translation loss on loans receivable paid off in the third quarter of 2015, partially offset by \$7.8 million of net realized gains on related net investment hedges of the foreign subsidiaries holding these loans receivable.

Nine Months Ended September 30, 2015 and 2014

For the nine months ended September 30, 2015, net income of the real estate debt segment was \$265.2 million, of which our share of net income was \$180.1 million after attribution to noncontrolling interests. In comparison, net income for the nine months ended September 30, 2014 was \$191.1 million, with our share of net income at \$162.8 million after attribution to noncontrolling interests.

Net gain from remeasurement of assets and liabilities of the 44 consolidated investment entities within the real estate debt segment on April 2, 2015 was \$31.3 million, or \$30.4 million, after the effect of deferred tax expense. Excluding the effect of the net remeasurement gain, net income, before noncontrolling interests, increased \$43.7 million comparing the nine months ended September 30, 2015 and 2014, which reflected the net impact of the following: Interest income increased \$139.8 million, driven primarily by \$93.3 million of interest income from consolidation of the previous equity-method investments, \$44.8 million interest income related to a loan portfolio with early pay-off in September 2015, as well as \$49.0 million of additional interest income from new loans originated or acquired and being financed through securitization under the Transitional CRE Lending Platform. These increases were partially offset by higher interest income from other loans in the portfolio during the nine months ended September 30, 2014, mainly \$24.1 million of interest income related to a loan with partial prepayment in September 2014.

Our share of net income from unconsolidated investments, however, decreased from \$58.1 million to \$40.9 million between the nine months ended September 30, 2015 and 2014. The \$17.2 million decrease is made up of \$28.3 million decrease in net income arising from previous equity-method investments consolidated on April 2, 2015, partially offset by \$3.9 million increase in net income from investments that continue to be unconsolidated as of September 30, 2015 and \$7.2 million of net income from new equity method investments in 2015.

The consolidation of previous equity-method investments contributed to an increase of \$3.6 million in other income, offset by \$4.3 million increase in transaction, investment and servicing costs. Other income for the nine months ended September 30, 2015 consisted of mainly expense recoveries from borrowers, in particular legal costs incurred in administering non-performing loans held by these investment entities, which are subsequently recovered through payments received when loans are resolved.

Foreclosed properties held by previous equity-method investments that were consolidated contributed negatively to net income, with \$1.1 million of net loss from operations of held for lease properties, partially offset by \$0.5 million of net gains from held for sale properties for the nine months ended September 30, 2015. There were no foreclosed properties held by the real estate debt segment in 2014.

Interest expense increased \$13.6 million, driven primarily by nine months of interest expense incurred on securitizations of our loan portfolios in October and November 2014, including issuances of additional notes on the April 2014 securitization. These securitizations are accounted for as secured financing.

Provision for loan losses of \$30.9 million was recorded for the nine months ended September 30, 2015, of which \$30.6 million related to purchased credit impaired loans resulting from a decrease in estimated cash flows expected to be collected from these loans. Approximately \$30.0 million of the total provision came from loans held by previous equity-method investments consolidated on April 2, 2015. There was no provision for loan losses recorded for the nine months ended September 30, 2014.

A net loss of \$23.2 million was also recognized in other (loss) gain, net, resulting primarily from \$30.1 million of net foreign currency translation loss on loans receivable paid off in the third quarter of 2015, partially offset by \$7.8 million of net realized gain on related to net investment hedges of foreign subsidiaries holding these loans receivable. The above net increase in net income was partially offset by \$10.0 million of compensation and administrative costs. Additionally, income tax expense increased \$0.9 million which comprise deferred tax expense recognized in relation to the remeasurement gain on investment entities consolidated on April 2, 2015.

Investment Management

Following the closing of the Combination on April 2, 2015, the acquired investment management business constituted a new segment. Fee income is derived from management of primarily Colony-sponsored funds and their underlying investments. Management fee rates generally range between 0.5% and 1.5% per annum. Under our investment management business, we

Table of Contents

will sponsor new Colony funds or other investment vehicles as general partner and may be entitled to performance-based incentives depending on the returns of such funds.

As of September 30, 2015, the Company had \$18.4 billion of assets under management ("AUM") and \$8.9 billion of fee-earning equity under management ("FEEUM") compared to \$17.7 billion of AUM and \$9.2 billion of FEEUM as of April 2, 2015. AUM increased primarily due to an increase in fair value of investments under management in excess of a decrease from realizations of certain investments. FEEUM is not based on fair value and decreased as a result of realizations of certain investments in excess of additions to FEEUM.

AUM refers to the assets for which the Company provides investment management services and includes assets for which we may or may not charge management fees and/or performance allocations. AUM is the sum of: a) the gross fair value of investments held directly by the Company or managed by the Company on behalf of its private funds, co-investments, or other investment vehicles; b) leverage, inclusive of debt held by investments and deferred purchases prices; c) uncalled limited partner capital commitments which the Company is entitled to call from investors during the given commitment period at its discretion pursuant to the terms of their respective funds; and d) with respect to majority-owned and substantially controlled investments the Company consolidates gross assets attributable to third-party investors.

FEEUM refers to the equity for which the Company provides investment management services and from which it derives management fees and/or performance allocations. FEEUM excludes approximately \$1.5 billion of equity capital previously managed for CAH which is no longer fee-bearing following the separate internalization of its manager. FEEUM includes \$0.8 billion of uncalled limited partner capital commitments which will not bear fees until such capital is called at the Company's discretion.

The Company's calculations of AUM and FEEUM may differ from the calculations of other asset managers, and as a result, these measures may not be comparable to similar measures presented by other asset managers.

In May 2015, we acquired a 50% interest in a German-based asset management platform with approximately €1.0 billion of AUM. Our interest is reported as an equity-method investment within the Investment Management segment. Three Months Ended September 30, 2015 and 2014

Net income after tax was approximately \$8.7 million, with \$7.3 million attributable to us after allocation to noncontrolling interest. Fee income was \$23.1 million with total costs incurred of \$17.1 million, comprising primarily amortization of intangible assets acquired through the Combination as well as compensation and administrative costs allocated to the investment management business. Net income tax benefit was \$3.1 million, relating primarily to deferred tax benefit from amortization of the intangible assets.

Nine Months Ended September 30, 2015 and 2014

Net income after tax was \$15.9 million, of which our share was \$13.3 million after attribution to noncontrolling interest. Fee income was \$44.8 million, partially offset by amortization of intangible assets acquired from the Combination, as well as compensation and administrative costs totaling \$35.3 million. Deferred tax benefit was \$6.7 million, relating primarily to deferred tax benefit from amortization of the intangible assets.

Amounts Not Allocated to Segments

Amounts not allocated to segments represent all corporate level assets and liabilities, as well as costs not directly attributable to other segments but support our overall business activities and operations.

Resulting from the Combination, costs previously borne and allocated by the Manager through a management fee charge are now incurred directly by us, primarily as compensation, administrative and overhead costs, and certain assets held by CCLLC were transferred to us as part of the Combination. Compensation costs which are directly attributable, or otherwise can be subjected to a reasonable and systematic allocation, have been allocated to each of the reportable segments, with remaining costs unallocated. Administrative expenses and overhead costs which benefit all lines of business as a whole are generally not allocated to reportable segments, and similarly, any reimbursements of such costs by affiliates remain unallocated. Other costs not allocated to reportable segments include interest expense related to corporate level debt, costs associated with unconsummated deals, transaction costs in connection with the Combination and depreciation of fixed assets. Assets and liabilities not allocated to reportable segments consist mainly of cash and other assets not directly identifiable with specific real estate investment activities, including fixed assets, corporate level financing consisting of convertible senior notes issued, credit facility and notes payable,

contingent consideration liability in connection with the Combination, as well as non-real estate investments and their results.

In September 2015, we committed seed capital of \$15 million for a 15% interest as a founding member in a newly formed collateralized loan obligation ("CLO") investment fund alongside an unaffiliated third party co-sponsor. As of September 30,

Table of Contents

2015, we had funded \$7.5 million of our commitment. Our investment in the CLO fund reflects our new secured corporate credit strategy and is presented as an equity-method investment. As the underlying loans in the CLO are a non-real estate asset class, we have not allocated our investment in the CLO fund to our existing real estate investment segments. We may co-sponsor new CLO investment vehicles with the unaffiliated third party in the future and share in management fees as well as performance-based incentives.

The following are key changes between 2015 and 2014:

Equity in Income of Unconsolidated Joint Ventures—This represents our proportionate share of results from our co-sponsored CLO fund, which we seeded in September 2015.

Other Income—Based on an arrangement we assumed from CCLLC in the Combination, we provide administrative and investment services to certain of our affiliates and are reimbursed, generally based on expenses incurred that are directly attributable to the affiliates and a portion of overhead costs, as applicable. These reimbursements are presented as other income and related costs included within the respective expenses. Reimbursements from our consolidated subsidiaries are eliminated.

Management Fees—Subsequent to the Combination, we have internalized our Manager and replaced management fee expense with directly incurred costs such as compensation, overhead costs and other administrative expenses.

Management fees were payable to our Manager for the full year in 2014 and only through April 1 in 2015.

Management fees for 2015 amounted to \$15.1 million and included share-based compensation expense for stock grants made to the Manager and employees prior to the Combination.

Transaction, Investment and Servicing Costs—The nine month period ended September 30, 2015 included \$15.1 million of transactions costs incurred in connection with the Combination.

Interest Expense—Corporate level interest expense was significantly higher in 2015 compared to 2014 arising from increased usage of our credit facility to temporarily finance our investing and operating activities in 2015 as well as interest expense on notes payable financing the corporate aircraft assumed through the Combination. Additionally, current year interest expense reflects a full nine month period of interest on our June 2014 convertible debt issuance.

Other Expenses—These include amortization of intangible assets arising from the Combination, depreciation of fixed assets acquired from our Manager, as well as compensation and administrative costs which we bear directly post-Combination.

Other (Loss) Gain, net—At September 30, 2015, we estimated the fair value of contingent consideration tied to Benchmark FFO by using a Monte Carlo simulation technique and considered the volatility of the Company's Class A common stock price against the potential payout, arriving at an estimated fair value of \$53.7 million. The change in valuation methodology followed the stock market dislocation in August 2015 and the resulting increase in market volatility. The \$16.9 million decrease in fair value of the contingent consideration in the third quarter of 2015 primarily reflected a sustained decline in the Class A common stock price, and was recognized as a component of other (loss) gain, net.

Non-GAAP Supplemental Financial Measure: Funds from Operations

Beginning fiscal year 2015, the Company adopted funds from operations, a supplemental non-GAAP financial measure widely used in the REIT industry. Historically, the Company presented Core Earnings as a non-GAAP financial measure. Core Earnings was a measure used to calculate incentive fees to the Manager and the use of Core Earnings for this purpose is no longer relevant subsequent to the Combination as we have now become an internally managed REIT. We believe that funds from operations provides a measure of our operating performance that is more comparable to our peers as our business model evolves and we expand our footprint within the real estate equity business.

Funds from Operations

We calculate funds from operations ("FFO") in accordance with standards established by the National Association of Real Estate Investment Trusts ("NAREIT"), which defines FFO as net income or loss calculated in accordance with GAAP, excluding extraordinary items, as defined by GAAP, gains and losses from sales of depreciable real estate and impairment write-downs associated with depreciable real estate, plus real estate-related depreciation and amortization, and after similar adjustments for unconsolidated partnerships and joint ventures.

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

FFO should not be considered an alternative to GAAP net income as indications of operating performance, or to cash flows from operating activities as measures of liquidity, nor as indications of the availability of funds for our cash needs,

Table of Contents

including funds available to make distributions. Our calculation of FFO may differ from methodologies utilized by other REITs for similar performance measurements, and, accordingly, may not be comparable to those of other REITs.

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

(In thousands)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Net income attributable to common stockholders	\$37,203	\$31,982	\$88,666	\$80,435
Adjustments for FFO attributable to common interests in Operating Company and common stockholders:				
Net income attributable to noncontrolling common interests in Operating Company	7,200	—	16,338	—
Real estate depreciation and amortization	43,781	9,726	113,124	25,852
Impairment of real estate	459	3,634	2,067	4,296
Gain on sales of real estate	(5,627)	(265)	(6,351)	(2,261)
Less: Adjustments attributable to noncontrolling interests in investment entities	(10,854)	(9)	(28,860)	(28)
FFO attributable to common interests in Operating Company and common stockholders	\$72,162	\$45,068	\$184,984	\$108,294

Information About Our Real Estate Portfolios

Real Estate Equity Portfolio

The following tables set forth certain information regarding investment properties wholly-owned or partially owned by us that are consolidated and presented as real estate assets, net, on the condensed consolidated balance sheet as of September 30, 2015. Certain properties are pledged as security under our secured debt, as described in Note 10 to our consolidated financial statements.

Light Industrial Platform

Location	Property Type	Number of Properties	Number of Buildings	Rentable Square Feet (in thousands)	Annualized Base Rent (in thousands) ⁽¹⁾	Percentage Leased	Number of Leases	Lease Expiration ⁽²⁾	Year Acquired
United States									
Arizona	Industrial	10	10	721	\$ 2,577	83%	13	12/2015 to 8/2024	2014
Colorado	Industrial	8	8	1,128	4,381	97%	26	10/2015 to 3/2023	2014
Florida	Industrial	7	12	1,173	5,282	91%	36	10/2015 to 1/2024	2014
Georgia	Industrial	72	86	8,379	30,467	92%	227	10/2015 to 4/2030	2014-2015
Illinois	Industrial	33	33	3,828	15,566	93%	55	11/2015 to 12/2026	2014
Kansas	Industrial	1	1	172	743	100%	1	11/2024	2014
Maryland	Industrial	2	3	230	1,069	100%	7	7/2016 to 8/2021	2015
Minnesota	Industrial	14	15	1,993	8,951	89%	56	12/2015 to 10/2025	2014-2015
Missouri	Industrial	16	16	2,847	9,214	91%	39		2014

Edgar Filing: Colony Capital, Inc. - Form 10-Q

New Jersey (3)	Industrial	21	22	1,343	5,586	86%	48	11/2015 to 7/2024	2014-2015
Pennsylvania	Industrial	8	8	1,985	8,174	92%	21	3/2016 to 10/2024	2014-2015
Tennessee	Industrial	3	3	383	138	15%	3	12/2015 to 1/2026	2014-2015
Texas	Industrial	65	84	8,187	31,847	93%	213	2/2017 to 3/2019	2014
Utah	Industrial	15	16	1,269	5,476	100%	33	10/2015 to 4/2040	2014-2015
Wisconsin	Industrial	1	1	144	719	100%	1	12/2015 to 11/2023	2014
Total (4)		276	318	33,782	\$ 130,190	91%		10/2022	2014

61

Table of Contents

Other Real Estate Equity Held for Investment

Location	Property Type	Number of Properties	Number of Buildings	Rentable Square Feet (in thousands)	Annualized Base Rent (in thousands) ⁽¹⁾	Percentage Leased	Number of Leases	Lease Expiration ⁽²⁾	Year Acquired
United States									
Minnesota	Office	1	2	502	\$ 9,568	100%	1	9/2020	2013
Arizona	Office	1	1	440	3,222	60%	18	1/2016 to 6/2022	2014
Arizona	Mixed Use	1	2	82	1,644	100%	1	6/2027	2014
Various states	Hotel	35	35	NA	NA	⁽⁵⁾	NA	NA	2012
Europe									
UK	Office	26	26	1,009	15,372	93%	117	10/2015 to 11/2070	2014-2015
Italy	Office	35	35	451	3,423	91%	45	11/2015 to 11/2020	2014
Norway	Office	1	26	1,319	16,929	100%	1	6/2030	2015
Spain and Portugal	Industrial	14	14	1,101	4,579	100%	14	12/2029	2014
Switzerland	Education	2	20	304	13,486	100%	2	1/2035	2015
		116	161	5,208	\$ 68,223				

Represents annualized fixed base rental amount in effect as of September 30, 2015 using rental revenue computed (1) on a straight-line basis in accordance with GAAP and excludes the impact of amortization of above- and below-market lease values. Rents denominated in foreign currencies have been translated at the applicable currency exchange rate on September 30, 2015.

(2) Excludes renewal options

(3) Includes one parcel of vacant land with no lease

(4) Includes 4 properties with 4 buildings that were 76% leased and held for sale at September 30, 2015.

(5) Hotel properties located in 11 states totaling 2,281 rooms with average occupancy of approximately 69% for the three months ended September 30, 2015.

Real Estate Debt Portfolio

Our real estate debt investment segment comprises originations and acquisitions of senior and subordinated loans and debt securities, including purchased credit-impaired ("PCI") loans. The following table presents the collateral diversification of our consolidated loan portfolio and our proportionate share at September 30, 2015. Carrying amounts are presented net of allowance for loan losses.

(Amounts in thousands)	Total Portfolio		Company's Proportionate Share		
	Unpaid Principal Balance	Carrying Amount	Unpaid Principal Balance	Carrying Amount	Weighted Average Coupon
Non-PCI Loans					
Residential	\$111,568	\$108,930	\$55,276	\$54,292	13.7%
Multifamily	770,181	762,076	708,610	703,290	5.4%
Office	530,959	528,557	461,919	459,702	6.4%
Retail	653,018	651,097	532,040	531,009	7.9%
Hospitality	769,720	774,860	443,623	446,253	10.1%
Industrial	32,140	31,886	31,904	31,651	5.2%

Edgar Filing: Colony Capital, Inc. - Form 10-Q

Other commercial	249,989	247,375	236,931	234,503	8.1%
Land	126,962	133,758	63,481	66,879	11.5%
	3,244,537	3,238,539	2,533,784	2,527,579	7.5%
PCI Loans					
Residential	65,174	34,970	21,159	13,170	
Multifamily	186,536	138,160	67,611	51,317	
Office	215,752	143,276	102,393	63,034	
Retail	178,827	141,883	62,876	52,584	
Hospitality	59,117	40,766	10,804	7,402	
Industrial	108,442	82,890	37,497	29,483	
Other commercial	157,937	89,572	34,754	16,911	
Land	317,472	138,593	116,092	54,157	
	1,289,257	810,110	453,186	288,058	
Total	\$4,533,794	\$4,048,649	\$2,986,970	\$2,815,637	

Table of Contents**Liquidity and Capital Resources**

Our current primary liquidity needs are to fund:

- acquisitions of our target assets and related ongoing commitments;
- our general partner commitments to our future funds and co-investment commitments to other investment vehicles;
- our operations, including compensation, administrative and overhead costs;
- distributions to our stockholders;
- principal and interest payments on our borrowings, including interest obligation on our convertible debt; and
- income tax liabilities of taxable REIT subsidiaries and of the Company subject to limitations as a REIT.

Our current primary sources of liquidity are:

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

We believe that our capital resources are sufficient to meet our short-term and long-term capital requirements.

Distribution requirements imposed on us to qualify as a REIT generally require that we distribute to our stockholders 90% of our taxable income, which constrains our ability to accumulate operating cash flows. We have historically funded investments in our target assets and sustained our growth through third-party sources of capital, including public and private offerings of securities and debt financings, which may or may not be available on favorable terms, or at all. Subsequent to the Combination, we believe we will be able to reduce our reliance on raising incremental public funding as prospectively, we will have third party investor participation in funds and investment vehicles that we will sponsor.

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

Liquidity Needs**Commitments**

We have commitments in connection with our investment activities, including investments in unconsolidated joint ventures, as well as lease commitments as described in Note 20 to our 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 could be required to sell assets or borrow funds to make cash distributions or we may make a portion of the required distribution in the form of a taxable stock distribution or distribution of debt securities.

Common Stock—Our board of directors declared the following dividends in 2015:

Declaration Date	Record Date	Payment Date	Dividend Per Share
February 19, 2015	March 31, 2015	April 15, 2015	\$0.37
May 6, 2015	June 30, 2015	July 15, 2015	0.37
August 5, 2015	September 30, 2015	October 15, 2015	0.38
November 4, 2015	December 31, 2015	January 15, 2016	0.40

Table of Contents

Preferred Stock—We are required to make quarterly cash distributions on our outstanding preferred stock. Dividends are payable on or about the 15th of each January, April, July and October.

Description	Dividend Rate Per Annum	Shares Outstanding September 30, 2015	Quarterly Cash Distributions	
		(In thousands)	Total (In thousands)	Per Share
Series A 8.5% Cumulative Redeemable Perpetual	8.50%	10,080	\$5,355	\$0.53125
Series B 7.5% Cumulative Redeemable Perpetual	7.50%	3,450	1,617	0.46875
Series C 7.125% Cumulative Redeemable Perpetual	7.125%	11,500	5,121	0.44531
		25,030	\$12,093	

Sources of Liquidity

Cash from Investments

Our investments generate cash, either from operations or as a return of our invested capital. We receive monthly or quarterly distributions from some of our unconsolidated joint ventures from earnings, principal receipts or capital transactions such as financing transactions or full or partial loan sales. We also receive interest and principal on our loans held for investment and rental income from tenants. As loans reach their maturity we may receive all or a portion of the outstanding principal balance. Certain loans held for investment require minimum principal payments, including partial paydowns of principal in the event of a sale of the underlying collateral. We may also, from time to time, fully or partially realize our investments through sale and expect to continue to resolve loans in our loan pools to generate cash, particularly those in acquired credit-distressed portfolios. We may also pursue opportunities to sell whole or partial positions in our originated loan investments or obtain financing (see “—Investment-Level Financing”) to generate cash and improve the return on our investments. Cash from investments may fluctuate significantly depending upon our loan resolution activity, financing opportunities and unanticipated prepayments by borrowers, among other factors.

Investment-Level Financing

We have various forms of investment-level financing from commercial banks on several of our investments, including several loan portfolios and real estate equity portfolios, described as secured debt in Note 10 to our consolidated financial statements

We entered into two master repurchase agreements with commercial banks in February 2014 and April 2015, which provided \$150 million under each warehouse facility, to partially finance loans within our Transitional CRE lending platform. In October 2015, the April 2015 facility was increased by \$100 million, resulting in a total of \$400 million available under both warehouse facilities. As of November 5, 2015, a combined \$279 million was available to be drawn under our warehouse facilities.

In July 2015, we closed on a \$100 million revolving credit facility to pursue additional acquisitions under the Light Industrial Platform segment. As of November 5, 2015, there was \$56 million available to be drawn on this facility.

We may attempt to secure other investment-level financing in the future, if available, including term loans, securitizations, warehouse facilities, repurchase agreements and the issuance of debt and equity securities. We also expect to continue to invest in a number of our assets through co-investments with other investment vehicles managed by affiliates of our Manager and/or other third parties, which may allow us to pool capital to access larger transactions and diversify investment exposure.

Credit Facility

As described in Note 10 to our consolidated financial statements, the JPM Credit Agreement provides a secured revolving credit facility in the maximum principal amount of \$800 million, after the increase of \$155 million in July 2015. The initial maturity of the JPM Credit Agreement is August 5, 2016, and any amounts outstanding upon maturity will convert automatically to a fully amortizing 2-year term loan payable in quarterly installments. In the event of such conversions, the term loan will continue to bear interest at the same rate as the revolving loans from which it was converted.

The maximum amount available to borrow under the JPM Credit Agreement at any time is limited by a borrowing base of certain investment assets, with the valuation of such investment assets generally determined according to a percentage of net book value or a multiple of Core Earnings, a non-GAAP measure. Core Earnings is GAAP net income (loss) excluding non-cash equity compensation expense, incentive fees, real estate depreciation and amortization and unrealized gains or losses from fair value changes other than permanent impairment, adjusted to exclude one-time events pursuant to changes in GAAP and certain other non-cash items after approval by a majority of our independent directors. As of November 5, 2015, the borrowing

Table of Contents

base valuation was sufficient to permit borrowings of up to the entire \$800 million commitment, of which \$479 million was available to be drawn.

The JPM Credit Agreement contains covenants and restrictions requiring us to meet certain financial ratios and reporting requirements. At September 30, 2015, we were in compliance with all of the debt covenants and our actual results as of and for the three months ended September 30, 2015 were as follows:

	Covenant Level	Actual Level at September 30, 2015
Financial covenant as defined in the Credit Agreement:		
Consolidated Tangible Net Worth	Minimum \$1,927 million	\$2,374 million
Consolidated Fixed Charge Coverage Ratio	Minimum 1.50 to 1.0	2.55 to 1.0
Consolidated Leverage Ratio	Maximum 0.65 to 1.0	0.39 to 1.0
Liquidity	Minimum \$5 million	\$683 million

Convertible Senior Notes

Convertible Senior Notes issued by us and which remain outstanding are described in Note 10 to our consolidated financial statements.

Public Offerings

We have access to liquidity through public offerings of equity and debt securities. In April 2015, we filed a new shelf registration statement with the SEC that is effective for a term of three years and will expire in April 2018.

In April 2015, we issued 11,500,000 shares of our 7.125% Series C Preferred Stock, par value \$0.01 per share, pursuant to a public offering under our current registration statement. See additional information included in Note 14 to our consolidated financial statements and in “—Dividends” above.

We may in the future offer and sell various types of debt and equity securities under our current 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.

Cash and Cash Flows

The consolidated cash flows for the nine months ended September 30, 2015 included three months of cash activities from the investment management business acquired through the Combination and from the 52 investment entities consolidated as of April 2, 2015. The following table summarizes our cash flow activities for the nine months ended September 30, 2015 and 2014:

	Nine Months Ended September 30,	
(In thousands)	2015	2014
Net cash provided by operating activities	\$322,157	\$99,601
Net cash used in investing activities	(898,842)	(884,682)
Net cash provided by financing activities	672,911	1,040,608

Operating Activities

For the nine months ended September 30, 2015, cash flows from operating activities increased \$222.6 million, or 223%, compared to the nine months ended September 30, 2014. The increase reflects the operating activities of the 52 consolidated investment entities as well as growth in our investment portfolio. Cash inflows from operating activities are primarily interest received from our investments in loans, rental payments collected from tenants of our portfolio of operating real estate properties, distributions of earnings from unconsolidated joint ventures, and fee income collected from our managed funds. This is partially offset by payment of operating expenses supporting our investments, including loan servicing and property operating costs. Additionally, following the Combination, we have assumed compensation and administrative costs from our Manager in lieu of a management fee expense.

Investing Activities

Investing activities include cash outlays for our contributions to unconsolidated joint ventures and for investments in loans and real estate assets during the periods, partially offset by distributions of capital from unconsolidated joint ventures resulting from principal repayments, loan resolutions and financing activities. Cash provided by investing activities also includes principal repayments of loans held for investment and proceeds from sales of real estate assets.

We invested approximately \$1.9 billion and \$1.5 billion, primarily in new investments, during the nine months ended September 30, 2015

Table of Contents

and 2014, respectively. Included in cash used in investing activities for the nine months ended September 30, 2015 is \$55.9 million of upfront payments made pursuant to the Combination, net of cash acquired.

Financing Activities

Net cash provided by financing activities for the nine months ended September 30, 2015 reflects \$277.9 million net proceeds from our preferred stock offering, \$193.5 million of net borrowings on our credit facility, \$623.8 million net borrowing on secured financing at the investment level, which includes net borrowings of the newly consolidated investment entities, and contributions from noncontrolling interests of \$226.0 million. These amounts were offset by \$149.1 million payment of dividends and \$471.1 million distributions to noncontrolling interests. Net cash provided by financing activities for the nine months ended September 30, 2014 reflects net proceeds of \$83.5 million from our preferred stock offering, \$717.1 million from our common stock offerings, \$394.6 million from issuance of convertible senior notes, \$127.3 million net borrowing on secured financing, and contributions from noncontrolling interests of \$81.9 million. These amounts were offset by \$138.5 million of net repayments on our credit facility, \$108.4 million payment of dividends, and \$108.5 million distributions to noncontrolling interests.

Contractual Obligations and Commitments

We have contractual obligations in connection with our debt obligations, as described in Note 10 to our consolidated financial statements as well as our contingent consideration related to the Combination, if performance targets are met, as described in Note 20 to our consolidated financial statements. See "—Commitments" for a description of our commitments.

Off-Balance Sheet Arrangements

In connection with financing arrangements for certain unconsolidated joint ventures, the Company provided customary non-recourse carve-out guarantees. The Company believes that the likelihood of making any payments under the guarantees is remote, and has not accrued for a guaranty liability as of September 30, 2015.

Risk Management

Risk management is a significant component of our strategy to deliver consistent risk-adjusted returns to our stockholders. 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 closely monitor our portfolio and actively manage risks associated with, among other things, our assets and interest rates. In addition, the Audit Committee of our board of directors, in consultation with 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.

Underwriting

Prior to making any equity or debt investment, our underwriting team, in conjunction with third party providers, undertakes a rigorous asset-level due diligence process, involving intensive data collection and analysis, to ensure that we understand fully the state of the market and the risk-reward profile of the asset. The credit risk of any particular loan investment, whether an originated loan or an acquired loan or portfolio of loans, is built into the pricing in the form of contractual interest rates, related fees charged to the borrower, estimated transaction costs, discount to acquired principal balance, among other things. Key metrics considered during the underwriting process include, but are not limited to, loan-to-collateral value ratios ("LTV"), debt service coverage ratios ("DSCR"), debt yields, sponsor credit ratings and history, and tenant credit ratings and diversity. In addition to evaluating the merits of any particular proposed investment, we evaluate the diversification of our portfolio of assets. Prior to making a final investment decision, we determine whether a target asset will cause our portfolio of assets to be too heavily concentrated with, or cause too much risk exposure to, any one borrower, real estate sector, geographic region, source of cash flow for payment or other geopolitical issues. If we determine that a proposed acquisition presents excessive concentration risk, we may decide not to acquire an otherwise attractive asset.

Asset Management

For each asset that we originate or acquire, our asset management team engages in active management of the asset, the intensity of which depends on the attendant risks. Once an asset manager has been assigned to a particular asset, the manager works collaboratively with the underwriting team to formulate a strategic plan for the particular asset, which includes evaluating the underlying collateral and updating valuation assumptions to reflect changes in the real estate market and the general economy. This plan also generally outlines several strategies for the asset to extract the maximum amount of value from each asset under a variety of market conditions. Such strategies vary depending on the type of asset, our position in the capitalization of the investment, the availability of refinancing options and in the case of debt investments, recourse and

Table of Contents

maturity. As long as an asset is in our portfolio, we track the progress of an asset against the original business plan to ensure that the attendant risks of continuing to own the asset do not outweigh the associated rewards.

We actively and rigorously manage our equity investments in commercial real estate. We regularly reassess whether major decisions such as financing, leasing, capital expenditures, property management or disposition need to be taken to optimize the performance of the underlying investment. These decisions are generally made after a thorough review of asset and market specific factors that may include (i) property financial data including historic and budgeted financial statements, liquidity and capital expenditure plans, and debt financing (ii) property operating metrics (including occupancy, leasing activity, lease expirations, sales information, tenant credit review, tenant delinquency reports, operating expense efficiency and property management efficacy) and (iii) local real estate market conditions including vacancy rates, absorption, new supply, rent levels and comparable sale transactions.

Asset management strategies for our debt investments may include, among others, the restructuring of non-performing or sub-performing loans, the negotiation of discounted pay-offs or other modification of the terms governing a loan, and the foreclosure and management of assets underlying non-performing loans in order to reposition them for profitable disposition. We monitor and evaluate period to period changes in portfolio credit risk, focusing on borrower payment history and delinquencies and, if warranted, LTV. We do not have a policy to obtain routine valuations on the underlying loan collateral if there are no indicators of significant change in the value of that collateral. We may also review other information such as (i) financial data (DSCR, debt yields, delinquencies and performing status), (ii) collateral characteristics (property occupancy, tenant profiles, rental rates, operating expenses, site inspections, capitalization and discount rates), (iii) the borrower/sponsor's exit plan, and (iv) current credit spreads and discussions with market participants. Because of the diverse nature of acquired loans, the availability and relevance of these metrics vary significantly by loan.

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 currently expect that we will typically hold assets that we originate or acquire for between three and ten years. However, in order to maximize returns and manage portfolio risk while remaining opportunistic, 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. 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.

Leverage Policies

We use investment-level financing such as non-recourse financing on some of our equity investments and loan portfolios, with a debt-to-equity ratio of less than 3-to-1 in the aggregate for the Company, including temporary borrowings from our general corporate credit and warehouse facilities. While we believe we can achieve attractive yields on an unleveraged basis, we will continue to use prudent amounts of leverage to increase potential returns to our stockholders and/or to finance future investments. We consider these leverage ratios to be prudent for our target asset classes. Our decision to use leverage currently or in the future to finance our assets will be based on our assessment of a variety of factors, including, among others, the anticipated liquidity and price volatility of the assets in our investment portfolio, the potential for losses and extension risk in our portfolio, the ability to raise additional equity to reduce leverage and create liquidity for future investments, the availability of credit at favorable prices or at all, the credit quality of our assets and our outlook for borrowing costs relative to the interest income earned on our

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

Table of Contents

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with GAAP, which requires the use of estimates and assumptions that involve the exercise of judgment and that affect the reported amounts of assets, liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Other than the adoption of new accounting policies applicable upon the Combination, there have been no material changes to our critical accounting policies or those of our unconsolidated joint ventures since the filing of our Annual Report on Form 10-K, as amended, for the fiscal year ended December 31, 2014. Our critical accounting policies as well as new accounting policies applicable upon the Combination are included in Note 2 to our consolidated financial statements.

Recent Accounting Updates

Recent accounting updates are included in Note 2 to our consolidated financial statements.

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. The primary market risks to which the Company is exposed, either directly or indirectly through its investments in unconsolidated joint ventures, are credit risk, interest rate risk, credit curve spread risk and foreign currency risk.

Credit Risk

Our joint venture investments and loans receivable are subject to a high degree of credit risk. Credit risk is the exposure to loss from loan defaults. Default rates are subject to a wide variety of factors, including, but not limited to, borrower financial condition, property performance, property management, supply/demand factors, construction trends, consumer behavior, regional economics, interest rates, the strength of the U.S. economy, and other factors beyond our control. All loans are subject to a certain probability of default. We manage credit risk through the underwriting process, acquiring our investments at the appropriate discount to face value, if any, and establishing loss assumptions. We also carefully monitor the performance of the loans, including those held by the joint ventures, as well as external factors that may affect their value. For more information, see Part I, Item 2 “—Risk Management.”

Interest Rate and Credit Curve Spread Risk

Interest rate risk relates to the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is highly sensitive to many factors, including governmental, monetary and tax policies, domestic and international economic and political considerations and other factors beyond our control. Credit curve spread risk is highly sensitive to the dynamics of the markets for commercial real estate loans and securities we hold. Excessive supply of these assets combined with reduced demand will cause the market to require a higher yield. This demand for higher yield will cause the market to use a higher spread over the U.S. Treasury securities yield curve, or other benchmark interest rates, to value these assets. As U.S. Treasury securities are priced to a higher yield and/or the spread to U.S. Treasuries used to price the assets increases, the price at which we could sell some of our fixed rate financial assets may decline. Conversely, as U.S. Treasury securities are priced to a lower yield and/or the spread to U.S. Treasuries used to price the assets decreases, the value of our fixed rate loans may increase. Fluctuations in LIBOR may affect the amount of interest income we earn on our floating rate loans and interest expense we incur on borrowings indexed to LIBOR, including those under our credit facility and certain investment-level financing.

The interest rate sensitivity table below illustrates the projected impact of changes in interest rates in 1% increments on our net income for twelve months, assuming no changes in our interest-bearing assets and liabilities mix as it stood at September 30, 2015. Our floating rate loans and borrowings are predominantly indexed to 1-Month LIBOR. The maximum decrease in the interest rates is assumed to be 0.20%, the actual 1-Month LIBOR at September 30, 2015. (Amounts in thousands)

Affected Line Item in the Consolidated Statement of Operations	+2.00%	+1.00%	-0.20%
Equity in income of unconsolidated joint ventures	\$(11,554)	\$(5,777)	\$639
Interest income	38,823	19,411	(3,904)
Interest expense	(48,931)	(24,898)	5,007

Edgar Filing: Colony Capital, Inc. - Form 10-Q

Net (loss) income	(21,662	)	(11,264	)	1,742
Net (loss) income attributable to noncontrolling interests	(5,908	)	(3,170	)	623
Net (loss) income attributable to Colony Capital, Inc.	\$(15,754	)	\$(8,094	)	\$1,119

68

Table of Contents

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.

Currency Risk

We have foreign currency rate exposures related to our foreign currency denominated investments. Changes in foreign currency rates can adversely affect the fair values and earnings of our non-U.S. holdings. As of September 30, 2015, we had approximately €226.7 million, £102.8 million, CHF53.0 million and NOK 926.4 million or a total of \$572.2 million, in European investments. A 1% change in these foreign currency rates would result in a \$6 million increase or decrease in translation gain or loss on our investments in unconsolidated joint ventures, loan investments and real estate assets. We mitigate this risk by utilizing currency instruments to hedge the capital portion of our foreign currency risk. The types of hedging instruments that we employed on our European investments were forwards and costless collars (buying a protective put while writing an out-of-the-money covered call with a strike price at which the premium received is equal to the premium of the protective put purchased) which involved no initial capital outlay. The puts were structured with strike prices approximately 10% lower than our cost basis in such investments, thereby limiting any foreign exchange fluctuations to approximately 10% of the original capital invested in the deal. At September 30, 2015, our share of net tax-effected accumulated foreign exchange loss on the European investments was approximately \$12.4 million, net of effect of hedging.

The following table summarizes the aggregate notional amount of the foreign exchange contracts in place, along with various key terms as of September 30, 2015. The maturity dates of these instruments approximate the projected dates of related cash flows for specific investments. Termination or maturity of currency hedging instruments may result in an obligation for payment to or from the counterparty to the hedging agreement. We are exposed to credit loss in the event of non-performance by counterparties for these contracts. To manage this risk, we select major international banks and financial institutions as counterparties and perform a quarterly review of the financial health and stability of our trading counterparties. Based on our review as of September 30, 2015, we do not expect any counterparty to default on its obligations.

Hedged Currency	Instrument Type	Notional Amount (in thousands)	FX Rates (\$ per unit of foreign currency)	Range of Expiration Dates
EUR	FX Collar	€ 133,075	Min \$1.09 / Max \$1.53	December 2015 to November 2020
GBP	FX Collar	£ 68,000	Min \$1.45 / Max \$1.82	September 2017 to December 2019
EUR	FX Forward	€ 103,000	Range between \$1.10 to \$1.40	March 2016 to July 2018
GBP	FX Forward	£ 15,050	Range between \$1.51 to \$1.52	November 2015 to December 2015
CHF	FX Forward	CHF 55,545	Range between \$1.47 to \$1.50	January 2030
NOK	FX Forward	NOK 923,000	\$0.12	November 2015
Inflation				

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

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

Table of Contents

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 September 30, 2015.

Changes in Internal Control over Financial Reporting

The Company acquired the Light Industrial Platform on December 18, 2014 and substantially all of the real estate investment management business and operations of CCLLC on April 2, 2015. Management is continuing to evaluate the policies, processes, systems and operations relating to these acquired businesses.

Except as described above, 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 September 30, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. Legal Proceedings.

The Company may be involved in litigations and claims in the ordinary course of business. As of September 30, 2015, the Company was not involved in any material legal proceedings.

ITEM 1A. Risk Factors.

There have been no material changes to the risk factors included in our Annual Report on Form 10-K, as amended, for the fiscal year ended December 31, 2014.

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

The Class A Common Stock, Class B Common Stock and OP Units issued and sold pursuant to the Combination have been issued and sold in reliance on Section 4(a)(2) of the Securities Act. For information concerning the Combination, see Note 3 to Condensed Consolidated Financial Statements included in Item 1 of this Report.

ITEM 3. Defaults Upon Senior Securities.

None.

ITEM 4. Mine Safety Disclosures.

Not applicable.

ITEM 5. Other Information

None.

Table of Contents

ITEM 6. Exhibits.

Exhibit Number	Description
	Agreement and Plan of Merger, dated as of September 21, 2015, among Starwood Waypoint Residential Trust, Starwood Waypoint Residential Partnership, L.P., SWAY Holdco, LLC, Colony American Homes, Inc., CAH Operating Partnership, L.P., and the parties identified therein as the CAH Stockholders, the CAH Unitholders and the CAH Investors (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K/A filed on September 21, 2015)
2.1	
	Registration Rights Agreement, dated as of September 21, 2015, among the Company and the other parties named therein (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K/A filed on September 21, 2015)
10.1	
	Certification of Richard B. Saltzman, President and Chief Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.1*	
	Certification of Darren J. Tangen, Chief Operating Officer, Chief Financial Officer and Treasurer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	
	Certification of Richard B. Saltzman, President and Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.1*	
	Certification of Darren J. Tangen, Chief Operating Officer, Chief Financial Officer and Treasurer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	
	Financial statements from the Quarterly Report on Form 10-Q of Colony Capital, Inc. for the quarter ended September 30, 2015, formatted in XBRL (eXtensible Business Reporting Language): (1) Condensed Consolidated Balance Sheets, (2) Condensed Consolidated Statements of Operations, (3) Condensed Consolidated Statements of Comprehensive Income, (4) Condensed Consolidated Statements of Equity, (5) Condensed Consolidated Statements of Cash Flows and (6) Notes to Condensed Consolidated Financial Statements
101**	

* Filed herewith

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

Table of Contents

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: November 9, 2015

COLONY CAPITAL, INC.

By: /S/ Richard B. Saltzman
Richard B. Saltzman
Chief Executive Officer and President

By: /s/ Darren J. Tangen
Darren J. Tangen
Chief Financial Officer and Treasurer
(Principal Financial Officer and Principal Accounting Officer)