2015
Annual Report

NorthStar
REALTY FINANCE

"One of the hallmarks of NorthStar Realty's long-term success has been our ability to be nimble and flexible with our capital and investment strategy. Towards this end, we have initiated a series of strategic initiatives with the continued focus and dedication to exploring all opportunities to create value for our shareholders."

Dear Fellow Shareholders,

While the beginning of 2016 experienced a volatile start in the global financial markets which impacted investor sentiment across the globe, the U.S. economy continues to expand. The current full year 2016 U.S. GDP growth projections are approximately 2%.

We believe that the U.S. commercial real estate market remains on largely solid footing, with continued strong investor demand, healthy property fundamentals across most property types, and generally moderate supply growth. If the U.S. economy stays its course, we expect the supply and demand outlook to remain favorable for continued revenue growth across most property types over the next several years.

Among the accomplishments NorthStar Realty Finance Corp. ("NorthStar Realty", NYSE: NRF) achieved in 2015 were the spin-off of our European real estate business, the enhancements to our management team and the commencement of an effort to increase our liquidity profile through strategic asset monetizations.

In 2015, we completed the spin-off of NorthStar Realty Europe (NYSE: NRE) into a separate publicly traded company. NRE's properties are located primarily in the United Kingdom, France and Germany and it is well-positioned to capitalize on what we believe are highly attractive opportunities in the European commercial real estate market.

We also expanded the depth of NorthStar Realty's management team and corporate structure, including my appointment as NorthStar Realty's Chief Executive Officer and President in August 2015. I am extremely excited to strategically lead NorthStar Realty towards a best-in-class investment platform and believe NorthStar Realty is very well-positioned to continue to succeed over the long-term.

One of the hallmarks of NorthStar Realty's long-term success has been our ability to be nimble and flexible with our capital and investment strategy. Towards this end, during the latter part of 2015 and into 2016, we initiated a series of strategic initiatives designed to generate incremental liquidity and ensure the long-term prosperity of NorthStar Realty. We have made significant progress towards the achievement of these initiatives, primarily through asset monetizations, and continue our focus and dedication to exploring all opportunities to create value for our shareholders.

Through May 5, 2016, as a result of our strategic initiatives, we have completed, or have definitive agreements to complete, approximately $4.1 billion of asset sales that will generate over $1.6 billion of liquidity for the company. These asset monetization initiatives have provided impressive investment returns for our shareholders while at the same time dramatically improving NorthStar Realty's liquidity profile and providing a significant amount of financial flexibility and future earnings power. Looking ahead, we remain focused on incremental asset monetizations in which we can further realize attractive valuations. We will also seek partnerships with public or private institutions in our high-quality, attractive real estate.

On behalf of NorthStar Realty's Board of Directors and management team, we thank you for your continued support of NorthStar Realty and we look forward to sharing our continued progress with you.

Sincerely,

Jonathan A. Langer
Chief Executive Officer and President

NORTHSTAR REALTY FINANCE CORP.

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OTHER FINANCIAL INFORMATION

Information included herein was excerpted from our Annual Report on Form 10-K for the fiscal year ended December 31, 2015 as filed with the U.S. Securities and Exchange Commission (the "SEC") on February 29, 2016 (the "2015 Form 10-K"). Certain portions of the 2015 Form 10-K were not reprinted for inclusion in this Annual Report to shareholders in accordance with SEC regulations. The 2015 Form 10-K may be viewed in its entirety on our website at www.nrfc.com.

FORWARD-LOOKING STATEMENTS

This Annual Report contains certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, or Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or Exchange Act. Forward-looking statements are generally identifiable by use of forward-looking terminology such as "may," "will," "should," "potential," "intend," "expect," "seek," "anticipate," "estimate," "believe," "could," "project," "predict," "continue," "future" or other similar words or expressions. Forward-looking statements are not guarantees of performance and are based on certain assumptions, discuss future expectations, describe plans and strategies, contain projections of results of operations or of financial condition or state other forward-looking information. Such statements include, but are not limited to, those relating to the operating performance of our investments, our liquidity and financing needs, the effects of our current strategies and investment activities, our ability to manage our portfolio following the spin-off of our asset management business and the entry into a long-term management contract with an affiliate of NorthStar Asset Management Group Inc., or NSAM, the spin-off of our European real estate business (excluding our European healthcare properties), NorthStar Realty Europe Corp., or NorthStar Europe, and our ability to raise and effectively deploy capital. Our ability to predict results or the actual effect of plans or strategies is inherently uncertain, particularly given the economic environment. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, our actual results and performance could differ materially from those set forth in the forward-looking statements and you should not unduly rely on these statements. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results in future periods to differ materially from those forward-looking statements. These factors include, but are not limited to:

- adverse domestic or international economic conditions and the impact on the commercial real estate industry;
- the effect of economic conditions on the valuation of our investments;
- volatility, disruption or uncertainty in the financial markets;
- access to debt and equity capital and our liquidity;
- our substantial use of leverage and our ability to comply with the terms of our borrowing arrangements;
- our ability to monetize our assets on favorable terms or at all;
- illiquidity of properties in our portfolio;
- the spin-off of our asset management business may not have the full strategic and financial benefits that we expect;
- the effects of becoming an externally-managed company, including our reliance on NSAM and its affiliates and sub-advisors/co-venturers in providing management services to us, the payment of substantial base management and incentive fees to our manager, the allocation of investments by NSAM among us and the manager's other sponsored or managed companies and strategic vehicles and various conflicts of interest in our relationship with NSAM;
- a change in the ownership, board or management of NSAM;
- the effectiveness of NSAM's portfolio management techniques and strategies;
- the spin-off of NorthStar Europe may not have the full or any strategic and financial benefits that we expect;
- whether we determine to undergo future restructurings, including internalization of our management company and/or spin-offs of additional assets and businesses in the future, our ability to complete such transactions and the impact of such transactions on our business and financial condition;
- risks associated with joint ventures, including our reliance on joint venture partners, lack of sole decision making authority and the financial condition of our joint venture partners;
- our ability to successfully integrate assets or companies acquired into our business and operations, maintain consistent standards and controls and realize the anticipated benefits of the acquisitions;
- performance of our investments relative to our expectations and the impact on our actual return on invested equity, as well as the cash provided by these investments and available for distribution;
- the impact of adverse conditions affecting a specific asset class in which we have investments, such as healthcare, hotel, manufactured housing, multi-tenant office and limited partnership interests in real estate private equity funds;
- the impact of economic conditions on the tenants/operators/residents/guests of the real property that we own as well as on the borrowers of the commercial real estate debt we originate and acquire and the commercial mortgage loans underlying the commercial mortgage-backed securities in which we invest;

- the ability and willingness of our tenants/operators/managers and other third parties to satisfy their respective obligations to us, including in some cases their obligation to indemnify us from and against various claims and liabilities;
- any failure in our due diligence to identify all relevant facts in our underwriting process or otherwise;
- the financial weakness of tenants/operators/managers or borrowers, including defaults or bankruptcy;
- our ability to manage our costs in line with our expectations and the impact on our cash available for distribution;
- our ability to satisfy and manage our capital requirements;
- our ability to obtain mortgage financing on our real estate portfolio on favorable terms or at all;
- the impact of fluctuations in interest rates;
- our ability to comply with, as well as the impact of changes in, laws or regulations governing various aspects of our business, including in particular potential reforms in labor regulation and healthcare regulation, such as changes in reimbursement policies, rates and procedures;
- environmental and regulatory requirements, compliance costs and liabilities relating to owning and operating properties in our portfolio and to our business in general;
- effect of regulatory actions, litigation and contractual claims against us and our affiliates, including the potential settlement and litigation of such claims;
- the possibility that the net asset value of interests in certain real estate private equity funds we acquired do not necessarily reflect the fair value of such fund interests or that the actual amount of our future capital commitments underlying such fund interests varies materially from our expectations;
- the loss of our exemption from the definition of an "investment company" under the Investment Company Act of 1940, as amended;
- NSAM's ability to hire and retain qualified personnel and potential changes to key personnel providing management services to us;
- our ability to grow and profit from our commercial real estate origination activities;
- the impact of damage to our brand and reputation resulting from internal or external causes;
- the potential failure to maintain effective internal controls and disclosure controls and procedures; and
- compliance with the rules governing real estate investment trusts.

The foregoing list of factors is not exhaustive. All forward-looking statements included in this Annual Report are based on information available to us on the date hereof and we are under no duty to update any of the forward-looking statements after the date of this report to conform these statements to actual results.

Factors that could have a material adverse effect on our operations and future prospects are set forth in "Risk Factors" in the 2015 Form 10-K beginning on page 22. The risk factors set forth in our filings with the Securities and Exchange Commission could cause our actual results to differ significantly from those contained in any forward-looking statement contained in this report.

BUSINESS

References to "we," "us" or "our" refer to NorthStar Realty Finance Corp. and its subsidiaries unless the context specifically requires otherwise.

Overview

We are a diversified commercial real estate company with 85% of our total assets invested directly or indirectly in real estate, of which 78% is invested in direct real estate. We generated 89% of our revenue from our real estate portfolio for the year ended December 31, 2015. We invest in multiple asset classes across commercial real estate, or CRE, that we expect will generate attractive risk-adjusted returns and may take the form of acquiring real estate, originating or acquiring senior or subordinate loans, as well as pursuing opportunistic CRE investments. We seek to generate stable cash flow for distribution to our stockholders through our diversified portfolio of commercial real estate assets and in turn build long-term franchise value. However, given recent market conditions, we are currently focused on exploring sales to generate liquidity to repurchase our common stock and reduce our leverage.

Effective June 30, 2014, we are externally managed and advised by an affiliate of NorthStar Asset Management Group Inc. (NYSE: NSAM), which together with its affiliates is referred to as NSAM. We are a Maryland corporation and completed our initial public offering in October 2004. We conduct our operations so as to continue to qualify as a real estate investment trust, or REIT, for U.S. federal income tax purposes.

Significant Developments

Strategic Initiatives

We continue to execute a series of strategic initiatives with the goal of maximizing long-term shareholder value. These initiatives include: (i) sales of all or portions of certain real estate assets; (ii) sales of all or a portion of our investments (directly or indirectly in joint ventures) owning limited partnership interests in real estate private equity funds, or PE Investments; and (iii) sales and/or accelerated repayments of our CRE debt and securities investments. Additionally, in connection with our continuous evaluation of our capital allocation strategy, we revised our dividend policy.

Proceeds from such sales initiatives, along with capital retained from our revised dividend policy, are currently expected to be used for opportunistically repurchasing our common stock, which we believe is currently trading at a significant discount to underlying net asset value and toward the repayment of a significant portion of our corporate recourse borrowing obligations which total $590 million (excluding $280 million of trust preferred securities with maturities beginning in 2035). Since the beginning of the fourth quarter 2015 through February 25, 2016, assets sold or committed to sell totaled $2.0 billion, of which net proceeds to us are expected to be approximately $930 million.

In addition, our board of directors formed a special committee and the special committee retained UBS Investment Bank as its financial advisor to explore a potential recombination transaction with NSAM. The special committee will be comprised solely of independent directors that are not on the board of directors of NSAM, including the new independent director appointed to the board of directors effective March 1, 2016. There can be no assurance that the exploration of corporate strategic initiatives will result in the identification or consummation of any strategic transaction or initiative.

Spin-off of European Real Estate Business

On October 31, 2015, we completed the spin-off of our European real estate business, or the NRE Spin-off, into a separate publicly-traded REIT, NorthStar Realty Europe Corp., or NorthStar Europe, in the form of a taxable distribution, or the NRE Distribution. In connection with the NRE Distribution, each of our common stockholders received shares of NorthStar Europe's common stock on a one-for-six basis, before giving effect to a one-for-two reverse stock split of our common stock (this or any such reverse stock split herein referred to as the Reverse Split). We contributed to NorthStar Europe approximately $2.6 billion of European real estate, at cost (excluding our European healthcare properties), comprised of 52 properties spanning across some of Europe's top markets, or our European Portfolio and $250 million of cash. NSAM manages NorthStar Europe pursuant to a long-term management agreement, on substantially similar terms as our management agreement with NSAM.

Our Investments

The following table presents our investments as of December 31, 2015 and pro forma for sales and commitments to sell through February 25, 2016 (refer to the below for further discussion) (dollars in thousands):

	Amount[1]	%	Pro Forma Amount		Pro Forma %
Real Estate					
Healthcare[2]	$ 6,683,562	39.6%	$ 5,784,593	(3)	38.1%
Hotel	3,425,624	20.3%	3,425,624		22.6%
Manufactured housing communities (held for sale)	1,753,039	10.4%	1,753,039		11.5%
Net lease	782,125	4.6%	782,125		5.2%
Multifamily (held for sale)	377,279	2.2%	93,124	(4)	0.6%
Multi-tenant office	176,135	1.0%	176,135		1.2%
Subtotal	13,197,764	78.1%	12,014,640		79.2%
Private equity fund investments	1,101,650	6.5%	917,574	(5)	6.0%
Corporate investments[6]	112,563	0.7%	112,563		0.7%
Total real estate	14,411,977	85.3%	13,044,777		85.9%
CRE Debt					
First mortgage loans	286,628	1.7%	286,628		1.9%
Mezzanine loans	22,361	0.1%	22,361		0.1%
Subordinate interests	171,044	1.0%	171,044		1.1%
Corporate loans	35,215	0.2%	35,215		0.2%
Subtotal	515,248	3.0%	515,248		3.3%
CRE debt, held for sale	225,037	1.3%	—	(7)	NA
CRE debt of consolidated N-Star CDOs	40,106	0.2%	40,106		0.3%
Other	25,096	0.1%	16,866	(8)	0.1%
Total CRE debt	805,487	4.6%	572,220		3.7%
CRE Securities					
N-Star CDO bonds[9]	542,416	3.3%	504,066		3.3%
N-Star CDO equity	71,003	0.5%	71,003		0.5%
Other securities	116,681	0.7%	68,443		0.5%
Total CRE securities	730,100	4.5%	643,512	(10)	4.3%
Subtotal	15,947,564	94.4%	14,260,509		93.9%
Assets underlying deconsolidated CRE Debt CDOs[11]	921,185	5.6%	921,185		6.1%
Grand total	$ 16,868,749	100.0%	$ 15,181,694		100.0%

(1) Based on cost for real estate investments which includes net purchase price allocation related to net intangibles, deferred costs and other assets, if any, fair value for PE Investments, carrying value for our corporate investments, principal amount for our CRE debt and securities investments and amortized cost for N-Star CDO equity. Represents 100% of all real estate assets in consolidated joint ventures.

(2) Includes $485 million of Sterling denominated real estate in the United Kingdom owned in connection with the acquisition of Griffin-American Healthcare REIT II, Inc., or Griffin-American or the Griffin-American Portfolio.

(3) In February 2016, we entered into an agreement to sell our 60% interest in a $899 million portfolio of independent living facilities, or Senior Housing Portfolio, for $535 million, subject to proration and adjustment. We expect the buyer to assume our portion of the $648 million mortgage borrowing as part of the transaction. We expect to receive approximately $150 million of net proceeds upon completion of the sale in March 2016.

(4) In February 2016, we entered in and are finalizing agreements to sell up to ten multifamily properties for a gross price of $311 million with $210 million of mortgage financing expected to be assumed as part of the transaction. We expect to receive $91 million of net proceeds and we continue to explore the sale of the remaining two properties.

(5) In February 2016, we entered into an agreement to sell substantially all of our interest in PE Investment II for proceeds of $184 million, of which $145 million was received and the remaining is expected in March 2016 upon consent from the initial seller.

(6) Represents our investments in RXR Realty LLC, or RXR Realty, Aerium Group, or Aerium, and SteelWave, LLC (formerly known as Legacy Partners Commercial LLC), or SteelWave.

(7) In February 2016, we sold or committed to sell seven loans with a total principal amount of $225 million at par, with $47 million of proceeds used to pay down our loan facility, resulting in $178 million of net proceeds.

(8) In January 2016, we sold a property in connection with a foreclosure for net proceeds of $8 million.

(9) Includes N-Star CDO bonds with a principal amount of $143 million related to CRE securities CDOs that are eliminated in consolidation.

(10) Subsequent to year end, we sold certain CRE securities for $54 million of net proceeds.

(11) Represents assets of deconsolidated N-Star CDOs and is based on the respective remittance report issued on the date nearest to December 31, 2015. This amount excludes $473 million of aggregate principal amount of N-Star CDO bonds and amortized cost of N-Star CDO equity of such deconsolidated N-Star CDOs included in CRE securities.

We have the ability to invest in a broad spectrum of commercial real estate assets and seek to provide attractive risk-adjusted returns to our stockholders. As a result, we pursue opportunistic investments across all our business lines including CRE equity and debt investments.

For financial information regarding our reportable segments, refer to Note 19. “Segment Reporting” in our accompanying consolidated financial statements included in “Financial Statements and Supplementary Data.”

Underwriting Process

We use a rigorous investment and underwriting process that has been developed and utilized by our senior management team leveraging their extensive commercial real estate expertise over many years and real estate cycles which focuses on some or all of the following factors designed to ensure each investment is evaluated appropriately: (i) macroeconomic conditions that may influence operating performance; (ii) fundamental analysis of underlying real estate, including tenant rosters, lease terms, zoning, necessary licensing, operating costs and the asset's overall competitive position in its market; (iii) real estate market factors that may influence the economic performance of the investment, including leasing conditions and overall competition; (iv) the operating expertise and financial strength and reputation of a tenant, operator, partner or borrower; (v) the cash flow in place and projected to be in place over the term of the investment and potential return; (vi) the appropriateness of the business plan and estimated costs associated with tenant buildout, repositioning or capital improvements; (vii) an internal and third-party valuation of a property, investment basis relative to the competitive set and the ability to liquidate an investment through a sale or refinancing; (viii) review of third-party reports including appraisals, engineering and environmental reports; (ix) physical inspections of properties and markets; (x) the overall legal structure of the investment, contractual implications and the lenders' rights; and (xi) the tax and accounting impact.

Real Estate

Overview

As part of our real estate strategy, we explore a variety of real estate investments, both directly and through joint ventures. Opportunities to purchase real estate have been bolstered by attractive long-term, non-recourse, non mark-to-market financing available through commercial mortgage-backed securities, or CMBS, and agency financing markets. Our portfolio is primarily comprised of healthcare, hotel, manufactured housing communities, net lease and multifamily properties. We also invest in other opportunistic real estate investments such as indirect interests in real estate through PE Investments. Our hotel and certain healthcare properties acquired operate through structures permitted by the REIT Investment Diversification and Empowerment Act of 2007, or RIDEA, where we participate directly in the operational cash flow of a property. Our real estate equity investments that operate under the RIDEA structure generate resident and hotel guest related income from short-term residential agreements and incur customary related operating expenses.

Recently, we sold or are pursuing the sale of certain real estate assets and are exploring other sales or joint ventures to further monetize certain of our real estate assets. There is no assurance we will enter into any transactions on favorable terms, or at all. Refer to the below for further discussion.

Our Portfolio

As of December 31, 2015, $14.4 billion, or 85%, of our assets were invested directly in real estate properties, indirectly through our PE Investments and in corporate interests. The following table presents our direct investments in real estate properties as of December 31, 2015 (refer to the below for further discussion) (dollars in thousands):

Type	Number of Properties	Amount[(1)]	% of Portfolio	Capacity		Primary Locations
Healthcare						
Medical office buildings (MOB)	149	$ 2,147,906	16.3%	6.0 million	square feet	IN, TX, GA, CO, IL
Net lease						
Skilled nursing facilities (SNF)[(2)]	107	1,351,615	10.2%	12,550	beds	FL, PA, IL, IN, VA
Assisted living facilities (ALF)	83	862,039	6.5%	4,330	units	UK, NC, OR, MN, IN
Hospital (HOS)	14	262,704	2.0%	800	beds	CA, MO, TX
Senior housing-operating						
Assisted living facilities - RIDEA (ALF-RIDEA)	109	1,160,329	8.8%	6,300	units	IL, OR, OH, TX, MA, WA
Independent living facilities (held for sale)[(3)]	32	898,969	6.8%	4,000	units	CA, TX, WA
Subtotal	494	6,683,562	50.6%			
Hotel	167	3,425,624	26.0%	22,092	rooms	TX, FL, NJ, CA, VA
Manufactured housing communities (held for sale)	136	1,753,039	13.2%	33,055	pad sites	CO, UT, FL, TX, WY, NY
Net lease						
Industrial	35	379,788	2.9%	6.1 million	square feet	CA, IL, FL, GA, MI
Office[(4)]	19	337,784	2.6%	2.3 million	square feet	CA, FL, NJ, UT
Retail	10	64,553	0.5%	467,971	square feet	NH, MA, ME
Subtotal	64	782,125	6.0%			
Multifamily (held for sale)[(4)(5)]	12	377,279	2.9%	4,514	units	TN, GA, FL
Multi-tenant office	13	176,135	1.3%	1.0 million	square feet	CO, TX, CA
Total	886	$ 13,197,764	100.0%			

(1) Represents cost, which includes net purchase price allocation of $688 million related to net intangibles. Additionally, includes $57 million of notes receivable and $312 million of escrows and other assets.
(2) Includes three properties with a cost of $13 million owned pursuant to a RIDEA structure.
(3) In February 2016, we entered into an agreement to sell our 60% interest in this portfolio for $535 million, subject to proration and adjustment. We expect the buyer to assume our portion of the $648 million of mortgage borrowing as part of the transaction. We expect to receive approximately $150 million of net proceeds upon completion of the sale in March 2016.
(4) Includes our interest in joint ventures that own a net lease property and multifamily property of $27 million and $39 million, respectively.
(5) In February 2016, we entered in and are finalizing agreements to sell up to ten multifamily properties for a gross price of $311 million with $210 million of mortgage financing expected to be assumed as part of the transaction. We expect to receive $91 million of net proceeds and we continue to explore the sale of the remaining two properties.

Healthcare Properties

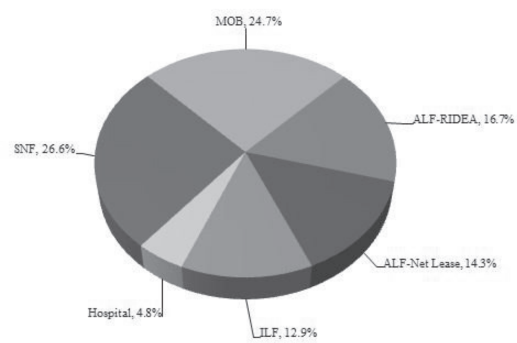
Our healthcare properties are comprised of a diverse portfolio of medical office buildings, senior housing, skilled nursing and other healthcare properties. The majority of our healthcare properties are medical office buildings and properties structured under a net lease to healthcare operators. In addition, we own senior operating facilities which include independent living facilities and properties that operate through management agreements with independent third-party operators, predominantly through RIDEA structures that permit us, through a taxable REIT subsidiary, or TRS, to have direct exposure to resident fee income and incur customary related operating expenses. In February 2016, we entered into an agreement to sell our 60% interest in the Senior Housing Portfolio for $535 million, subject to proration and adjustment. We expect the buyer to assume our portion of the $648 million mortgage borrowing. We expect to receive approximately $150 million of net proceeds upon completion of the sale in March 2016.

As of December 31, 2015, $6.7 billion, or 39.6%, of our assets were invested in healthcare properties. The following presents a summary of our healthcare portfolio and diversity across property type based on net cash flow:

Total Healthcare Portfolio	$6.7 billion
Number of facilities	494
Number of units/beds[(1)]	27,980
Weighted average occupancy	94%
Weighted average lease coverage	1.6x
Weighted average lease term	8.8 years
Net cash flow related to:	
Medical office buildings	25%
Net lease	45%
Senior operating facilities - RIDEA/ILF	30%

(1) Represents number of units for ALF/ILF property types and number of beds for SNF property types.

Healthcare by Property Type



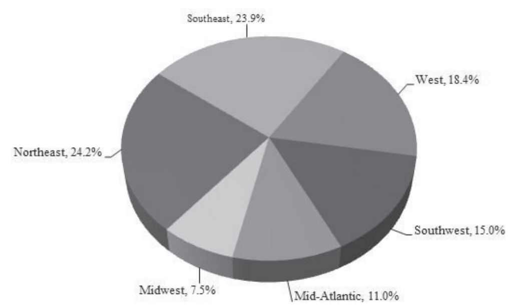
Hotel Portfolio

Our hotel portfolio is a geographically diverse portfolio primarily comprised of extended stay hotels and premium branded select service hotels primarily located in major metropolitan markets with the majority affiliated with top hotel brands. As of December 31, 2015, $3.4 billion, or 20.3%, of our assets were invested in hotel properties.

The following presents a summary of our hotel portfolio and diversity across geographic location based on number of rooms:

Total Hotel Portfolio	$3.4 billion
Number of hotels	167
Number of rooms	22,092
Weighted average occupancy	75%
Rooms by brand:	
Marriott	75%
Hilton	16%
Starwood	4%
Hyatt	4%
Intercontinental	1%

Hotel by Geographic Location



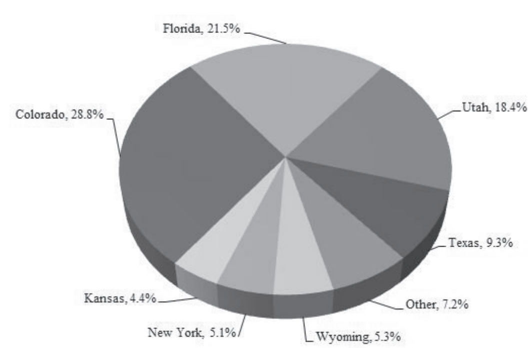
Manufactured Housing Communities

Our manufactured housing portfolio consists of communities that lease pad rental sites for placement of factory built homes located throughout the United States. The manufactured housing industry has traditionally demonstrated low cash flow volatility and steady annual rent increases, although there is no assurance that will continue to be the case. Currently, we are exploring the sale of our manufactured housing portfolio. There is no assurance we will enter into any transactions on favorable terms, if at all.

As of December 31, 2015, $1.8 billion, or 10.4%, of our assets were invested in manufactured housing communities. The following presents a summary of our manufactured housing communities portfolio and diversity across geographic location based on net cash flow:

Total Manufactured Housing Portfolio	$1.8 billion
Number of communities	136
Number of pad rental sites	33,055
Number of manufactured homes	4,081
Number of states	14
Weighted average occupancy	86%
Net cash flow related to:	
Pad rental sites	87%
Other	13%

Manufactured Housing Communities by Geographic Location



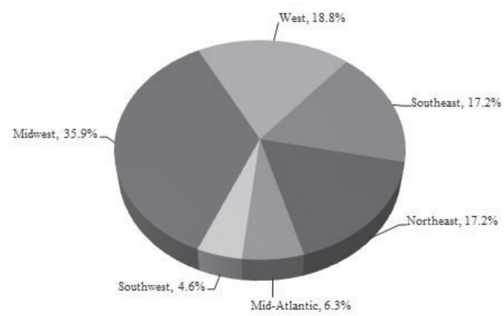
Net Lease Properties

Our real estate that is net leased to corporate tenants is primarily comprised of industrial, office and retail properties. These net lease properties are typically leased to a single tenant who agrees to pay basic rent, plus all taxes, insurance, capital and operating expenses arising from the use of the leased property generally leaving us, as owner, with minimal ongoing operational or expense obligations. We may also invest in properties that are leased to tenants for which we are responsible for some of the operating expenses and capital costs. At the end of the lease term, the tenant typically has a right to renew the lease at market rates or to vacate the property with no further ongoing obligation.

As of December 31, 2015, $782 million, or 4.6%, of our assets were invested in net lease properties, including one property owned through an unconsolidated joint venture. The following presents a summary of our net lease portfolio and diversity across geographic location based on number of properties:

Total Net Lease Portfolio	$782 million
Number of properties	64
Number of states	23
Total square feet	8.9 million
Weighted average occupancy	96%
Weighted average lease term	9.2
Net cash flow related to:	
Industrial	51%
Office	40%
Retail	9%

Net Lease by Geographic Location



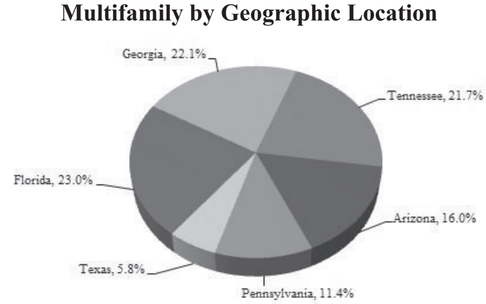
Multifamily Properties

Our multifamily portfolio primarily focuses on properties located in suburban markets that we believe are well suited to capture the formation of new households. Currently, we are exploring the sale of our multifamily portfolio. In February 2016, we entered in and are finalizing agreements to sell up to ten multifamily properties for $311 million with $210 million of mortgage financing expected to be assumed as part of the transaction. We expect to receive $91 million of net proceeds and continue to explore the sale of the remaining two properties. There is no assurance we will enter into any transactions on favorable terms, if at all.

As of December 31, 2015, $377 million, or 2.2%, of our assets were invested in multifamily properties, including one property owned through an unconsolidated joint venture. The following presents a summary of our multifamily portfolio and diversity across geographic location based on net cash flow:

Total Multifamily Portfolio	$377 million
Number of properties	12
Number of states	6
Number of units	4,514
Weighted average occupancy	94%

Multifamily by Geographic Location

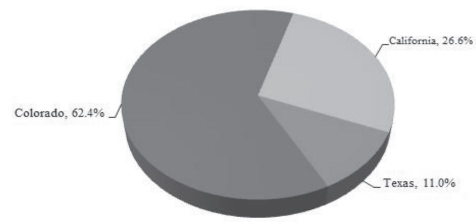


Multi-tenant Office

We, through a joint venture with SteelWave, acquired multi-tenant office properties in the western United States. As of December 31, 2015, $176 million, or 1.0%, of our assets were invested in multi-tenant office properties. The following presents a summary of our multi-tenant office portfolio and diversity across geographic location based on cost:

Total Multi-tenant Office Portfolio	$176 million
Number of properties	13
Number of states	3
Total square feet	1,021,400
Weighted average occupancy	89%

Multi-tenant Office by Geographic Location



PE Investments

Our PE Investments own limited partnership interests in real estate private equity funds acquired in the secondary market and are managed by institutional-quality sponsors, which we refer to as fund interests. In February 2016, we entered into an agreement to sell substantially all of our interest in PE Investment II for proceeds of $184 million and are exploring the sale of our remaining PE Investments. As of December 31, 2015, $1.1 billion, or 6.5%, of our assets were invested in PE Investments through unconsolidated ventures or direct investments. The following tables present a summary of our PE Investments (dollars in millions):

							Underlying Fund Interests		
PE Investment[1]	Initial Closing Date	Amount	Number of Funds	Number of General Partners	Initial NAV	Initial NAV as a Percentage of Cost[2]	Assets, at Cost	Implied Leverage[3]	Expected Future Funding[4]
PE Investment I[5]	February 15, 2013	$ 154.0	49	26	$ 802.4	66.2%	$ 17,600	43.2%	$ 2
PE Investment III	December 31, 2013	26.8	8	4	80.3	119.0%	2,000	38.6%	—
PE Investment IV	May 30, 2014	7.6	1	1	8.8	113.4%	600	36.5%	—
PE Investment V	July 1, 2014	7.7	3	1	23.0	57.8%	700	50.2%	—
PE Investment VI	July 30, 2014	75.3	20	12	98.3	77.5%	8,400	45.2%	1
PE Investment VII	August 15, 2014	30.2	14	12	65.7	79.2%	900	48.1%	—
PE Investment IX	October 2, 2014	129.2	11	7	232.8	135.3%	19,100	25.6%	2
PE Investment X	December 4, 2014	128.5	13	7	160.4	92.5%	4,500	51.0%	—
PE Investment XI	May 1, 2015	4.2	2	1	7.9	64.0%	1,600	34.8%	—
PE Investment XII	May 5, 2015	2.6	1	1	6.1	212.0%	800	28.1%	—
PE Investment XIII	May 22, 2015	287.4	11	5	454.8	90.5%	2,400	48.7%	3
PE Investment XIV	September 9, 2015	55.2	15	5	100.4	51.8%	8,000	59.4%	50
PE Investment XV	November 12, 2015	6.8	1	1	95.6	137.8%	600	42.0%	—
Subtotal		915.5	149	83	2,136.5		67,200		$ 58
PE Investment II[6]	July 3, 2013	186.2	24	15	910.0	73.5%	19,800	38.7%	$ 243 [6]
Total		$ 1,101.7	173 [7]	98 [7]	$ 3,046.5		$ 87,000		

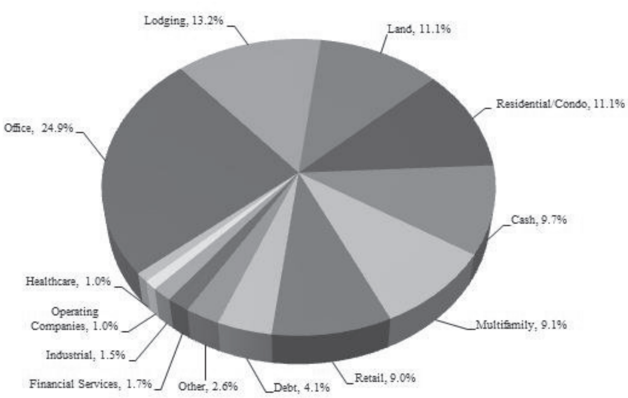
(1) Based on financial data reported by the underlying funds as of September 30, 2015, which is the most recent financial information from the underlying funds, except as otherwise noted.
(2) Net cost represents total funded capital less distributions received.
(3) Represents implied leverage for funds with investment-level financing, calculated as the underlying borrowing divided by assets at fair value.
(4) Includes an estimated amount of expected future contributions to funds and any deferred purchase price as of December 31, 2015.
(5) We, together with NorthStar Real Estate Income Trust, Inc., or NorthStar Income, have an ownership interest in PE Investment I of 51%, of which we own 70.5% and NorthStar Income owns 29.5%.
(6) In February 2016, we entered into an agreement to sell substantially all of our interest in PE Investment II for proceeds of $184 million, of which $145 million was received and the remaining is expected in March 2016 upon consent from the initial seller. In connection with the sale, the buyers will assume our $243 million portion of the deferred purchase price obligation of the joint venture upon receiving consent from the initial seller.
(7) Includes 28 funds and 21 general partners held across multiple PE Investments.

	Our Proportionate Share of PE Investments		
	December 31, 2015		
	Three Months Ended	Year Ended	Inception to Date[(2)]
Income[(1)]	$ 42.4	$ 198.1	$ 414.7
Return of capital	97.1	441.8	808.8
Total distributions	139.5	639.9	1,223.5
Contributions[(3)]	9.6	59.5	105.8
Net	$ 129.9	$ 580.4	$ 1,117.7

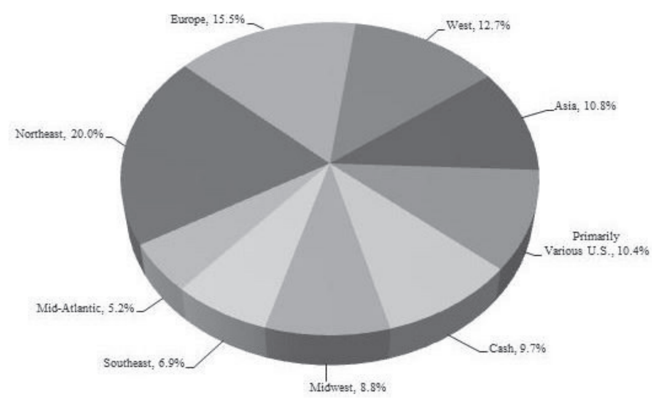
(1) Recorded in equity in earnings in the consolidated statement of operations.
(2) Represents activity from the respective initial closing date through December 31, 2015.
(3) Contributions for the year ended December 31, 2015 includes a payment of the deferred purchase price obligation of the PE Investment II joint venture and PE Investment III.

The following presents the underlying fund interests in our PE Investments by investment type and geographic location based on NAV as of September 30, 2015:

PE Investments by Underlying Investment Type[(1)]



PE Investments by Underlying Geographic Location[(1)]



(1) Based on individual fund financial statements and includes our remaining interest in PE Investment II, substantially all of which was sold in February 2016.

Corporate Investments

RXR Realty

In December 2013, we entered into a strategic transaction with RXR Realty, a leading real estate owner, developer and investment management company focused on high-quality real estate investments in the New York Tri-State area. The investment includes an approximate 27% equity interest in RXR Realty, which represented a carrying value of $89 million as of December 31, 2015.

Aerium

In June 2014, we acquired a 15% interest in Aerium, a pan-European real estate investment manager specializing in commercial real estate properties. The investment in Aerium represented a carrying value of $17 million as of December 31, 2015.

SteelWave

In September 2014, we entered into a debt and equity investment with SteelWave, comprised of a 40% interest in the common equity of certain entities affiliated with SteelWave. SteelWave is a leading real estate investment manager, owner and operator with a portfolio of commercial assets focused in key markets in the western United States. The investment in SteelWave represented a carrying value of $7 million as of December 31, 2015.

Commercial Real Estate Debt

Overview

Our CRE debt investment strategy is focused on originating, acquiring and asset managing CRE debt investments, including first mortgage loans, subordinate mortgage and mezzanine loans and participations in such loans and preferred equity interests.

We emphasize direct origination of our debt investments as this allows us a greater degree of control over how they are underwritten and structured and it provides us the opportunity to syndicate senior or subordinate interests in the loan to maximize returns, if desired. Further, it facilitates a more direct relationship with our borrowers which helps us maintain a robust pipeline, provides an opportunity for us to earn origination and other fees and offers us an important advantage when considering any potential future modifications or restructurings.

The supply/demand imbalance driven by the large amount of maturing CRE loans could create an opportunity for us. Even with some increased supply by lenders, demand for debt financing is allowing investors with capital and real estate expertise, such as us, the opportunity to make investments with attractive risk/return profiles. We are currently focused on monetizing many of our CRE debt investments through sales.

We believe we have built a franchise with a reputation for providing capital to high-quality real estate owners who want a responsive and flexible balance sheet lender. Given that we are a lender who generally retains control of the loans we originate, we are able to maintain flexibility in how we structure loans to meet the needs of our borrowers. Typical CMBS and other capital markets driven lenders generally cannot provide these types of loans due to constraints within their funding structures and because of their requirement to sell the entire loan to third parties and relinquish all control. Even when we finance our investments through securitizations, we maintain a significant capital investment in our loans. Our centralized investment organization has enabled senior management to review potential new loans early in the origination process which, unlike many large institutional lenders with several levels of approval required to commit to a loan, allows us to respond quickly and provide a high degree of certainty to our borrowers that we would close a loan on terms substantially similar to those initially proposed. We believe that this level of service has enhanced our reputation in the marketplace. In addition, we believe the early and active role of senior management in our portfolio management process has been key to maximizing recoveries of invested capital from our investments and our ability to be responsive to changing market conditions.

Our Portfolio

As of December 31, 2015, $515 million, or 3.0%, of assets were invested in CRE debt, excluding CRE debt financed in consolidated N-Star CDOs, CRE debt held for sale and other CRE debt accounted for as joint ventures, consisting of 25 loans with an average investment size of $20 million and weighted average extended maturity of 5.1 years. We directly originated approximately 93% of our current portfolio of CRE debt investments (excluding debt investments acquired in connection with Griffin-American). In February 2016, we sold or committed to sell seven loans with a total principal amount of $225 million at par, with $47 million of proceeds used to pay down our loan facility, resulting in $178 million of net proceeds.

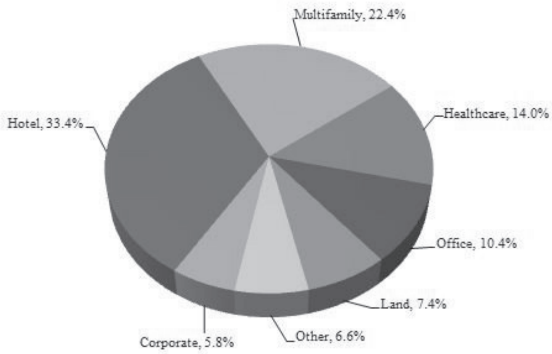
The following table presents a summary of our CRE debt investments, excluding amounts held for sale, as of December 31, 2015 (dollars in thousands):

					Weighted Average (3)			
	Number(1)	Principal Amount	Carrying Value	Allocation by Investment Type(2)	Fixed Rate	Spread Over LIBOR	Yield(4)	Floating Rate as % of Principal Amount
Asset Type:								
First mortgage loans	11	$ 286,628	$ 260,237	55.6%	7.09%	4.95%	6.18%	55.8%
Mezzanine loans	6	22,361	18,630	4.3%	9.04%	4.00%	8.39%	39.9%
Subordinate interests	4	171,044	169,781	33.2%	13.04%	5.65%	8.72%	59.0%
Corporate loans	4	35,215	30,681	6.9%	12.93%	—	14.84%	—
Total/Weighted average	25	$ 515,248	$ 479,329	100.0%	10.51%	5.26%	8.12%	52.5%

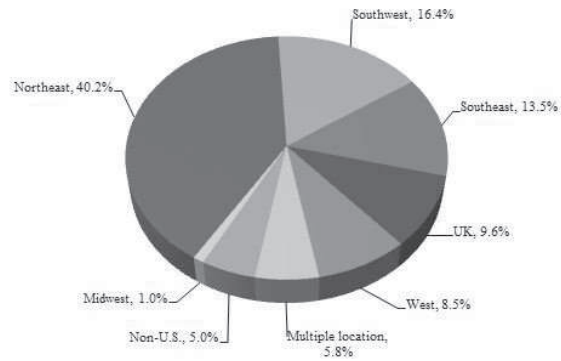
(1) Excludes amounts related to joint ventures and CRE debt held for sale and underlying our N-Star CDOs.
(2) Based on principal amount.
(3) Excludes an aggregate principal amount of $131 million related to three CRE debt investments that were originated prior to 2008, three non-performing loans and one first mortgage loan acquired with deteriorated credit quality.
(4) Based on initial maturity and for floating-rate debt, calculated using one-month LIBOR as of December 31, 2015 and for CRE debt with a LIBOR floor, using such floor.

The following presents our $515 million CRE debt portfolio's diversity across property type and geographic location based on principal amount.

Debt Investments by Property Type



Debt Investments by Geographic Location



Commercial Real Estate Securities

We historically originated or acquired CRE debt and securities investments that were predominately financed through permanent, non-recourse CDOs. We sponsored nine CDOs, three of which were primarily collateralized by CRE debt and six of which were primarily collateralized by CRE securities. In addition, we acquired the equity interests of two CRE debt focused CDOs, CSE RE 2006-A CDO, or CSE CDO, and CapLease 2005-1 CDO, or CapLease CDO. We refer to those CRE debt and securities investments that serve as collateral for N-Star CDO financing transactions as legacy CRE debt and securities, respectively. At the time of issuance of the N-Star CDOs, we retained the below investment grade bonds, which are referred to as subordinate bonds, and preferred shares and equity notes, which are referred to as equity interests. In addition, since the initial issuance of the N-Star CDOs, we repurchased CDO bonds originally issued to third parties at discounts to par. These repurchased CDO bonds and retained subordinate bonds are herein collectively referred to as N-Star CDO bonds. We own the equity interests in all of our N-Star CDO financing transactions whether or not we consolidate these transactions on our balance sheet. Substantially all of our N-Star CDO equity is invested in our CRE debt CDOs. In fact, our CRE debt CDOs have distributed regular cash flow since their inception. We do not, however, own undivided interests in any of the assets within our N-Star CDOs and all senior and junior bondholders of the CDOs have economic interests that are senior to our equity interests. In September 2015, N-Star CDO IV was liquidated and the third-party senior bondholders of N-Star CDO IV were repaid in full.

We historically consolidated these CDO financing transactions under accounting principles generally accepted in the United States, or U.S. GAAP. Our legacy CDO business is winding down, resulting in liquidation and deconsolidation of certain of our N-Star CDOs. Repurchased N-Star CDO bonds that are consolidated are not presented as an investment but rather are eliminated in our consolidated financial statements and, as a result, the interest and realization of any discount will generally not be recorded as income in our consolidated statements of operations under U.S. GAAP. All of our CRE debt CDOs were deconsolidated in 2013 and currently only N-Star securities CDOs I and IX continue to be consolidated. All N-Star CDOs are past their reinvestment period and given the nature of these transactions, these CDOs are amortizing over time as the underlying assets pay down or are sold.

Our CRE securities portfolio is predominately comprised of N-Star CDO bonds and N-Star CDO equity of our deconsolidated N-Star CDOs and includes other securities, mostly conduit CMBS, meaning each asset is a pool backed by a large number of commercial real estate loans. We have also invested in opportunistic CRE securities such as an investment in a "B-piece" CMBS. More recently, we are pursuing the sale of certain of our CRE securities. Subsequent to year end, we sold five CRE securities for $54 million of net proceeds.

The following table presents our interest in the N-Star CDOs as of December 31, 2015 (dollars in thousands):

	Number	Amount[(1)]	
N-Star CDO bonds[(2)(3)]			
AAA	2	$ 108,900	
AA through BBB	20	273,069	(4)
Below investment grade	10	160,447	
	32	542,416	
N-Star CDO equity[(5)]	4	71,003	
Total	36	$ 613,419	

(1) Based on principal amount for N-Star CDO bonds and amortized cost for N-Star CDO equity.
(2) Based on original credit rating. Includes N-Star CDO bonds with a principal amount of $143 million related to our securities CDOs that are eliminated in consolidation.
(3) Unencumbered N-Star CDO bonds are owned by us, of which $408 million of principal amount were repurchased at a discount to par at a weighted average original credit rating of A / A2 and a weighted average purchase price of 39%.
(4) Subsequent to year end, we sold four N-Star CDO bonds for $27 million of net proceeds. There is no assurance we will receive the maximum amount of proceeds from sales of N-Star CDO bonds or sell on favorable terms, if at all.
(5) Represents our equity interests in the deconsolidated CRE debt N-Star CDOs.

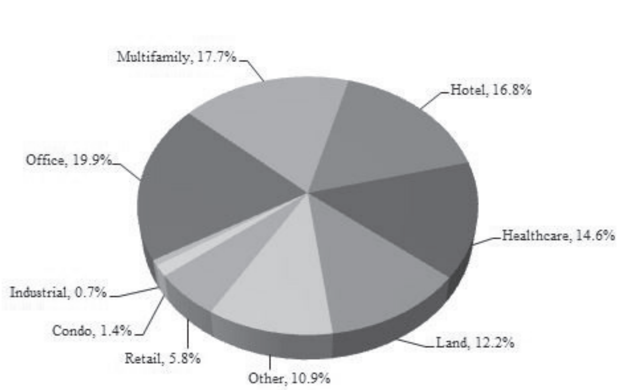
The following table presents a summary of our deconsolidated N-Star CRE debt CDOs as of December 31, 2015 (dollars in thousands):

Issue/Acquisition Date	N-Star VI Mar-06	N-Star VIII Dec-06	CapLease Aug-11	CSE Jul-10	Total
Balance sheet as of December 31, 2015[(1)]					
Assets, principal amount	$ 258,020	$ 742,333	$ 122,771	$ 472,354	$ 1,595,478
CDO bonds, principal amount[(2)]	189,435	569,487	107,390	409,680	1,275,992
Net assets	$ 68,585	$ 172,846	$ 15,381	$ 62,674	$ 319,486
CDO quarterly cash distributions and coverage tests[(3)]					
Equity notes and subordinate bonds	$ 272	$ 4,773	$ 575	$ 752	$ 6,372
Collateral management and other fees[(4)]	255	712	60	210	1,237
Interest coverage cushion at December 31, 2015 (IC)[(1)]	903	5,294	421	989	
Overcollateralization cushion (OC)					
At December 31, 2015[(1)]	52,524	120,568	9,815	91,152	
At offering	17,412	42,193	5,987 (5)	(151,595) (6)	

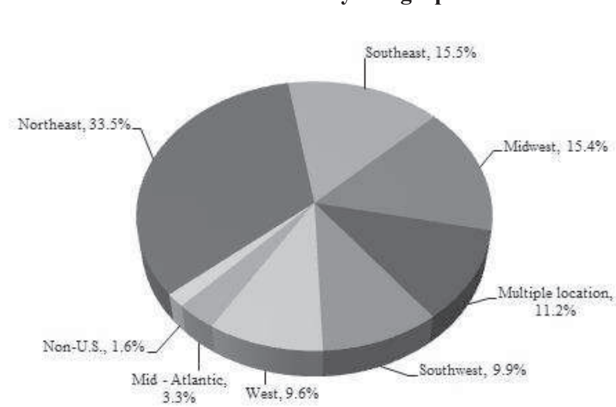
(1) Based on remittance report issued on date nearest to December 31, 2015.
(2) Includes all outstanding CDO bonds payable to third parties and all CDO bonds owned by us.
(3) IC and OC coverage to the most constrained class.
(4) Based on cash receipts.
(5) Based on trustee report as of August 31, 2011, closest to the date of acquisition.
(6) Based on trustee report as of June 24, 2010, closest to the date of acquisition.

The following presents the diversity across property type and geographic location of the CRE debt in our deconsolidated N-Star CDOs, based on principal amount, as of December 31, 2015:

CRE Debt in N-Star CDOs by Property Type



CRE Debt in N-Star CDOs by Geographic Location



Financing Strategy

We seek to access a wide range of secured and unsecured debt and public and private equity capital sources to fund our investment activities and asset growth.

We predominantly use investment-level financing as part of our strategy to prudently leverage our investments and deliver attractive risk-adjusted returns to our stockholders. We pursue a variety of financing arrangements such as mortgage notes from the CMBS market, government-sponsored agencies, finance companies, banks and securitization financing transactions. In addition, we use corporate-level financing such as credit facilities and other term borrowings. We generally seek to limit our reliance on recourse borrowings. Borrowing levels for our CRE investments may be dependent upon the nature of the assets and the related financing that is available.

The availability of attractive long-term, non-recourse, non mark-to-market assignable financing through the CMBS and agency financing markets has bolstered opportunities to acquire real estate in the past few years. For longer duration, stable investment cash flow such as those derived from net lease assets, we tend to use fixed rate financing. For investment cash flow with greater growth potential such as hotels and healthcare under a RIDEA structure, we tend to use floating rate financing which provides prepayment flexibility and may provide a better match between underlying cash flow and potential increases in interest rates.

Our financing strategy for debt investments is to obtain match-funded borrowing at rates that provide a positive net spread. In late 2011, we began using secured term credit facilities provided by major financial institutions to partially finance CRE debt, which currently provide for up to $200 million. Additionally, we have historically demonstrated the ability to securitize our CRE debt investments and expect to continue to pursue similar transactions to finance our newly-originated debt investments that might initially be financed on our credit facilities. In November 2012 and August 2013, we, and on behalf of NorthStar Income, entered into securitized financing transactions (Securitization 2012-1 and Securitization 2013-1) with an aggregate $610 million of principal amount of bonds issued providing permanent, non-recourse, non-mark-to-market financing for newly-originated CRE debt investments of ours and NorthStar Income. In January 2015, Securitization-2012-1 with $228 million principal amount of original bonds issued was repaid in full. We will continue to seek to use the capital markets to finance any new debt investments. As of February 25, 2016, we had $25 million outstanding on our loan facility.

With respect to corporate-level financing, in August 2014, we entered into a corporate revolving credit facility, subsequently amended, or Corporate Revolver, with certain commercial bank lenders, with a total current commitment of $250 million. In September 2014, we entered into a corporate term borrowing with a commercial bank lender with respect to the establishment of term borrowings. However, given recent market conditions, we are currently focused on exploring sales to generate liquidity to repurchase our common stock and reduce such corporate recourse borrowings. Subsequent to year end, our Corporate Revolver was repaid and we expect our remaining corporate recourse borrowings to be repaid from proceeds from sales initiatives. Refer to Liquidity and Capital Resources in "Management's Discussion and Analysis of Financial Condition and Results of Operations" for further discussion

Historically, we used CDOs to finance legacy CRE debt and securities investments. Our legacy CDO business is winding down as we invest in a broader, more diverse range of CRE assets. As a result, such legacy business is a significantly smaller portion of our business today than in the past.

Portfolio Management

NSAM performs portfolio management services on our behalf. The comprehensive portfolio management process that generally includes day-to-day oversight by the portfolio management and servicing team, regular management meetings and an exhaustive quarterly credit review process. These processes are designed to enable management to evaluate and proactively identify asset-specific credit issues and trends on a portfolio-wide basis. Nevertheless, we cannot be certain that such review will identify all issues within our portfolio due to, among other things, adverse economic conditions or events adversely affecting specific assets; therefore, potential future losses may also stem from investments that are not identified during these credit reviews. NSAM uses many methods to actively manage our credit risk to preserve our income and capital, which includes our ability to manage our assets in a manner that minimizes credit losses that could decrease income and portfolio value. For CRE equity and debt investments, frequent re-underwriting and dialogue with borrowers/tenants/operators/partners and regular inspections of our collateral and owned properties have proven to be an effective process for identifying issues early. With respect to our healthcare properties, we consider the impact of regulatory changes on operator performance and property values. During the quarterly credit review, or more frequently as necessary, investments are put on highly-monitored status and identified for possible asset impairment/loan loss reserves, as appropriate, based upon several factors, including missed or late contractual payments, significant declines in collateral performance and other data which may indicate a potential issue in our ability to recover our invested capital from an investment. The portfolio management process related to CRE debt and securities underlying our deconsolidated CDOs is limited to monitoring the CDO bonds and equity interests in such CDO financing transactions.

Regulation

We are subject, in certain circumstances, to supervision and regulation by state, federal and international governmental authorities and are subject to various laws and judicial and administrative decisions imposing various requirements and restrictions, which, among other things:

- regulate our public disclosures, reporting obligations and capital raising activity;
- require compliance with applicable REIT rules;
- regulate credit granting activities;
- require disclosures to customers;
- govern secured transactions;
- set collection, taking title to collateral, repossession and claims-handling procedures and other trade practices;
- regulate land use and zoning;
- regulate the foreign ownership or management of real property or mortgages;
- regulate the ability of foreign persons or corporations to remove profits earned from activities within the country to the person's or corporation's country of origin;
- regulate tax treatment and accounting standards; and
- regulate use of derivative instruments and our ability to hedge our risks related to fluctuations in interest rates and exchange rates.

We have elected, qualified and expect to continue to qualify to be taxed as a REIT under Section 856 through 860 of the Internal Revenue Code of 1986, as amended, or the Internal Revenue Code. As a REIT, we must currently distribute, at a minimum, an amount equal to 90% of our taxable income. In addition, we must distribute 100% of our taxable income to avoid paying corporate federal income taxes. REITs are also subject to a number of organizational and operational requirements in order to elect and maintain REIT status. These requirements include specific share ownership tests and assets and gross income composition tests. If we fail to continue to qualify as a REIT in any taxable year, we will be subject to federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate tax rates. Even if we qualify for taxation as a REIT, we may be subject to state and local income taxes and to federal income tax and excise tax on our undistributed income. In addition, we own healthcare and hotel assets through structures permitted by RIDEA, where we participate directly in the operational cash flow of a property.

Under the Protecting Americans from Tax Hikes Act of 2015, or the PATH Act, enacted on December 18, 2015, several Internal Revenue Code provisions relating to REITs and their stockholders were revised. These new rules were enacted with varying effective dates, some of which were retroactive. Stockholders are urged to consult their tax advisors to determine the effect of the PATH Act in their particular circumstances.

We believe that we are not, and intend to conduct our operations so as not to become regulated as, an investment company under the Investment Company Act of 1940, as amended, or the Investment Company Act. We have relied, and intend to continue to rely on current interpretations of the staff of the Securities and Exchange Commission, or SEC, in an effort to continue to qualify for an exemption from registration under the Investment Company Act. For more information on the exemptions that we use refer to "Risk Factors - Maintenance of our Investment Company Act exemption imposes limits on our operations" in the 2015 Form 10-K.

Real estate properties owned by us and the operations of such properties are subject to various international, federal, state and local laws and regulations concerning the protection of the environment, including air and water quality, hazardous or toxic substances and health and safety. In addition, such properties are required to comply with the Americans with Disabilities Act of 1990, or the ADA, the Fair Housing Act, applicable fire and safety regulations, building codes and other land use regulations. For further information regarding environmental matters and the ADA, refer to "Environmental Matters" and "ADA" below.

Under a RIDEA structure, we are permitted to own an interest in the licensed operator of healthcare facilities through a TRS. In contrast to triple net leased assets, where we are merely a landlord, such ownership may result in increased regulatory risks associated with the operation of healthcare properties. As such, we or our operators or managers, as the case may be, are subject to numerous international, federal, state and local healthcare laws and regulations that are subject to frequent and substantial changes (sometimes applied retroactively) resulting from legislation, adoption of rules and regulations and administrative and judicial interpretations of existing laws. Refer to "Healthcare Regulation" below.

In addition, we own hotels, which are subject to various covenants, laws, ordinances and regulations, including regulations relating to common areas. We believe each of our hotels has the necessary permits and approvals to operate its business.

We are also subject to regulation governing mortgage lending. Although most states do not regulate commercial real estate finance, certain states impose limitations on interest rates and other charges and on certain collection practices and creditor remedies and require licensing of lenders and financiers and adequate disclosure of certain contract terms. We are also required to comply with certain provisions of the Equal Credit Opportunity Act that are applicable to CRE loans.

We are also subject to regulation with respect to certain of our loan servicing activities, such as Regulation AB, which requires certain disclosures regarding our servicing activities and compliance with servicing criteria and also requires that we deliver compliance statements.

In the judgment of management, while we do incur significant expense complying with the various regulations to which we are subject, existing statutes and regulations have not had a material adverse effect on our business. However, it is not possible to forecast the nature of future legislation, regulations, judicial decisions, orders or interpretations, nor their impact upon our future business, financial condition, results of operations or prospects.

Environmental Matters

A wide variety of federal, state and local environmental and occupational health and safety laws and regulations affect our properties. These complex federal and state statutes, and their enforcement, involve a myriad of regulations, many of which involve strict liability on the part of the potential offender. Some of these federal and state statutes may directly impact us. Under various federal, state and local environmental laws, ordinances and regulations, an owner of real property or a secured lender, such as us, may be liable for the costs of removal or remediation of hazardous or toxic substances at, under or disposed of in connection with such property, as well as other potential costs relating to hazardous or toxic substances (including government fines and damages for injuries to persons and adjacent property). The cost of any required remediation, removal, fines or personal or property damages and the owner's or secured lender's liability therefore could exceed or impair the value of the property, and/or the assets of the owner or secured lender. In addition, the presence of such substances, or the failure to properly dispose of or remediate such substances, may adversely affect the owner's ability to sell or rent such property or to borrow using such property as collateral which, in turn, could reduce our revenues.

ADA

Our properties must comply with the ADA and any similar state or local laws to the extent that such properties are "public accommodations" as defined in those statutes. The ADA may require removal of barriers to access by persons with disabilities in certain public areas of our properties where such removal is readily achievable. To date, we have not received any notices of noncompliance with the ADA that have caused us to incur substantial capital expenditures to address ADA concerns. Should barriers to access by persons with disabilities be discovered at any of our properties, we may be directly or indirectly responsible for additional costs that may be required to make facilities ADA-compliant. Noncompliance with the ADA could result in the imposition of fines or an award of damages to private litigants. The obligation to make readily achievable accommodations pursuant to the ADA is an ongoing one and we continue to assess our properties and make modifications as appropriate in this respect.

Healthcare Regulation

<u>Overview</u>

Assisted living, memory care, independent living, hospitals, skilled nursing facilities and other healthcare providers that operate healthcare properties in our portfolio are subject to extensive federal, state and local laws, regulations and industry standards governing their operations. Failure to comply with any of these, and other, laws could result in loss of licensure; loss of certification or accreditation; denial of reimbursement; imposition of fines; suspension or exclusion from federal and state healthcare programs; or closure of the facility. Although the properties within our portfolio may be subject to varying levels of governmental scrutiny, we expect that the healthcare industry, in general, will continue to face increased regulation and pressure in the areas of fraud and abuse, cost control and management of the provision of services, among others. We also expect that efforts by third-party payors, such as the federal Medicare program, state Medicaid programs and private insurers, to impose greater and more stringent cost controls upon operators will intensify and continue. Changes in laws, regulations, reimbursement, and enforcement activity can all have a significant effect on the operations and financial condition of our tenants, managers and operators, which in turn may adversely impact us, as set forth below and under "Risk Factors" in the 2015 Form 10-K.

<u>Fraud and Abuse Enforcement</u>

Healthcare providers, including, but not limited to skilled nursing facilities and hospitals (and some senior housing facilities), are subject to federal and state laws and regulations that govern the operations and financial and other arrangements that may be entered into by healthcare providers, and prohibiting fraudulent and abusive practices by such providers. These laws include: (i) laws requiring providers to furnish only medically necessary services and submit to the government valid and accurate statements for each service; (ii) state anti-kickback laws and the Federal Anti-Kickback Statute, which generally prohibit persons from offering, providing, soliciting, or receiving remuneration to induce either the referral of an individual or the furnishing of a good or service for which payment may be made under a government healthcare program, such as Medicare or Medicaid; (iii) the federal physician self-referral law (commonly known as the Stark Law), which generally prohibits the submission of claims to Medicare for payment that were the result of a referral by a physician who has a financial relationship with the health service provider and analogous state laws; and (iv) the Civil Monetary Penalties Act and the Federal False Claims Act including its "whistleblower" provisions, which prohibits, among other things, the knowing presentation of a false or fraudulent claim for certain healthcare services. Additionally, certain laws, including HIPAA and the Health Reform Laws (both defined and discussed further below) have broadened the federal fraud and abuse laws to enhance both the scope (e.g. private payors) and the penalties for non-compliance with the laws.

Enforcement of healthcare fraud has increased due in large part to amendments to the Federal False Claims Act that encourages private individuals to sue on behalf of the government. Sanctions for violations of these laws, regulations, and other applicable guidance may include, but are not limited to, criminal and/or civil penalties and fines, loss of licensure, immediate termination of government payments and exclusion from government healthcare programs, any of which could have a material adverse effect on the ability of an operator to meet its financial obligations to us.

<u>Reimbursement</u>

Federal, state and private managed care payor reimbursement methodologies applied to healthcare providers continue to evolve. Federal and state authorities have considered and may seek to implement new or modified reimbursement methodologies that may negatively impact healthcare property operations. The impact of any such changes, if implemented, may result in a material adverse effect on our healthcare property operations.

Skilled Nursing Facilities and Hospitals. Skilled nursing facilities and hospitals typically receive most of their revenues from the Medicare and Medicaid programs, with the balance representing reimbursement payments from private managed care payors, including private insurers and self-pay patients. Skilled nursing facilities and hospitals are subject to periodic pre- and post-payment reviews, and other audits by federal and state authorities. A review or audit of a property operator's claims could result in recoupments, denials or delay of payments in the future, each of which could have a significant negative consequence.

<u>Medicare Reimbursement</u>. Medicare, a federal program, is a significant payor source for our skilled nursing facilities and hospitals. Skilled nursing facilities are reimbursed under the Medicare Skilled Nursing Facility Prospective Payment System, or SNF PPS. Hospitals are reimbursed by Medicare under prospective payment systems which vary based upon the type of hospital, geographic location and service furnished. For skilled nursing facilities and hospitals, there are risks that costs will exceed the fixed payments, and payments will be insufficient as compared to actual costs of delivering care, which could result in financial difficulties for the facilities. Recent attention on billing practices and payments and/or ongoing government pressure to reduce spending by government healthcare programs, could result in lower payments to skilled nursing facilities and/or hospitals and, as a result, may impair an operator's ability to meet its financial obligations to us.

<u>Medicaid Reimbursement</u>. Medicaid is also a significant payor source for our skilled nursing facilities and hospitals. The federal and state governments share responsibility for financing Medicaid. The percentage of Medicaid dollars used for long-term care varies from state to state, due in part to different ratios of elderly population and eligibility requirements. Within certain federal guidelines, states have a fairly wide range of discretion to determine eligibility and reimbursement methodology. Many states reimburse long-term care facilities using fixed daily rates, which are applied prospectively based on patient acuity and the historical costs incurred in providing patient care. Certain states are attempting to slow the rate of growth in Medicaid expenditures by freezing rates or restricting eligibility and benefits. In addition, federal budgetary proposals could have lower federal spending for Medicaid, potentially impacting provider Medicaid reimbursement rates. Finally, certain states have elected not to expand their Medicaid eligibility criteria pursuant to recent healthcare reform laws, as described further below. In these states, there may be fewer individuals receiving insurance through state Medicaid programs and healthcare providers may continue to have a population of uninsured patients that require treatment. Other states that have opted to expand Medicaid may later choose to discontinue or modify that expansion. Reductions in Medicaid reimbursement rates or patient eligibility could materially affect revenues of our facilities.

Senior Housing Facilities (assisted living, independent living and memory care facilities, excluding skilled nursing facilities). While the majority of revenues received by the operators of our senior housing facilities are from private pay sources, a small portion of their revenue is received from Medicaid reimbursement. There can be no guarantee that a state Medicaid program will continue to reimburse for services at current levels or continue to be available to our residents. Rates generated at facilities will vary by payor mix, market conditions and resident acuity. Rates paid by self-pay residents are set by the facilities and are determined by local market conditions and operating costs.

<u>Licensure, Certification and CON</u>

Hospitals, skilled nursing, senior housing facilities and other healthcare providers that operate healthcare properties in our portfolio are subject to extensive state licensing and registration laws. The failure of our operators and tenants to maintain or renew any required license, certification, accreditation or regulatory approval could prevent a facility from operating in the manner intended by the operators or tenants.

Certain of our healthcare facilities are subject to a variety of state certificate of need, or CON, laws and regulations, which may restrict the ability of operators to add new properties or expand an existing facility's size or services. In addition, CON laws may constrain the ability of an operator to transfer responsibility for operating a particular facility to a new operator.

Healthcare Reform

The Patient Protection and Affordable Care Act of 2010, or PPCA, and the Healthcare and Education Reconciliation Act of 2010, which amends PPCA, collectively, the Health Reform Laws, and certain follow-on laws (e.g., the Improving Medicare Post-Acute Transformation, or IMPACT, Act of 2014) serve as the primary vehicle for comprehensive healthcare reform in the United States and are becoming effective through a phased approach, which began in 2010 and will conclude in 2018. The laws are intended to reduce the number of individuals in the United States without health insurance and significantly change the means by which healthcare is organized delivered and reimbursed. Healthcare reform legislation includes: (i) program integrity provisions that both create new authorities and expand existing authorities for federal and state governments to address fraud, waste and abuse in federal health programs; (ii) expanded reporting requirements and responsibilities related to property ownership and management, patient safety and care quality; and (iii) new initiatives to strengthen post-acute care services and promote relationships between acute and post-acute care providers. The inability or failure to comply with these reform laws could impact the ability of our operators to participate in federal health programs, causing revenues to decline and ultimately impact their ability to meet their financial obligations to us.

Information Privacy and Security

Healthcare providers are subject to a myriad of state and federal laws which protect the privacy and security of information. The Health Insurance Portability and Accountability Act of 1996, or HIPAA, provides for communication of health information through standard electronic transaction formats and for the privacy and security of health information. Operators also may face significant financial exposure if they fail to maintain the privacy and security of medical records and other personal health information about individuals. The Health Information Technology for Economic and Clinical Health, or HITECH Act, strengthened the HHS Secretary's authority to impose civil monetary penalties for HIPAA violations.

For additional information regarding regulations applicable to us, refer to "Risk Factors" in the 2015 Form 10-K.

Competition

We are subject to increased competition in seeking CRE investments. We compete with many third parties engaged in real estate investment activities including publicly-traded REITs, non-traded REITs, insurance companies, commercial and investment banking firms, private equity funds and other investors. Some of these competitors, including other REITs and private real estate companies and funds, have substantially greater financial resources than we do. Such competitors may also enjoy significant competitive advantages that result from, among other things, a lower cost of capital and enhanced operating efficiencies.

Future competition from new market entrants may limit the number of suitable investment opportunities offered to us. It may also result in higher prices, lower yields and a narrower spread over our borrowing costs, making it more difficult for us to originate or acquire new investments on attractive terms.

Employees

As of December 31, 2015, we had 25 co-employees with NSAM. Most of our employees at the time of the spin off of our historical asset management business on June 30, 2014, or NSAM Spin-off, became employees of NSAM and executive officers, employees engaged in our loan origination business at the time of the NSAM Spin-off and certain other employees became co-employees of both us and NSAM. As of December 31, 2015, NSAM had 276 employees, domestic and internationally.

Corporate Governance and Internet Address

We emphasize the importance of professional business conduct and ethics through our corporate governance initiatives. Our board of directors consists of a majority of independent directors; the audit, nominating and corporate governance and compensation committees of our board of directors are composed exclusively of independent directors. We have adopted corporate governance guidelines and a code of business conduct and ethics, which delineate our standards for our officers, directors and employees.

Our internet address is *www.nrfc.com.* The information on our website is not incorporated by reference in this Annual Report. We make available, free of charge through a link on our website, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to such reports, if any, as filed or furnished with the SEC, as soon as reasonably practicable after such filing or furnishing. We also post corporate presentations on our website from time-to-time. Our website further contains our code of business conduct and ethics, code of ethics for senior financial officers, corporate governance guidelines and the charters of our audit committee, nominating and corporate governance committee and compensation committee of our board of directors. Within the time period required by the rules of the SEC and the NYSE we will post on our website any amendment to our code of business conduct and ethics and our code of ethics for senior financial officers as defined in the code.

PROPERTIES

Our properties are part of our real estate segment, except for one REO included in our real estate debt segment, and are described under "Business - Our Investments" in this Annual Report. The following table presents information with respect to our real estate investments as of December 31, 2015 (dollars in thousands):

Location	Capacity	Percentage Leased/ Occupied	Number of Properties	Lease Expiration Date(1)	Gross Carrying Value(2) (3)	Borrowings
Healthcare						
Medical Office Building	***Square Feet***					
Alabama	147,157	93%	2	Various	$ 62,398	$ 33,926
Arizona	59,808	62%	1	Various	14,727	8,088
Arkansas	121,205	68%	5	Various	32,023	15,481
California	228,159	89%	4	Various	82,535	57,917
Colorado	321,100	75%	8	Various	80,396	62,576
Florida	200,870	82%	5	Various	$ 72,206	$ 34,804
Georgia	389,834	90%	14	Various	116,121	80,945
Hawaii	22,751	100%	1	Jun-17	9,586	8,814
Idaho	76,415	100%	1	Various	27,297	24,215
Illinois	364,864	81%	7	Various	90,991	80,395
Indiana	1,213,806	93%	33	Various	367,448	265,182
Louisiana	203,886	86%	4	Various	47,571	35,393
Michigan	137,486	87%	3	Various	39,970	33,971
Minnesota	34,531	100%	2	Mar-16	10,092	7,362
Mississippi	62,436	100%	1	Apr-25	14,573	11,500
Nevada	64,866	98%	1	Various	27,849	19,179
New Jersey	67,537	99%	1	Various	39,587	31,771
New Mexico	53,219	100%	3	Mar-19	14,659	15,905
New York	362,037	100%	6	Dec-33	156,965	154,082
North Carolina	121,939	97%	2	Various	41,862	36,878
Ohio	272,392	89%	5	Various	86,915	28,332
Oklahoma	62,383	100%	2	Jun-23	11,572	11,944
South Carolina	90,330	76%	2	Various	21,481	10,437
Tennessee	263,658	97%	5	Various	106,905	78,860
Texas	1,011,175	90%	30	Various	305,812	234,194
Washington	95,670	97%	1	Various	65,630	22,548
Total Medical Office Building	6,049,514	90%	149		1,947,171	1,404,699
Skilled Nursing Facilities(4)						
Alabama	46,108	100%	1	Jan-27	9,989	9,783
Arizona	39,669	100%	1	Apr-26	18,547	11,623
California	104,744	100%	2	Aug-21	17,493	22,205
Florida	984,573	100%	22	Dec-25	272,626	180,795
Georgia	270,465	84%	7	Jan-27	132,330	108,000
Illinois	708,075	100%	10	Apr-22	141,177	81,993
Indiana	752,706	100%	19	Jun-17	115,709	95,296
Kentucky	67,706	100%	1	Mar-25	13,930	9,430
Louisiana	66,177	100%	1	Jan-27	24,389	20,341
Maryland	37,076	100%	1	Dec-20	11,060	7,235
Massachusetts	90,783	100%	3	May-28	13,462	18,485
Michigan	69,205	100%	2	Dec-20	13,109	8,576
North Carolina	67,164	100%	2	Mar-25	12,026	8,883
Oregon	119,206	100%	6	May-26	36,682	28,238
Pennsylvania	829,305	100%	11	Mar-29	232,355	203,426
Tennessee	146,132	100%	4	Nov-24	52,955	43,658
Virginia	284,339	100%	8	May-24	72,896	53,671
Washington	111,005	100%	3	May-26	16,789	15,017
Total Skilled Nursing Facilities	4,794,438	99%	104		1,207,524	926,655
Assisted Living Facilities-RIDEA						
Alabama	30,109	18%	1	Dec-25	2,594	4,540
Arizona	93,477	86%	1	Dec-25	12,710	8,998
California	172,760	89%	6	Dec-22	66,617	34,109

Location	Capacity	Percentage Leased/ Occupied	Number of Properties	Lease Expiration Date[1]	Gross Carrying Value[2] [3]	Borrowings
Colorado	388,035	100%	2	Aug-31	101,974	109,903
Georgia	64,687	96%	1	Nov-19	8,361	6,911
Illinois	1,158,558	96%	22	Jun-26	216,561	181,860
Kansas	81,810	95%	1	Jan-20	13,185	5,322
Massachusetts	55,301	100%	5	May-28	12,466	10,674
Nebraska	26,683	87%	1	Nov-19	5,962	2,558
North Carolina	47,494	96%	2	Dec-25	17,562	11,132
Ohio	949,312	97%	30	May-30	220,686	201,215
Oklahoma	208,251	81%	5	Mar-20	30,757	9,469
Oregon	590,159	87%	15	Dec-25	130,922	101,278
South Carolina	58,909	83%	1	Dec-25	21,785	16,183
Tennessee	113,037	84%	2	Jun-21	26,934	15,712
Texas	748,997	84%	8	Sep-25	158,980	119,037
Washington	233,879	92%	6	Jan-25	62,518	43,801
Total Assisted Living Facilities-RIDEA	5,021,458	91%	109		$ 1,110,574	$ 882,702
Assisted Living Facilities						
Florida	29,677	100%	2	Dec-27	550	755
Illinois	55,498	100%	1	Dec-21	6,322	6,043
Indiana	289,071	100%	9	Jun-17	36,920	25,834
Minnesota	215,428	100%	11	Aug-24	51,566	37,800
North Carolina	229,359	100%	6	Dec-27	124,365	95,505
Oregon	549,120	100%	10	Oct-23	103,978	78,555
United Kingdom	961,915	100%	44	Sep-28	432,910	327,890
Total Assisted Living Facilities	2,330,068	100%	83		756,611	572,382
Hospitals						
California	295,547	100%	5	Sep-27	109,431	112,098
Georgia	31,067	100%	1	Sep-33	19,191	14,626
Louisiana	26,423	100%	1	Jan-26	11,379	12,931
Missouri	83,858	100%	3	Sep-33	34,804	33,707
Oklahoma	37,466	100%	1	Nov-21	20,354	12,398
Texas	191,445	100%	2	Various	34,270	37,976
Utah	34,897	100%	1	Sep-33	14,942	15,595
Total Hospitals	700,703	100%	14		244,371	239,331
Total Healthcare[5]	18,896,181	94%	459		5,266,251	4,025,769
Hotels						
Marriott	***Rooms***					
Arizona	418	NA	3	NA	50,098	37,976
California	1,618	NA	12	NA	292,354	252,706
Colorado	288	NA	2	NA	51,319	47,400
Connecticut	447	NA	4	NA	46,134	35,170
Florida	1,642	NA	9	NA	232,648	184,294
Georgia	838	NA	6	NA	105,994	73,569
Illinois	339	NA	2	NA	47,584	31,839
Kentucky	176	NA	2	NA	19,373	18,680
Louisiana	225	NA	2	NA	33,108	31,148
Maine	78	NA	1	NA	11,014	10,000
Maryland	715	NA	5	NA	78,492	66,280
Massachusetts	345	NA	3	NA	65,649	53,162
Michigan	809	NA	6	NA	108,522	90,334
New Hampshire	416	NA	4	NA	56,414	43,782
New Jersey	1,402	NA	9	NA	210,952	186,208
New York	439	NA	4	NA	67,719	53,614
North Carolina	427	NA	3	NA	46,969	33,049
Ohio	441	NA	3	NA	50,414	34,464
Oklahoma	80	NA	1	NA	7,181	7,377
Pennsylvania	460	NA	4	NA	61,617	52,254
Tennessee	459	NA	3	NA	65,819	50,919
Texas	2,425	NA	20	NA	313,528	261,842
Virginia	1,473	NA	11	NA	154,440	131,108

Location	Capacity	Percentage Leased/ Occupied	Number of Properties	Lease Expiration Date[1]	Gross Carrying Value[2] [3]	Borrowings
Washington	664	NA	5	NA	137,055	123,151
Total Marriott	16,624		124		2,314,397	1,910,326
Hilton						
California	382	NA	4	NA	53,381	43,237
Colorado	281	NA	2	NA	34,439	27,688
Connecticut	157	NA	1	NA	19,372	14,300
Florida	202	NA	2	NA	29,167	25,435
Georgia	136	NA	1	NA	12,795	10,110
Kentucky	173	NA	1	NA	36,707	34,075
Louisiana	115	NA	1	NA	15,095	11,476
Maryland	83	NA	1	NA	7,615	5,800
New Hampshire	247	NA	2	NA	46,681	35,306
New Jersey	142	NA	1	NA	25,732	18,216
New Mexico	151	NA	1	NA	$ 27,374	$ 19,582
New York	571	NA	4	NA	110,958	91,958
North Carolina	424	NA	3	NA	71,364	55,103
Ohio	86	NA	1	NA	13,354	8,835
Pennsylvania	150	NA	1	NA	17,573	15,450
Texas	173	NA	2	NA	18,778	14,140
Total Hilton	3,473		28		540,385	430,711
Starwood						
Alabama	111	NA	1	NA	18,141	16,850
Florida	216	NA	1	NA	33,036	30,550
Maryland	155	NA	1	NA	11,108	9,500
New Jersey	224	NA	1	NA	39,584	31,160
North Carolina	130	NA	1	NA	20,345	19,491
Total Starwood	836		5		122,214	107,551
Hyatt						
California	254	NA	2	NA	84,819	72,250
Massachusetts	157	NA	1	NA	32,753	29,055
New Jersey	116	NA	1	NA	14,510	7,680
Texas	280	NA	2	NA	34,286	28,850
Total Hyatt	807		6		166,368	137,835
Intercontinental Hotel Group						
Texas	352	NA	4	NA	40,326	42,008
Total Intercontinental Hotel Group	352		4		40,326	42,008
Total Hotel	22,092		167		3,183,690	2,628,431
Net Lease						
Industrial	***Square Feet***					
Arizona	322,070	100%	1	Dec-26	21,456	13,520
California	793,562	100%	2	May-28	80,371	48,012
Colorado	57,966	100%	1	Jun-27	7,869	4,951
Florida	133,397	100%	2	Nov-23	5,098	3,293
Georgia	574,514	100%	3	Jul-25	31,513	20,418
Illinois	1,421,531	100%	6	Jul-25	58,765	34,253
Indiana	117,376	100%	1	Apr-26	2,841	2,076
Kentucky	274,002	100%	2	Mar-26	10,050	7,453
Michigan	513,261	100%	4	Aug-27	24,065	18,624
Minnesota	101,680	100%	1	Dec-24	6,116	3,950
Missouri	144,786	100%	1	Feb-31	3,709	2,471
New Jersey	99,783	100%	1	Aug-24	5,953	3,300
New York	66,100	100%	1	Jun-23	6,139	5,381
North Carolina	437,911	100%	1	Jul-30	8,439	8,323
Ohio	464,466	100%	3	Apr-25	19,021	13,635
South Carolina	365,086	100%	2	Jul-27	14,440	10,263
Texas	222,061	100%	3	Mar-31	8,742	5,902
Total Industrial	6,109,552	100%	35		314,587	205,825

Location	Capacity	Percentage Leased/ Occupied	Number of Properties	Lease Expiration Date[1]	Gross Carrying Value[2] [3]	Borrowings
Office						
California	244,416	100%	3	Dec-19	37,194	25,748
Colorado	183,529	100%	1	Nov-22	38,459	30,174
Florida	68,723	100%	2	Jun-27	7,256	4,309
Georgia	54,284	100%	1	Jun-27	6,031	4,070
Indiana	333,600	100%	1	Dec-25	33,977	25,674
New Jersey	121,038	100%	1	Jul-17	22,395	15,486
Ohio	199,112	100%	1	Dec-17	33,559	—
South Carolina	165,000	100%	1	Oct-20	34,854	28,363
Utah	117,553	100%	1	Apr-17	20,837	12,646
Total Office[6]	1,487,255	100%	12		234,562	146,470
Retail						
Illinois	50,000	100%	1	Jan-22	$ 5,810	$ 5,122
Indiana	50,000	100%	1	Aug-24	3,642	—
Kansas	48,780	100%	1	Mar-23	6,909	5,475
Maine	52,900	100%	1	Sep-23	6,687	3,240
Massachusetts	104,200	100%	2	Jan-24	11,439	8,430
New Hampshire	115,558	100%	3	Oct-21	20,314	7,483
New York	46,533	100%	1	Jan-22	3,187	3,973
Total Retail	467,971	100%	10		57,988	33,723
Total Net Lease	8,064,778	100%	57		607,137	386,018
Multi-tenant Office	***Square Feet***					
California	228,524	100%	2	Sep-20	42,423	30,287
Colorado	669,115	82%	10	Oct-18	95,293	70,795
Texas	123,761	100%	1	Apr-18	18,578	11,906
Total Multi-tenant Office	1,021,400	89%	13		156,294	112,988
Grand Total			696		$ 9,213,372	$ 7,153,206
Assets of Properties Held for Sale	***Pad Rental Sites/ Units/Square Feet***					
Manufactured Housing	33,055	86%	136	NA	$ 1,594,667	$ 1,274,643
Senior Housing Portfolio	3,582,832	95%	32	NA	842,408	648,211
Multifamily[7]	4,016	94%	11	Various	328,267	249,709
Other[8]	521,686	29%	8	Various	86,650	56,561
Total Assets of Properties Held for Sale			187		$ 2,851,992	$ 2,229,124

(1) Based on initial term and represents the weighted average lease term if more than one lease. For RIDEA facilities, the weighted average lease term of the operator is included.
(2) Represents operating real estate before accumulated depreciation as presented in our consolidated financial statements and excludes purchase price allocations related to net intangible and other assets and liabilities as of December 31, 2015. Refer to "Note 3. Operating Real Estate" of "Financial Statements and Supplementary Data."
(3) The grand total includes an allowance for operating real estate impairment of $4.9 million.
(4) Includes three properties with a cost of $13 million owned pursuant to the RIDEA structure.
(5) Excludes portfolio level financing of $75 million as of December 31, 2015.
(6) Excludes a joint venture with three buildings with a carrying value of $27 million. Our net lease portfolio totals 8.9 million square feet and was 96% leased, with a weighted average lease term of 9.2 years, including such joint venture as of December 31, 2015.
(7) Excludes a joint venture investment with a carrying value of $38 million. Our multifamily portfolio totals 4,514 units and was 94% leased, including such joint venture as of December 31, 2015.
(8) Includes a borrowing of $15 million related to a property held for sale in the Griffin-American Portfolio.

MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock is listed on the NYSE under the symbol "NRF." The following table presents the high, low and last sales prices for our common stock, adjusted for any Reverse Stock Split, as reported on the NYSE, and dividends per share with respect to the periods indicated:

Period	High	Low	Close	Dividends	
2015					
Fourth Quarter(1)(2)	$ 25.54	$ 15.60	$ 17.03	$ 0.40	
Third Quarter(2)	$ 32.48	$ 23.66	$ 24.70	$ 0.75	(3)
Second Quarter	$ 38.20	$ 31.80	$ 31.80	$ 0.80	
First Quarter	$ 38.92	$ 35.38	$ 36.24	$ 0.80	
2014					
Fourth Quarter	$ 37.42	$ 33.56	$ 35.16	$ 0.80	
Third Quarter(2)	$ 37.72	$ 32.20	$ 35.34	$ 0.80	(3)
Second Quarter(2)	$ 70.56	$ 58.68	$ 69.52	$ 1.00	
First Quarter	$ 65.24	$ 54.72	$ 64.56	$ 1.00	

(1) On February 25, 2016, we declared a dividend of $0.40 per share of common stock. This dividend will be paid on March 11, 2016 to stockholders of record as of the close of business on March 7, 2016.
(2) Both the NSAM Spin-off and NRE Spin-off resulted in a decrease in our stock price subsequent to such spin-offs.
(3) The dividend per share represents the first dividend declared subsequent to the NRE Spin-off in the fourth quarter 2015 and NSAM Spin-off in the third quarter 2014.

The following table presents our dividends declared on common stock, on a per share basis, for the years ended 2015 and 2014:

Declaration Date	Dividend
2015	
November 3(1)	$ 0.75
August 4(2)	$ 0.80
May 5(2)	$ 0.80
February 25(2)	$ 0.80
2014(2)	
October 29	$ 0.80
August 6	$ 1.00
May 7	$ 1.00
February 26	$ 1.00

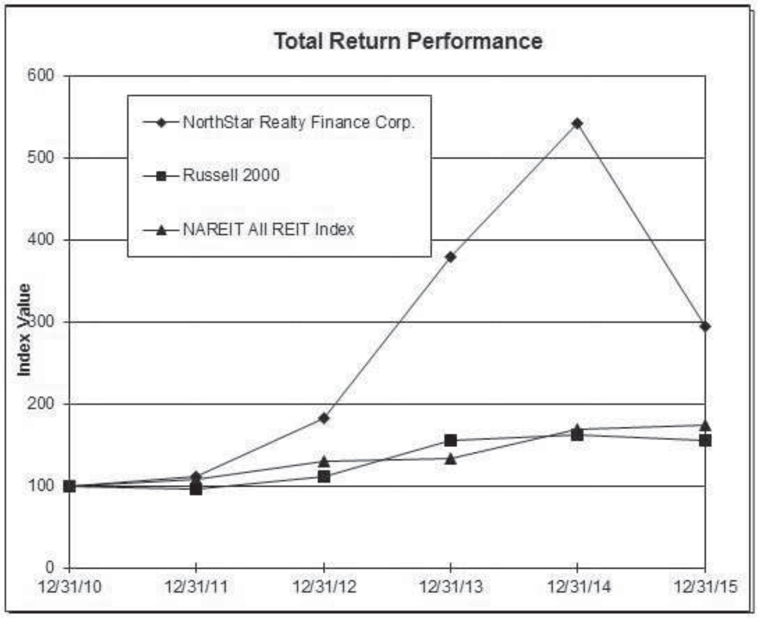
(1) Represents the dividend subsequent to the NRE Spin-off.
(2) Adjusted for the Reverse Split effected on November 1, 2015.

Refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" for a discussion of our dividend policy. On February 25, 2016, the closing sales price for our common stock, as reported on the NYSE, was $12.47. As of February 25, 2016, there were 3,826 record holders of our common stock and 184,377,751 shares outstanding. This figure does not reflect the beneficial ownership of shares held in nominee name.

Performance Graph

Set forth below is a graph comparing the cumulative stockholder return on shares of our common stock with the cumulative total return of the NAREIT All REIT Index and the Russell 2000 Index. The period shown commences on December 31, 2010 through December 31, 2015, the end of our most recently completed fiscal year. The graph assumes an investment of $100 on December 31, 2010 and the reinvestment of any dividends. The stock price performance shown on this graph is not necessarily indicative of further price performance. The information on the graph and the table below was obtained from NAREIT®, Russell Investments and Bloomberg Finance, LP.

NorthStar Realty Finance Corp.



	Period Ending					
Index	**12/31/10**	**12/31/11**	**12/31/12**	**12/31/13**	**12/31/14**	**12/31/15**
NorthStar Realty Finance Corp.	100.00	110.88	182.23	378.54	541.55	293.34
Russell 2000	100.00	95.82	111.51	154.80	162.38	155.22
NAREIT All REIT Index	100.00	107.29	128.90	132.94	169.04	172.92

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table provides the information with respect to purchases made by us of our common stock during the three months ended December 31, 2015:

Period	Total Number of Shares Repurchased(1)	Average Price Paid per Share(1)	Total Number of Shares Purchased as Part of Publicly Announced Program(1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program(2)(3)
November 1 - November 30	2,321,050	$ 18.67	3,064,400	$ 438,498,876
December 1 - December 31	3,405,968	$ 16.58	6,470,368	$ 382,025,797

(1) Adjusted for the one-for-two reverse stock split completed on November 1, 2015.

(2) On September 29, 2015, we announced that our board of directors authorized the repurchase of up to $500 million of our outstanding common stock. The authorization expires on September 29, 2016, unless otherwise extended by our board of directors.

(3) Since announcement, we acquired 6.5 million shares for $118 million, with $382 million remaining under the authorization.

SELECTED FINANCIAL DATA

The information below should be read in conjunction with "Risk Factors" in our 2015 Form 10-K and "Forward-Looking Statements," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes thereto included in "Financial Statements and Supplementary Data," included in this Annual Report.

The selected historical consolidated information presented for the five years ended December 31, 2015 relates to our operations and has been derived from our audited consolidated statements of operations included in this Annual Report or our prior Annual Reports on Form 10-K, as amended (if applicable). The consolidated financial statements for the year ended December 31, 2015 include: (i) our results of operations for the two months ended December 31, 2015 which represents our results of operations following the NRE Spin-off on October 31, 2015; and (ii) our results of operations for the ten months ended October 31, 2015 which includes a carve-out of revenues and expenses attributable to NRE recorded in discontinued operations. The consolidated financial statements for the year ended December 31, 2014 include: (i) our results of operations for the six months ended December 31, 2014 which represents our results of operations following the NSAM Spin-off; and (ii) our results of operations for the six months ended June 30, 2014 which includes a carve-out of revenues and expenses attributable to NSAM recorded in discontinued operations. Our historical financial information for the three years ended December 31, 2013 was prepared on the same basis as the ten months ended October 31, 2015 and six months ended June 30, 2014. As a result, our results of operations for the years ended December 31, 2015 and 2014 may not be comparative to our results of operations reported for the prior period presented. In addition, we have reclassified certain amounts in our historical audited consolidated financial statements, including amounts related to certain properties reclassified as held for sale during the period. These reclassifications had no effect on our reported net income (loss) or CAD.

	Years Ended December 31,				
	2015	2014	2013	2012	2011
Operating Data:	(Dollars in thousands, except per share data)				
Total property and other revenues	$ 1,817,436	$ 679,500	$ 240,847	$ 114,308	$ 109,402
Net interest income on debt and securities	218,805	298,139	266,357	335,496	355,921
Total expenses	2,210,001	1,062,287	370,765	240,076	289,887
Equity in earnings (losses) of unconsolidated ventures	219,077	165,053	91,726	88	(2,738)
Income (loss) from continuing operations	(158,713)	(276,385)	(79,149)	(257,718)	(234,173)
Income (loss) from discontinued operations	(108,554)	(44,701)	(8,761)	(17,450)	(25,551)
Net income (loss)	(267,267)	(321,086)	(87,910)	(273,089)	(242,526)
Net income (loss) attributable to NorthStar Realty Finance Corp. common stockholders	(327,497)	(371,507)	(137,453)	(288,587)	(263,014)
Earnings (loss) per share:					
Basic	$ (1.87)	$ (3.79)	$ (2.60)	$ (9.22)	$ (11.34)
Diluted	$ (1.87)	$ (3.79)	$ (2.60)	$ (9.22)	$ (11.34)
Dividends per share of common stock[(1)(2)]	$ 2.75	$ 3.60	$ 3.40	$ 2.64	$ 1.84

(1) Adjusted for the Reverse Split completed on November 1, 2015.

(2) The dividend per share for the third and fourth quarter 2015 represents the dividends declared subsequent to the NRE Spin-off.

	As of December 31,				
	2015	2014	2013	2012	2011
Balance Sheet Data:	(Dollars in thousands)				
Cash and cash equivalents	$ 224,101	$ 296,964	$ 635,990	$ 444,927	$ 144,508
Operating real estate, net	8,702,259	10,212,004	2,370,183	1,390,546	1,089,449
Real estate debt investments, net	501,474	1,067,667	1,031,078	1,832,231	1,710,582
Real estate debt investments, held for sale	224,677	—	—	—	—
Investments in private equity funds, at fair value	1,101,650	962,038	586,018	—	—
Investments in unconsolidated ventures	155,737	207,777	142,340	111,025	96,143
Real estate securities, available for sale	702,110	878,514	1,052,320	1,124,668	1,473,305
Assets of properties held for sale	2,742,635	29,012	30,063	—	3,198
Total assets	15,403,045	15,178,712	6,360,050	5,513,778	5,006,437
Total borrowings	10,533,785	9,734,262	3,342,071	3,790,072	3,509,126
Total liabilities	11,187,315	10,465,056	3,662,587	4,182,914	3,966,823
Preferred stock	939,118	939,118	697,352	504,018	241,372
Total equity	4,215,730	4,713,656	2,697,463	1,330,864	1,039,614

Other Data:	2015	2014	2013	2012	2011
	Years Ended December 31, (Dollars in thousands)				
Cash flow provided by (used in):					
Operating activities	$ 520,658	$ 144,856	$ 240,674	$ 76,911	$ 59,066
Investing activities	(3,006,574)	(7,054,227)	(2,285,153)	51,901	383,323
Financing activities	2,417,491	6,572,518	2,235,542	171,607	(423,320)
Effect of foreign currency translation on cash and cash equivalents	(4,438)	(2,173)	—	—	—

CAD for the year ended December 31, 2015 was $572 million. NOI for the three months ended December 31, 2015 was $221 million. Refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations - Non-GAAP Financial Measures" for details on the calculation of CAD and NOI including a reconciliation of CAD to net income (loss) attributable to common stockholders calculated in accordance with U.S. GAAP.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following discussion should be read in conjunction with our consolidated financial statements and notes thereto included in "Financial Statements and Supplementary Data" in this Annual Report and risk factors in Part I, Item 1A. "Risk Factors" of the 2015 Form 10-K. References to "N-Star," "NorthStar Realty," "we," "us" or "our" refer to NorthStar Realty Finance Corp. and its subsidiaries unless the context specifically requires otherwise.

Introduction

We are a diversified commercial real estate company, with 85% of our total assets invested directly or indirectly in real estate, of which 78% is invested in direct real estate. We generated 89% of our revenue from our real estate portfolio for the year ended December 31, 2015. We invest in multiple asset classes across commercial real estate that we expect will generate attractive risk-adjusted returns and may take the form of acquiring real estate, originating or acquiring senior or subordinate loans, as well as pursuing opportunistic CRE investments. We seek to generate stable cash flow for distribution to our stockholders through our diversified portfolio of commercial real estate assets and in turn build long-term franchise value. However, given recent market conditions, we are currently focused on exploring sales to generate liquidity to repurchase our common stock and reduce our leverage.

We are a Maryland corporation and completed our initial public offering in October 2004. We conduct our operations so as to continue to qualify as a REIT for U.S. federal income tax purposes.

Significant Developments

Strategic Initiatives

We continue to execute a series of strategic initiatives with the goal of maximizing long-term shareholder value. These initiatives include: (i) sales of all or portions of certain real estate assets; (ii) sales of all or a portion of our PE Investments; and (iii) sales and/or accelerated repayments of our CRE debt and securities investments. Additionally, in connection with our continuous evaluation of our capital allocation strategy, we revised our dividend policy.

Proceeds from such sales initiatives, along with capital retained from our revised dividend policy, are currently expected to be used for opportunistically repurchasing our common stock, which we believe is currently trading at a significant discount to underlying net asset value and toward repayment of a significant portion of our corporate recourse borrowing obligations which total $590 million (excluding $280 million of trust preferred securities with maturities beginning in 2035). Since the beginning of the fourth quarter 2015 through February 2016, assets sold or committed to sell totaled $2.0 billion, of which net proceeds to us are expected to be approximately $930 million.

In addition, our board of directors formed a special committee and the special committee retained UBS Investment Bank as its financial advisor to explore a potential recombination transaction with NSAM. The special committee will be comprised solely of independent directors that are not on the board of directors of NSAM, including the new independent director appointed to the board of directors effective March 1, 2016. There can be no assurance that the exploration of corporate strategic initiatives will result in the identification or consummation of any strategic transaction or initiative.

Spin-offs

On June 30, 2014, we completed the NSAM Spin-off in the form of a tax-free distribution. Effective upon the NSAM Spin-off, we are externally managed and advised by an affiliate of NorthStar Asset Management Group Inc. (NYSE: NSAM), which together with its affiliates is referred to as NSAM.

On October 31, 2015, we completed the NRE Spin-off of our European real estate business into a separate publicly-traded REIT in the form of a taxable distribution. In connection with the NRE Distribution, each of our common stockholders received shares of NorthStar Europe's common stock on a one-for-six basis, before giving effect to a one-for-two Reverse Split of our common stock. We contributed to NorthStar Europe approximately $2.6 billion of European real estate, at cost (excluding our European healthcare properties), comprised of 52 properties spanning across some of Europe's top markets and $250 million of cash. NSAM manages NorthStar Europe pursuant to a long-term management agreement, on substantially similar terms as our management agreement with NSAM.

Summary of Business

Our primary business lines are as follows:

- *Real Estate* - Our real estate business concentrates on various types of investments in commercial real estate located throughout the United States that includes healthcare, hotel, manufactured housing communities, net lease, multifamily and multi-tenant office properties. In addition, it includes certain healthcare properties located outside of the United States and PE Investments, diversified by property type and geography.
  - Healthcare - Our healthcare properties are comprised of a diverse portfolio of medical office buildings, senior housing, skilled nursing and other healthcare properties. The majority of our healthcare properties are medical office buildings and properties structured under a net lease to healthcare operators. In addition, we own senior operating facilities, which include independent living facilities and healthcare properties that operate through management agreements with independent third-party operators, predominantly through RIDEA structures that permit us, through a TRS to have direct exposure to resident fee income and incur customary related operating expenses. In February 2016, we entered into an agreement to sell our 60% interest in the Senior Housing Portfolio for $535 million, subject to proration and adjustment. We expect the buyer to assume our portion of the $648 million of related mortgage financing. We expect to receive approximately $150 million of net proceeds upon completion of the sale in March 2016. Such asset and related liability is classified as held for sale on our consolidated balance sheet.
  - Hotel - Our hotel portfolio is a geographically diverse portfolio primarily comprised of extended stay hotels and premium branded select service hotels primarily located in major metropolitan markets with the majority affiliated with top hotel brands.
  - Manufactured Housing - Our manufactured housing portfolio consists of communities that lease pad rental sites for placement of factory built homes located throughout the United States. In addition, the portfolio includes manufactured homes and receivables related to the financing of homes sold to residents. Currently, we are exploring the sale of our manufactured housing portfolio and such assets and related liabilities are classified as held for sale on our consolidated balance sheet.
  - Net Lease - Our net lease properties are primarily industrial, office and retail properties typically under net leases to corporate tenants.
  - Multifamily - Our multifamily portfolio primarily focuses on properties located in suburban markets that are well suited to capture the formation of new households. Currently, we are exploring the sale of our multifamily portfolio and in February 2016, we entered in and are finalizing agreements to sell up to ten multifamily properties for $311 million with $210 million of related mortgage financing expected to be assumed as part of the transaction. We expect to receive $91 million of net proceeds and continue to explore the sale of the remaining two properties. Such assets and related liabilities are classified as held for sale on our consolidated balance sheet.
  - Multi-tenant Office - We pursue the acquisition of multi-tenant office properties currently focused on the western United States.
  - PE Investments - Our real estate business also includes investments (directly or indirectly in joint ventures) owning PE Investments managed by institutional quality sponsors and diversified by property type and geography. In February 2016, we sold substantially all of our interest in PE Investment II for $184 million of proceeds and are exploring the sale of our remaining PE Investments.
- *Commercial Real Estate Debt* - Our CRE debt business is focused on originating, acquiring and asset managing senior and subordinate debt investments secured primarily by commercial real estate and includes first mortgage loans, subordinate mortgage and mezzanine loans and participations in such loans and preferred equity interests. We may from time to time take title to collateral in connection with a CRE debt investment as real estate owned, or REO, which would be included in our CRE debt business. In February 2016, we sold or committed to sell seven debt investments with a total principal amount of $225 million at par, with $47 million of proceeds used to pay down our loan facility, resulting in $178 million of net proceeds.
- *Commercial Real Estate Securities* - Our CRE securities business is predominately comprised of N-Star CDO bonds and N-Star CDO equity of deconsolidated N-Star CDOs and includes other securities, mostly conduit CMBS, meaning each asset is a pool backed by a large number of commercial real estate loans. We also invested in opportunistic CRE securities

such as an investment in a "B-piece" CMBS. Subsequent to year end, we sold certain CRE securities for $54 million of net proceeds.

We have the ability to invest in a broad spectrum of commercial real estate assets and seek to provide attractive risk-adjusted returns. Our ability to invest across the CRE market creates complementary and overlapping sources of investment opportunities based upon common reliance on real estate fundamentals and application of similar portfolio management skills to maximize value and to protect capital. Additionally, we have pursued opportunistic investments across all our business lines including CRE equity and debt investments. Examples of opportunistic investments include PE Investments, strategic joint ventures and repurchasing our CDO bonds at a discount to their principal amount.

In 2015, we issued aggregate capital of $1.3 billion from the issuance of common equity. In 2014, we issued aggregate net capital of $2.6 billion, including $1.3 billion from the issuance of common equity (including the remaining shares issued under a forward sale agreement in February 2015 for net proceeds of $122 million), $1.1 billion as part of the consideration for the merger of with Griffin-American and $242 million from the issuance of preferred equity.

We predominantly use investment-level financing as part of our strategy to prudently leverage our investments and deliver attractive risk-adjusted returns to our stockholders. We pursue a variety of financing arrangements such as mortgage notes from the CMBS market, government-sponsored agencies, finance companies, banks and securitization financing transactions. In addition, we use corporate-level financing such as credit facilities and other term borrowings. We generally seek to limit our reliance on recourse borrowings. Borrowing levels for our CRE investments may be dependent upon the nature of the assets and the related financing that is available.

The availability of attractive long-term, non-recourse, non mark-to-market, assignable financing through the CMBS and agency financing markets has bolstered opportunities to acquire real estate in the past few years. For longer duration, stable investment cash flow such as those derived from net lease assets, we tend to use fixed rate financing. For investment cash flow with greater growth potential such as hotels and healthcare under a RIDEA structure, we tend to use floating rate financing which provides prepayment flexibility and may provide a better match between underlying cash flow and potential increases in interest rates.

Our financing strategy for debt investments is to obtain match-funded borrowing at rates that provide a positive net spread. In late 2011, we began using secured term credit facilities provided by major financial institutions to partially finance CRE debt which currently provide for an aggregate of up to $200 million. Additionally, we have historically demonstrated the ability to securitize our CRE debt investments and expect to continue to pursue similar transactions to finance our newly-originated debt investments that might initially be financed on our credit facilities. In November 2012 and August 2013, we, and on behalf of NorthStar Income entered into securitization financing transactions with an aggregate $610 million of principal amount of bonds issued providing permanent, non-recourse, non-mark-to-market financing for newly-originated CRE debt investments of ours and NorthStar Income. We will continue to seek to use the capital markets to finance any new debt investments. In January 2015, Securitization-2012-1 with $228 million principal amount of original bonds issued was repaid in full.

With respect to corporate-level financing, in August 2014, we entered into a Corporate Revolver with certain commercial bank lenders, with a total current commitment amount of $250 million for a three-year term. In September 2014, we entered into a corporate term borrowing with a commercial bank lender with respect to the establishment of term borrowings. Subsequent to year end, our Corporate Revolver was repaid and we expect our remaining corporate recourse borrowings to be repaid from proceeds from sales initiatives. Refer to Liquidity and Capital Resources for further discussion.

We believe that we maintain a competitive advantage through a combination of deep industry relationships and access to market leading CRE credit underwriting and capital markets expertise which enables us to manage credit risk across our business lines as well as to structure and finance our assets efficiently. Our ability to invest across the spectrum of commercial real estate investments allows us to take advantage of complementary and overlapping sources of investment opportunities based on a common reliance on CRE fundamentals and application of similar underwriting and asset management skills as we seek to maximize stockholder value and to protect our capital. However, we are currently focused on exploring sales to generate liquidity to repurchase our common stock and reduce our leverage.

Sources of Operating Revenues and Cash Flows

We primarily generate revenue from rental and other operating income from our real estate properties and net interest income on our CRE debt and securities portfolios. Additionally, we record equity in earnings of unconsolidated ventures, including from PE Investments. Our income is primarily derived through the difference between revenue and the cost at which we are able to finance our investments. We may also acquire investments which generate attractive returns without any leverage.

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

Profitability and Performance Metrics

We calculate CAD and NOI as metrics to evaluate the profitability and performance of our business (refer to "Non-GAAP Financial Measures" for a description of these metrics).

Outlook and Recent Trends

The U.S. economy has improved, with the Federal Reserve raising the Federal Funds Rate for the first time in nine years in December 2015. Concerns remain regarding low inflation in the United States, a stronger U.S. dollar, slow global growth and international market volatility. Many other global central banks are easing monetary conditions to combat their low inflation and stagnant growth.

Our business and operations are dependent on the commercial real estate industry generally, which in turn is dependent upon broad economic conditions in the United States, Europe, China and elsewhere. Recently, concerns over global economic conditions, energy and commodity prices, geopolitical issues, deflation, foreign exchange rates, the availability and cost of credit, the sovereign debt crisis, the Chinese economy, the U.S. mortgage market and a potentially weakening real estate market in the United States have contributed to increased economic uncertainty and diminished expectations for the global economy. These factors, combined with volatile prices of oil and declining business and consumer confidence, may precipitate an economic slowdown, as well as cause extreme volatility in security prices. The concern of a possible recession is resulting in uncertainty regarding the timing of the next Federal Reserve increase to the Federal Funds Rate.

CRE fundamentals remain relatively healthy across U.S. property types. Robust investor demand in 2014 for commercial real estate increased transaction activity and prices as rent and vacancy fundamentals improved across most property sectors and continued to improve in 2015, especially in the real estate private markets. However, property price appreciation has slowed and the markets may be in the later stage of the current real estate cycle and could lead to a recession.

Global economic and political headwinds, along with global market instability and the risk that maturing commercial real estate debt may have difficulties being refinanced, among other factors, may continue to cause periodic volatility in the commercial real estate market for some time. It is currently estimated that approximately $1.4 trillion of commercial real estate debt in the United States will mature through 2018. While there appears to be a supply of available liquidity and improved fundamentals in the commercial real estate market, we still anticipate that certain of these loans will not be able to be refinanced, potentially inhibiting growth and contracting credit.

The recent volatility in the equity markets has and may continue to diminish our capital raising activity. A return to weak economic conditions in the future, such as those of the credit crisis of 2008, could reduce a tenant's/operator's/resident's/guest's ability to make payments in accordance with the contractual terms and could weaken demand for companies to lease or occupy new space. To the extent that market rental and occupancy rates weaken, property-level cash flow could be negatively affected, and therefore, reduce our ability to make distributions to stockholders.

Our Strategy

Our primary business objectives are to invest in commercial real estate property and other real estate assets that we expect will generate attractive risk-adjusted returns and in turn will generate stable cash flow for distribution to our stockholders. Until recently, our investment activity and uses of available cash liquidity was focused on acquiring real estate, originating or acquiring loans, as well as pursuing opportunistic CRE investments across our businesses. Opportunistic investments have included investing in real estate private equity funds, strategic joint ventures and repurchasing our N-Star CDO bonds at discounts to par.

Availability and cost of capital impacts our profitability and earnings since we would be required to raise new capital to fund a majority of this growth. Given recent market conditions, we are currently focused on exploring sales to generate liquidity to repurchase our common stock, reduce our corporate recourse borrowings and prudently manage our portfolio so it is well positioned.

Until recently, we had been actively raising capital. In 2015, we issued aggregate capital of $1.3 billion and in 2014 we issued aggregate capital of $2.6 billion (including shares issued under a forward sale agreement in February 2015 for net proceeds of $122 million). Further, we have access to other forms of corporate-level financing. In August 2014, we entered into a Corporate Revolver with certain commercial bank lenders, with a total current commitment amount of $250 million for a three-year term, subject to certain conditions. In September 2014, we entered into a corporate term borrowing with a commercial bank lender. Subsequent to year end, our Corporate Revolver was repaid and we expect our remaining corporate recourse borrowings to be repaid from proceeds from sales initiatives.

In addition, we have a loan facility of $200 million to finance the origination of CRE first mortgage loans, of which $25 million is currently outstanding. Additionally, we have historically demonstrated the ability to securitize our CRE debt investments and expect to continue to pursue similar transactions to finance our newly-originated debt investments that might initially be financed on our credit facilities. In November 2012 and August 2013, we, and on behalf of NorthStar Income, entered into securitization financing transactions with an aggregate $610 million of principal amount of bonds issued to finance debt investments on a permanent, non-recourse, non-mark-to-market basis that were previously financed on credit facilities. In January 2015, Securitization-2012-1 with $228 million principal amount of original bonds issued was repaid in full.

Critical Accounting Policies

Principles of Consolidation

Our consolidated financial statements include the accounts of NorthStar Realty Finance Corp., NorthStar Realty Finance Limited Partnership, or our Operating Partnership, and their consolidated subsidiaries. We consolidate variable interest entities, or VIEs, where we are the primary beneficiary and voting interest entities which are generally majority owned or otherwise controlled by us. All significant intercompany balances are eliminated in consolidation.

<u>Variable Interest Entities</u>

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

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

We evaluate our CRE debt and securities, investments in unconsolidated ventures and securitization financing transactions, such as our CDOs and our liabilities to subsidiary trusts issuing preferred securities to determine whether they are a VIE. We analyze new investments and financings, as well as reconsideration events for existing investments and financings, which vary depending on type of investment or financing.

<u>Voting Interest Entities</u>

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

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

<u>Investments in Unconsolidated Ventures</u>

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

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

We may account for an investment in an unconsolidated entity at fair value by electing the fair value option. We elected the fair value option for PE Investments and certain investments in unconsolidated ventures. PE Investments are recorded as investments in private equity funds, at fair value. We record the change in fair value for our share of the projected future cash flow of such investments from one period to another in equity in earnings (losses) from unconsolidated ventures in the consolidated statements of operations. Any change in fair value attributed to market related assumptions is considered unrealized gain (loss).

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

Fair Value Option

The fair value option provides an election that allows a company to irrevocably elect fair value for certain financial assets and liabilities on an instrument-by-instrument basis at initial recognition. We may elect to apply the fair value option for certain investments due to the nature of the instrument. Any change in fair value for assets and liabilities for which the election is made is recognized in earnings.

Operating Real Estate

Operating real estate is carried at historical cost less accumulated depreciation. Ordinary repairs and maintenance are expensed as incurred. Major replacements and improvements which improve or extend the life of the asset are capitalized and depreciated over their useful life. Operating real estate is depreciated using the straight-line method over the estimated useful lives of the assets.

We follow the purchase method for an acquisition of operating real estate, where the purchase price is allocated to tangible assets such as land, building, tenant and land improvements and other identified intangibles, such as goodwill. Costs directly related to an acquisition deemed to be a business combination are expensed and included in transaction costs in our consolidated statements of operations. We evaluate whether REO constitutes a business and whether business combination accounting is appropriate. Any excess upon taking title to collateral between the carrying value of a loan over the estimated fair value of the property is charged to provision for loan losses.

Operating real estate, including REO, which has met the criteria to be classified as held for sale, is separately presented on the consolidated balance sheets. Such operating real estate is recorded at the lower of its carrying value or its estimated fair value less the cost to sell. Once a property is determined to be held for sale, depreciation is no longer recorded.

Real Estate Debt Investments

CRE debt investments are generally intended to be held to maturity and, accordingly, are carried at cost, net of unamortized loan fees, premium and discount. CRE debt investments that are deemed to be impaired are carried at amortized cost less a loan loss reserve, if deemed appropriate, which approximates fair value. CRE debt investments where we do not have the intent to hold the loan for the foreseeable future or until its expected payoff are classified as held for sale and recorded at the lower of cost or estimated value.

Real Estate Securities

We classify our CRE securities investments as available for sale on the acquisition date, which are carried at fair value. We have historically elected to apply the fair value option for our CRE securities investments. For those CRE securities for which the fair value option was elected, any unrealized gains (losses) from the change in fair value is recorded in unrealized gains (losses) on investments and other in the consolidated statements of operations.

We may decide to not elect the fair value option for certain CRE securities due to the nature of the particular instrument. For those CRE securities for which the fair value option was not elected, any unrealized gain (loss) from the change in fair value is recorded as a component of accumulated other comprehensive income, or OCI, in the consolidated statements of equity, to the extent impairment losses are considered temporary.

Intangible Assets and Intangible Liabilities

We record acquired identified intangibles, which includes intangible assets (such as value of the above-market leases, in-place leases, goodwill and other intangibles) and intangible liabilities (such as the value of below-market leases), based on estimated fair value. The value allocated to the above or below-market leases is amortized over the remaining lease term as a net adjustment to rental income. Other intangible assets are amortized into depreciation and amortization expense on a straight-line basis over the remaining lease term.

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

Events or circumstances which could indicate a potential impairment include (but are not limited to) issues with local, state or federal governments; on-going or projected negative operating income or cash flow; a significant change in payor mix related to healthcare assets; and/or a significant change in the occupancy rate and/or rising interest rates.

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

The annual impairment test for the reporting units related to a healthcare portfolio acquired in 2014 was conducted as of October 1 and the remaining reporting units related to the Griffin-American Portfolio as of December 31, 2015. Management used an independent third-party valuation party specialist to assist. Based on the step one analysis performed, management determined the fair value for all of reporting units were in excess of the respective reporting unit's carrying value, with four exceptions, related to the healthcare portfolio acquired in 2014. As a result, we estimated the impairment loss for such reporting units to be \$25.5 million and recorded an estimated preliminary impairment charge for such amount in the fourth quarter 2015. Due to the timing and complexity of step two of the impairment test, which is required to determine the actual impairment, we were unable to finalize the amount of impairment prior to filing form 10-K for the year ended December 31, 2015. Step two of the impairment test will be completed in the first quarter 2016 and any such adjustment will be recorded.

In addition, our reporting units associated with the Griffin-American Portfolio each had calculated fair value that were between 9% and 14% in excess of the respective carrying value. We continue to monitor the cash flow for these reporting units as they each contain goodwill.

Fair Value Measurement

The fair value of financial instruments is categorized based on the priority of the inputs to the valuation technique and categorized into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

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

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

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

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

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

<u>Assets and Liabilities Measured at Fair Value on a Recurring Basis</u>

Financial assets and liabilities recorded at fair value on a recurring basis are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Financial assets and liabilities recorded at fair value on a recurring basis using Level 3 inputs was 83% of total assets and substantially all liabilities measured at fair value on a recurring basis, respectively, as of December 31, 2015. Our non-recurring financial measurements include the measurement of provision for loan losses on our CRE debt investments, impairment on operating real estate and goodwill and provision for loss on equity investments, if any. These measurements are considered Level 3 fair value measurements.

Transfers into Level 3 for CRE securities for the year ended December 31, 2015 totaled $24 million and principally related to the nature of the price used to estimate fair value (third-party pricing service or broker quotations) and the amount of available market data to corroborate such prices. Transfers out of Level 3 for CRE securities for the year ended December 31, 2015 totaled $3 million. We recognized net unrealized/realized gains and losses of $23 million related Level 3 in our consolidated statements of operations for the year ended December 31, 2015.

Management determines the prices are representative of fair value through a review of available data, including observable inputs, recent transactions as well as our knowledge and experience of the market.

With respect to valuation for CRE securities, we generally obtain at least one quote from a pricing service or broker. Furthermore, we may use internal pricing models to establish arm's length prices. Generally, the quote from the pricing service is used to determine fair value for the securities. The quotes are not adjusted. The pricing service uses market-based measurements based on valuation techniques that reflect market participants' assumptions and maximize the use of relevant observable inputs including prices for similar assets, benchmark yield curves and market corroborated inputs such as contractual terms, discount rates for similar securities and credit (such as credit support and delinquency rates). We believe such broker quote is generally based on a market transaction of comparable securities.

To determine the fair value of CRE securities, we maintain a comprehensive quarterly process that includes a valuation committee comprised of senior members of the investment and accounting teams that is designed to enable management to ensure the prices used are representative of fair value and the instruments are properly classified pursuant to the fair value hierarchy.

Initially, a member of the investment team on the valuation committee reviews the prices at quarter end to ensure current market conditions are fairly presented. The investment team is able to assess these values because they are actively engaged in the market, reviewing bid lists, recent sales and frequently have discussions with various banks and other financial institutions regarding the state of the market. We then perform a variety of analyses to ensure the quotes are in a range which we believe to be representative of fair value and to validate the quotes obtained and used in determining the ultimate value used in the financial statements. At the portfolio level, we evaluate the overall change in fair value versus the overall change in the market. We review significant changes in fair value for individual instruments, both positive and negative, from the prior period. We perform back testing on any securities sold to validate the quotes used for the prior quarter. Where multiple quotes are available, we evaluate any large variance between the high and low price. We obtain any available market data that provides insight into the price through recent or comparable security trades, multiple broker bids and other pertinent information. This data may be available through the pricing service or based on data directly available to us. If as part of any of these processes, we are aware of data which we believe better supports the fair value, we challenge the quote provided by either the pricing service or broker. Any discrepancy identified from our processes are reviewed and resolved. The valuation committee approves the final prices. We believe these procedures are designed to enable us to estimate fair value.

Once we determine fair value of CRE securities, we review to ensure the instrument is properly classified pursuant to the fair value hierarchy consistent with U.S. GAAP through our understanding of the valuation methodologies used by the pricing service via discussion with representatives of the pricing service and review of any documentation describing its valuation methodology.

Generally, when fair value is based on the pricing service or multiple broker quotes, we believe, based on our analysis, such quotes are based on observable inputs and are therefore classified as Level 2. Where the price is based on either a single broker quote or an internal pricing model, we generally consider such price to be based on less observable data and therefore classify such instruments as Level 3.

Assets and Liabilities Measured at Fair Value on a Non-recurring Basis

Non-financial assets and liabilities measured at fair value in the consolidated financial statements consist of real estate held for sale, which are measured on a non-recurring basis, have been determined to be Level 3 within the valuation hierarchy, where applicable, based on estimated sales price, adjusted for closing costs and expenses, determined by discounted cash flow analysis, direct capitalization analyses or a sales comparison approach if no contracts had been consummated. The discounted cash flow and direct capitalization analyses include all estimated cash inflows and outflows over a specific holding period and, where applicable, any estimated debt premiums. This cash flow is comprised of unobservable inputs which included forecasted rental revenues and expenses based upon existing in-place leases, market conditions and expectations for growth. Capitalization rate and discount rate used in these analyses were based upon observable rates that we believed to be within a reasonable range of current market rates for the respective properties.

Valuations were prepared using internally-developed valuation models. These valuations are reviewed and approved, during each reporting period, by management, as deemed necessary, including personnel from the accounting, finance and asset management and the valuations are updated as appropriate. In addition, we may engage third-party valuation experts to assist with the preparation of certain of its valuations.

All other non-financial assets and liabilities measured at fair value in the financial statements on a non-recurring basis are subject to fair value measurement and disclosure. Non-financial assets and liabilities included on our consolidated balance sheets and measured on a nonrecurring basis consist of goodwill and long-lived assets, including other acquired intangibles.

Revenue Recognition

Operating Real Estate

Rental and escalation income from operating real estate is derived from leasing of space to various types of tenants and healthcare operators. The leases are for fixed terms of varying length and generally provide for annual rentals and expense reimbursements to be paid in monthly installments. Rental income from leases is recognized on a straight-line basis over the term of the respective leases. The excess of rents recognized over amounts contractually due pursuant to the underlying leases are included in unbilled rent receivable on our consolidated balance sheets. Escalation income represents revenue from tenant/operator leases which provide for the recovery of all or a portion of the operating expenses and real estate taxes paid by us on behalf of the respective property. This revenue is accrued in the same period as the expenses are incurred.

We generate operating income from healthcare and hotel properties permitted by RIDEA. Revenue related to healthcare properties includes resident room and care charges and other resident charges. Revenue related to operating hotel properties primarily consists of room and food and beverage sales. Revenue is recognized when such services are provided, generally defined as the date upon which a resident or guest occupies a room or uses the healthcare property or hotel services and is recorded in resident fee income for healthcare properties and hotel related income for hotel properties in the consolidated statements of operations.

Real Estate Debt Investments

Interest income is recognized on an accrual basis and any related premium, discount, origination costs and fees are amortized over the life of the investment using the effective interest method. The amortization is reflected as an adjustment to interest income in our consolidated statements of operations. The amortization of a premium or accretion of a discount is discontinued if such loan is reclassified to held for sale.

Real Estate Securities

Interest income is recognized using the effective interest method with any premium or discount amortized or accreted through earnings based on expected cash flow through the expected maturity date of the security. Changes to expected cash flow may result in a change to the yield which is then applied retrospectively for high-credit quality securities that cannot be prepaid or otherwise settled in such a way that the holder would not recover substantially all of the investment or prospectively for all other securities to recognize interest income.

Credit Losses and Impairment on Investments

Operating Real Estate

Our real estate portfolio is reviewed on a quarterly basis, or more frequently as necessary, to assess whether there are any indicators that the value of our operating real estate may be impaired or that its carrying value may not be recoverable. A property's value is considered impaired if management's estimate of the aggregate expected future undiscounted cash flow to be generated by the property is less than the carrying value of the property. In conducting this review, management considers U.S and global macroeconomic factors and real estate sector conditions together with investment specific and other factors. To the extent an impairment has occurred, the loss is measured as the excess of the carrying value of the property over the estimated fair value of the property and recorded in impairment losses in our consolidated statements of operations.

An allowance for a doubtful account for a tenant/operator receivable is established based on a periodic review of aged receivables resulting from estimated losses due to the inability of tenant/operator to make required rent and other payments contractually due. Additionally, we establish, on a current basis, an allowance for future tenant/operator/resident/guest credit losses on unbilled rent receivable based on an evaluation of the collectability of such amounts.

Real Estate Debt Investments

Loans are considered impaired when based on current information and events, it is probable that we will not be able to collect principal and interest amounts due according to the contractual terms. We assess the credit quality of the portfolio and adequacy of loan loss reserves on a quarterly basis or more frequently as necessary. Significant judgment of management is required in this analysis. We consider the estimated net recoverable value of the loan as well as other factors, including but not limited to the fair value of any collateral, the amount and the status of any senior debt, the quality and financial condition of the borrower and the competitive situation of the area where the underlying collateral is located. Because this determination is based on projections of future economic events, which are inherently subjective, the amount ultimately realized may differ materially from the carrying value as of the balance sheet date. If upon completion of the assessment, the estimated fair value of the underlying collateral is less than the net carrying value of the loan, a loan loss reserve is recorded with a corresponding charge to provision for loan losses. The loan loss reserve for each loan is maintained at a level that is determined to be adequate by management to absorb probable losses.

Income recognition is suspended for a loan at the earlier of the date at which payments become 90-days past due or when, in the opinion of management, a full recovery of income and principal becomes doubtful. When the ultimate collectability of the principal of an impaired loan is in doubt, all payments are applied to principal under the cost recovery method. When the ultimate collectability of the principal of an impaired loan is not in doubt, contractual interest is recorded as interest income when received, under the cash basis method until an accrual is resumed when the loan becomes contractually current and performance is demonstrated to be resumed. A loan is written off when it is no longer realizable and/or legally discharged.

Investments in Unconsolidated Ventures

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

Real Estate Securities

CRE securities for which the fair value option is elected are not evaluated for other-than-temporary impairment, or OTTI, as any change in fair value is recorded in our consolidated statements of operations. Realized losses on such securities are reclassified to realized gain (loss) on investments and other as losses occur.

CRE securities for which the fair value option is not elected are evaluated for OTTI quarterly. Impairment of a security is considered to be other-than-temporary when: (i) the holder has the intent to sell the impaired security; (ii) it is more likely than not the holder will be required to sell the security; or (iii) the holder does not expect to recover the entire amortized cost of the security. When a CRE security has been deemed to be other-than-temporarily impaired due to (i) or (ii), the security is written down to its fair value and an OTTI is recognized in the consolidated statements of operations. In the case of (iii), the security is written down to its fair value and the amount of OTTI is then bifurcated into: (a) the amount related to expected credit losses; and (b) the amount related to fair value adjustments in excess of expected credit losses. The portion of OTTI related to expected credit losses is recognized in our consolidated statements of operations. The remaining OTTI related to the valuation adjustment is recognized as a component of accumulated OCI in our consolidated statements of equity. The portion of OTTI recognized through earnings is accreted back to the amortized cost basis of the security through interest income, while amounts recognized through OCI are amortized over the life of the security with no impact on earnings. CRE securities which are not high-credit quality are considered to have an OTTI if the security has an unrealized loss and there has been an adverse change in expected cash flow. The amount of OTTI is then bifurcated as discussed above.

Determination of Fair Value

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

Investments in Private Equity Funds

We account for PE Investments at fair value which is determined based on a valuation model using assumptions for the timing and amount of expected future cash flow for income and realization events for the underlying assets in the funds and discount rate. This fair value measurement is generally based on unobservable inputs and, as such, is classified as Level 3 of the fair value hierarchy. We are not using the NAV (practical expedient) of the underlying funds for purposes of determining fair value.

Investments in Unconsolidated Ventures

We account for certain investments in unconsolidated ventures at fair value determined based on a valuation model using assumptions for the timing and amount of expected future cash flow for income and realization events for the underlying assets and discount rate. Additionally, we account for certain CRE debt investments made in connection with certain investments in unconsolidated ventures at fair value, which is determined based on comparing the current yield to the estimated yield for newly originated loans with similar credit risk. These fair value measurements are generally based on unobservable inputs and, as such, are classified as Level 3 of the fair value hierarchy.

Real Estate Securities

N-Star CDO Bonds

The fair value of N-Star CDO bonds is determined using quotations from nationally recognized financial institutions that generally acted as underwriter for the transactions. These quotations are not adjusted and are generally based on a valuation model with observable inputs such as interest rate and other unobservable inputs for assumptions related to the timing and amount of expected future cash flow, discount rate, estimated prepayments and projected losses. The fair value of subordinate N-Star CDO bonds is determined using an internal price interpolated based on third-party prices of the more senior N-Star CDO bonds of the respective CDO. All N-Star CDO bonds are classified as Level 3 of the fair value hierarchy.

N-Star CDO Equity

The fair value of N-Star CDO equity is determined based on a valuation model using assumptions for the timing and amount of expected future cash flow for income and realization events for the underlying collateral of these CDOs and discount rate. This fair value measurement is generally based on unobservable inputs and, as such, is classified as Level 3 of the fair value hierarchy.

Other CRE Securities

Other CRE securities are generally valued using a third-party pricing service or broker quotations. These quotations are not adjusted and are based on observable inputs that can be validated, and as such, are classified as Level 2 of the fair value hierarchy. Certain CRE securities may be valued based on a single broker quote or an internal price which may have less observable pricing, and as such, would be classified as Level 3 of the fair value hierarchy. Management determines the prices are representative of fair value through a review of available data, including observable inputs, recent transactions as well as its knowledge of and experience in the market.

Derivative Instruments

Derivative instruments are valued using a third-party pricing service. These quotations are not adjusted and are generally based on valuation models with observable inputs such as interest rates and contractual cash flow, and as such, are classified as Level 2 of the fair value hierarchy. Derivative instruments are also assessed for credit valuation adjustments due to the risk of non-performance by us and derivative counterparties. Derivatives held in non-recourse CDO financing structures where, by design, the derivative contracts are senior to all the CDO bonds payable, there is no material impact of a credit valuation adjustment.

CDO Bonds Payable

CDO bonds payable are valued using quotations from nationally recognized financial institutions that generally acted as underwriter for the transactions. These quotations are not adjusted and are generally based on a valuation model with observable inputs such as interest rate and other unobservable inputs for assumptions related to the timing and amount of expected future cash flow, discount rate, estimated prepayments and projected losses. CDO bonds payable are classified as Level 3 of the fair value hierarchy.

Junior Subordinated Notes

Junior subordinated notes are valued using quotations from nationally recognized financial institutions. These quotations are not adjusted and are generally based on a valuation model with observable inputs such as interest rate and other unobservable inputs for assumptions related to the implied credit spread of our other borrowings and the timing and amount of expected future cash flow. Junior subordinated notes are classified as Level 3 of the fair value hierarchy.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board, or FASB, issued an accounting update requiring a company to recognize as revenue the amount of consideration it expects to be entitled to in connection with the transfer of promised goods or services to customers. The accounting standard update will replace most of the existing revenue recognition guidance currently promulgated by U.S. GAAP. In July 2015, the FASB decided to delay the effective date of the new revenue standard by one year. The effective date of the new revenue standard for us will be January 1, 2018. We are in the process of evaluating the impact, if any, of the update on our consolidated financial position, results of operations and financial statement disclosures.

In February 2015, the FASB issued updated guidance that changes the rules regarding consolidation. The pronouncement eliminates specialized guidance for limited partnerships and similar legal entities and removes the indefinite deferral for certain investment funds. The new guidance is effective for annual periods and interim periods within those annual periods beginning after December 15, 2015, with early adoption permitted. We will adopt the new standard on January 1, 2016 and it is not expected to have a material impact on our consolidated financial position or results of operations.

In April 2015, the FASB issued an accounting update changing the presentation of financing costs in financial statements. Under the new guidance, an entity would present these costs in the balance sheet as a direct deduction from the related liability rather than as an asset. Amortization of the costs would continue to be reported as interest expense. The new guidance is effective for annual periods and interim periods beginning after December 15, 2015, with early adoption permitted. In the fourth quarter 2015 we adopted this guidance and the impact to the consolidated balance sheet from the reclassification of such costs was a reduction to both total assets and total liabilities of $91 million and $148 million as of December 31, 2015 and 2014, respectively.

In September 2015, the FASB issued updated guidance that eliminates the requirement that an acquirer in a business combination account for measurement-period adjustments retrospectively. Under the new guidance, an acquirer will recognize a measurement-period adjustment during the period in which it determines the amount of the adjustment. The new guidance is effective for annual periods and interim periods beginning after December 15, 2015, with early adoption permitted. We adopted this guidance in the third quarter 2015 and it did not have a material impact on our consolidated financial position, results of operations and financial statement disclosures.

In January 2016, the FASB issued an accounting update that addresses certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The new guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. We are currently assessing the impact of the guidance on our consolidated financial position, results of operations and financial statement disclosures.

In February 2016, the FASB issued an accounting update that requires lessees to present right-of-use assets and lease liabilities on the balance sheet. The new guidance is to be applied using a modified retrospective approach at the beginning of the earliest comparative period in the financial statements and is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. We are evaluating the impact that this guidance will have on its consolidated financial position, results of operations and financial statement disclosures.

Results of Operations

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

The following table represents our results of operations for the years ended December 31, 2015 and 2014 (dollars in thousands).

The consolidated financial statements for the year ended December 31, 2015 includes: (i) our results of operations for the two months ended December 31, 2015 which represents our results of operations following the NRE Spin-off on October 31, 2015; and (ii) our results of operations for the ten months ended October 31, 2015 which includes a carve-out of revenues and expenses attributable to NRE recorded in discontinued operations.

The consolidated financial statements for the year ended December 31, 2014 includes: (i) our results of operations for the six months ended December 31, 2014 which represents our results of operations following the NSAM Spin-off on June 30, 2014; and (ii) our results of operations for the six months ended June 30, 2014 which includes a carve-out of revenues and expenses attributable to NSAM recorded in discontinued operations. As a result, results of operations for the year ended December 31, 2015 may not be comparative to our results of operations reported for the prior period presented.

	Years Ended December 31,		Increase (Decrease)	
	2015	2014	Amount	%
Property and other revenues				
Rental and escalation income	$ 732,425	$ 349,951	$ 382,474	109.3 %
Hotel related income	784,151	237,039	547,112	230.8 %
Resident fee income	271,394	77,516	193,878	250.1 %
Other revenue	29,466	14,994	14,472	96.5 %
Total property and other revenues	1,817,436	679,500	1,137,936	167.5 %
Net interest income				
Interest income	227,483	310,116	(82,633)	(26.6)%
Interest expense on debt and securities	8,678	11,977	(3,299)	(27.5)%
Net interest income on debt and securities	218,805	298,139	(79,334)	(26.6)%
Expenses				
Management fee, related party	198,695	82,756	115,939	140.1 %
Interest expense—mortgage and corporate borrowings	486,408	231,894	254,514	109.8 %
Real estate properties—operating expenses	915,701	318,477	597,224	187.5 %
Other expenses	26,607	8,920	17,687	198.3 %
Transaction costs	31,427	172,416	(140,989)	(81.8)%
Impairment losses	31,951	—	31,951	NA
Provision for (reversal of) loan losses, net	4,201	3,769	432	11.5 %
General and administrative expenses				
Salaries and related expense	13,744	22,124	(8,380)	(37.9)%
Equity-based compensation expense	27,693	24,885	2,808	11.3 %
Other general and administrative expenses	16,658	12,357	4,301	34.8 %
Total general and administrative expenses	58,095	59,366	(1,271)	(2.1)%
Depreciation and amortization	456,916	184,689	272,227	147.4 %
Total expenses	2,210,001	1,062,287	1,147,714	108.0 %
Other income (loss)				
Unrealized gain (loss) on investments and other	(204,112)	(231,697)	27,585	(11.9)%
Realized gain (loss) on investments and other	14,407	(77,064)	91,471	(118.7)%
Gain (loss) from deconsolidation of N-Star CDOs	—	(31,423)	31,423	NA
Income (loss) before equity in earnings (losses) of unconsolidated ventures and income tax benefit (expense)	(363,465)	(424,832)	61,367	(14.4)%
Equity in earnings (losses) of unconsolidated ventures	219,077	165,053	54,024	32.7 %
Income tax benefit (expense)	(14,325)	(16,606)	2,281	(13.7)%
Income (loss) from continuing operations	(158,713)	(276,385)	117,672	(42.6)%
Income (loss) from discontinued operations	(108,554)	(44,701)	(63,853)	142.8 %
Net income (loss)	$ (267,267)	$ (321,086)	$ 53,819	(16.8)%

Property and Other Revenues

Rental and Escalation Income

Rental and escalation income increased $382.5 million, primarily attributable to new acquisitions in 2014 and 2015 including healthcare, industrial and multi-tenant office investments ($383.8 million) and increased income from our manufactured housing and multifamily investments ($15.5 million), offset by lower income from healthcare properties transitioned to a RIDEA structure in 2015 ($11.7 million) and lower income from our net lease and remaining healthcare properties ($5.1 million), all in our real estate segment.

Hotel Related Income

Hotel related income increased $547.1 million related to new hotel acquisitions in 2014 and 2015 in our real estate segment.

Resident Fee Income

Resident fee income increased $193.9 million, primarily related to the healthcare RIDEA properties acquired in 2014 ($138.1 million) and healthcare properties transitioned to a RIDEA structure in 2015 ($55.7 million), all in our real estate segment.

Other Revenue

Other revenue increased $14.5 million primarily due to a fee ($9.5 million) in our CRE debt segment, origination fees ($3.0 million) in our corporate segment and other real estate related fees ($2.4 million) in our real estate segment, offset by a decrease in administrative fees from our deconsolidated N-Star CDOs ($0.4 million) recorded in our N-Star CDOs segment.

Net Interest Income

Net interest income is generated on our interest-earning assets less related interest-bearing liabilities and is primarily related to our CRE debt, securities and N-Star CDO segments and includes certain CRE debt and notes receivable investments included as part of our real estate segment. For assets financed in a CDO, also referred to as legacy investments, the N-Star CDO segments are based on the primary collateral of the CDO financing transaction and as such may include other types of investments.

The following table presents the average balance of interest-earning assets less related interest-bearing liabilities, associated interest income and expense and corresponding yield earned and incurred for the years ended December 31, 2015 and 2014. Amounts presented have been impacted by the timing of new investments and repayments during the periods (dollars in thousands):

	Years Ended December 31,					
	2015			2014		
	Average Carrying Value(1)	Interest Income/ Expense(2)	WA Yield/ Financing Cost(3)	Average Carrying Value(1)	Interest Income/ Expense(2)	WA Yield/ Financing Cost(3)
Interest-earning assets:						
CRE debt investments(4)	$ 883,581	$ 103,313	11.69%	$ 1,195,758	$ 164,902	13.79%
CRE securities investments	879,323	124,170	14.12%	1,045,422	145,214	13.89%
	$ 1,762,904	227,483	12.90%	$ 2,241,180	310,116	13.84%
Interest-bearing liabilities:						
CDO bonds payable	$ 500,207	$ 4,257	3.23% (5)	$ 702,191	$ 5,893	3.24% (5)
Securitization bonds payable	—	151	—%	70,080	2,394	3.42%
Loan facilities	70,639	4,270	6.04%	84,721	3,690	4.36%
	$ 570,846	8,678	3.07%	$ 856,992	11,977	3.37%
Net interest income		$ 218,805			$ 298,139	

(1) Based on amortized cost for CRE debt and securities investments, principal amount for CDO bonds payable, securitization bonds payable and loan facilities. All amounts are calculated based on quarterly averages. Additionally, amounts include manufactured housing notes receivables recorded in other assets based on carrying value.
(2) Includes the effect of amortization of premium or accretion of discount and deferred fees.
(3) Calculated as interest income or expense divided by average carrying value.
(4) Includes $6.3 million and $4.6 million of interest income related to manufactured housing notes receivables recorded in other assets and included in our real estate segment for the years ended December 31, 2015 and 2014, respectively.
(5) We use interest rate swaps in CDO financing transactions to manage interest rate risk. Weighted average financing cost includes $11.6 million and $16.9 million of net cash payments on interest rate swaps recorded in unrealized gain (loss) in our consolidated statements of operations for the years ended December 31, 2015 and 2014, respectively.

Interest income decreased $82.6 million, primarily attributable to decreased income on debt investments due to pay offs ($59.0 million) in our CRE debt segment and CRE securities ($34.9 million) in our N-Star CDOs segment, offset by increased income on investments in deconsolidated N-Star CDO bonds and equity notes ($5.7 million) in our CRE securities segment and increased income on debt investments and notes receivables ($5.5 million) in our real estate segment.

Interest expense decreased $3.3 million, primarily attributable to reduced interest expense primarily related to the pay off of Securitization 2012-1 ($1.7 million) in the CRE debt segment and the pay down of N-Star CDO bonds payable ($1.6 million) in our CRE securities segment.

Expenses

Management Fee, Related Party

For the year ended December 31, 2015, we recorded $190.0 million related to the base management fee and $8.7 million related to the incentive fee to NSAM in our corporate segment. For the six months ended December 31, 2014, we recorded $79.4 million related to the base management fee and $3.3 million related to the incentive fee to NSAM in our corporate segment.

Interest Expense—Mortgage and Corporate Borrowings

Interest expense on mortgage and corporate borrowings increased $254.5 million, primarily attributable to increased interest expense related to new mortgage and other notes payable associated with new property acquisitions in 2014 and 2015 ($264.6 million), all in our real estate segment, and increased interest expense on our corporate borrowings ($26.2 million), offset by decreased interest expense on the senior notes that were repaid in September 2014 ($9.5 million), lower interest expense due to conversions of exchangeable senior notes ($13.9 million) in our corporate segment and lower interest expense from our remaining net lease and healthcare properties ($13.7 million) in our real estate segment.

Real Estate Properties—Operating Expenses

Real estate operating expenses primarily relate to utilities, real estate taxes, insurance and repair and maintenance expense and with respect to RIDEA properties, salaries, food and beverage and resident services. Real estate properties operating expenses increased $597.2 million, primarily attributable to new acquisitions in 2014 and 2015 comprised of healthcare, hotel, industrial and multi-tenant office investments and healthcare properties transitioned to a RIDEA structure in 2015, all in our real estate segment ($599.5 million).

Other Expenses

Other expenses primarily represents third-party asset management, audit and legal fees and other administrative related fees related to portfolio management of our real estate segment and other expenses such as legal and consulting fees for loan modifications and restructurings and other expenses associated with managing the N-Star CDOs. Other expenses increased $17.7 million related to new acquisitions in 2014 and 2015 in our real estate segment.

Transaction Costs

Transaction costs represent costs such as professional fees associated with new investments, dead deal costs and restructuring costs which are related to specific transactions. For the year ended December 31, 2015, transaction costs of $31.4 million primarily related to real estate acquisitions and restructurings, which includes transaction costs related to acquisitions in our healthcare, hotel and manufactured housing portfolios ($25.7 million), in our real estate segment. For the year ended December 31, 2014, transaction costs of $172.4 million primarily related to real estate acquisitions and restructurings, which includes transaction costs related to the merger of Griffin-American ($72.9 million), the acquisitions of our hotel portfolios ($53.8 million), acquisitions and restructurings related to our other healthcare portfolios ($30.0 million) and our other acquisitions, all in our real estate segment.

Impairment Losses

Impairment losses of $32.0 million related to impairment on goodwill of certain RIDEA healthcare properties ($25.5 million) and a healthcare RIDEA property and a net lease property ($6.4 million), all in our real estate segment.

Provision for (Reversal of) Loan Losses, Net

For the year ended December 31, 2015, provision for loan losses, net of $4.2 million related to five loans ($3.4 million) in our CRE debt segment and notes receivable related to our manufactured housing portfolio ($0.8 million) in our real estate segment. For the year ended December 31, 2014, provision for loan losses, net of $3.8 million related to two loans ($2.8 million) in our CRE debt segment and notes receivable related to our manufactured housing portfolio ($1.0 million) in our real estate segment.

General and Administrative Expenses

General and administrative expenses are principally incurred at the corporate level. General and administrative expenses decreased $1.3 million primarily attributable to the following:

Salaries and related expense decreased $8.4 million primarily due to most of our existing employees at the time of the NSAM Spin-off becoming employees of NSAM.

Equity-based compensation expense is comprised of (dollars in thousands):

	Time-Based Awards		Performance-Based Awards		Total	
	Years Ended December 31,		Years Ended December 31,		Years Ended December 31,	
	2015	2014	2015	2014	2015	2014
NorthStar Realty(1)	$ 22,000	$ 22,332	$ 5,693	$ 2,553	$ 27,693	$ 24,885
Allocation to NSAM(2)	—	6,800	—	6,945	—	13,745
Total	$ 22,000	$ 29,132	$ 5,693	$ 9,498	$ 27,693	$ 38,630

(1) Includes equity-based compensation expense related to grants issued subsequent to the NSAM Spin-off by NorthStar Realty to employees of NorthStar Realty and NSAM in connection with NorthStar Realty's obligation under the management agreement (refer to Note 10. Related Party Arrangements). In connection with this obligation, for the year ended December 31, 2015, NorthStar Realty recorded equity-based compensation expense of $13 million and $2 million of time-based awards and performance-based awards, respectively.

(2) Recorded in discontinued operations. The allocation to NSAM for 2014 is equity-based compensation expense for the six months ended June 30, 2014.

Other general and administrative expenses increased $4.3 million related to higher corporate expenses.

Depreciation and Amortization

Depreciation and amortization expense increased $272.2 million, primarily related to new acquisitions in 2014 and 2015 ($276.7 million), offset by a decrease related to our multifamily properties as they are classified as held for sale in 2015 ($2.1 million) and lower expense from our net lease and remaining healthcare properties ($1.8 million), all in our real estate segment.

Other Income (Loss)

Unrealized Gain (Loss) on Investments and Other

Unrealized gain (loss) on investments and other is primarily related to the non-cash change in fair value adjustments and the remaining amount is related to net cash payments on interest rate swaps. The following table presents a summary of unrealized gain (loss) on investments and other by operating segment for the years ended December 31, 2015 and 2014 (dollars in thousands):

	Year Ended December 31, 2015				
			N-Star CDOs		
	Real Estate	CRE Securities	CRE Securities	Corporate	Total
Change in fair value of:					
Real estate securities, available for sale(1)	$ —	$ 5,312	$ (20,122)	$ —	$ (14,810)
PE Investments(1)	(33,241)	—	—	—	(33,241)
CDO bonds payable, at fair value(1)	—	—	(29,275)	—	(29,275)
Junior subordinated notes, at fair value(1)	—	—	—	31,279	31,279
Derivatives, at fair value	(1,954)	—	10,387	(95,908)	(87,475)
Foreign currency remeasurement(2)	(14,635)	10	—	(3,650)	(18,275)
Investments in unconsolidated ventures(1)	(40,437)	—	—	—	(40,437)
Subtotal unrealized gain (loss)	(90,267)	5,322	(39,010)	(68,279)	(192,234)
Net cash payments on derivatives	(328)	—	(11,550)	—	(11,878)
Total unrealized gain (loss) on investments and other	$ (90,595)	$ 5,322	$ (50,560)	$ (68,279)	$ (204,112)

(1) Represents financial assets and liabilities for which the fair value option was elected.
(2) Represents foreign currency remeasurement on investments, cash and deposits primarily denominated in Euros.

	Year Ended December 31, 2014					
				N-Star CDOs		
	Real Estate	CRE Debt	CRE Securities	CRE Securities	Corporate	Total
Change in fair value of:						
Real estate securities, available for sale(1)	$ —	$ —	$ (23,814)	$ 11,490	$ —	$ (12,324)
PE Investments(1)	32,621	—	—	—	—	32,621
CDO bonds payable, at fair value(1)	—	—	—	(217,608)	—	(217,608)
Junior subordinated notes, at fair value(1)	—	—	—	—	(13,969)	(13,969)
Derivatives, at fair value	(2,898)	—	—	11,082	—	8,184
Foreign currency remeasurement(2)	(9,479)	(1,310)	—	—	(930)	(11,719)
Subtotal unrealized gain (loss)	20,244	(1,310)	(23,814)	(195,036)	(14,899)	(214,815)
Net cash payments on derivatives	—	—	(232)	(16,650)	—	(16,882)
Total unrealized gain (loss) on investments and other	$ 20,244	$ (1,310)	$ (24,046)	$ (211,686)	$ (14,899)	$ (231,697)

(1) Represents financial assets and liabilities for which the fair value option was elected.
(2) Primarily represents foreign currency remeasurement on an investment denominated in Euros.

Realized Gain (Loss) on Investments and Other

The following table presents a summary of realized gain (loss) on investments and other by segment for the years ended December 31, 2015 and 2014 (dollars in thousands):

		Years Ended December 31,	
Description	**Segment**	**2015**	**2014**
Conversion of exchangeable senior notes	Corporate	$ (1,308)	$ (65,771)
Foreign exchange	Corporate	(1,137)	—
Sale of REO	CRE Debt	2,980	—
Sale of real estate debt	CRE Debt	—	(2,920)
Sales/repayments from N-Star CDO bonds[1]	CRE Securities	13,333	9,571
Liquidation of N-Star CDO IV	CRE Securities	9,437	—
Sales of N-Star CDO securities	N-Star CDOs - CRE securities	(8,677)	2,742
Repurchase of N-Star CDO bonds	N-Star CDOs - CRE securities	(3,859)	(13,927)
Healthcare and net lease property related	Real Estate	3,198	(3,659)
Mortgage payoff of a net lease property	Real Estate	2,074	—
Sale of manufactured homes	Real Estate	(1,709)	(3,893)
Other	Various	75	793
Total		$ 14,407	$ (77,064)

(1) Represents cash accelerated amortization on N-Star CDO bonds.

Gain (Loss) from Deconsolidation of N-Star CDOs

For the year ended December 31, 2014, the loss of $31.4 million is related to the deconsolidation of N-Star CDOs III and V, which was predominately due to the reversal of prior unrealized gains on CDO bonds payable recorded in prior periods due to the election of the fair value option.

Equity in Earnings (Losses) of Unconsolidated Ventures and Income Tax Benefit (Expense)

Equity in Earnings (Losses) of Unconsolidated Ventures

The following table presents a summary of our equity in earnings (losses) of unconsolidated ventures, substantially all of which is generated from investments in our real estate segment, for the years ended December 31, 2015 and 2014 (dollars in thousands):

	Years Ended December 31,		
	2015	**2014**	**Increase (Decrease)**
PE Investments	$ 198,159	$ 150,801	$ 47,358
Investment in RXR Realty	16,037	8,003	8,034
Other unconsolidated ventures	4,881	6,249	(1,368)
Total	$ 219,077	$ 165,053	$ 54,024

Income Tax Benefit (Expense)

Income tax expense for the year ended December 31, 2015 represents a net expense of $14.3 million primarily related to a provision for income tax for our PE Investments ($15.0 million), hotel properties ($4.7 million), our corporate interests in RXR Realty and SteelWave ($10.8 million) and other various real estate investments ($0.3 million), offset by a net benefit for our RIDEA healthcare properties ($16.5 million), all in our real estate segment. Income tax expense for the year ended December 31, 2014 represents a net expense of $16.6 million primarily related to a provision for income tax for our PE Investments ($16.8 million) and other various real estate investments ($1.6 million), offset by the effect of net operating loss carryforward related to our hotel and healthcare portfolios operating under a RIDEA structure ($1.8 million).

Discontinued Operations

Income (Loss) from Discontinued Operations

Discontinued operations primarily represents activity related to NorthStar Europe and NSAM prior to their respective spin-offs. NSAM's revenues exclude the effect of any fees that it would have earned in connection with the management agreement with us (dollars in thousands):

	Years Ended December 31,		Increase (Decrease)	
	2015	2014	Amount	%
NSAM				
Total revenues	$ —	$ 56,013	$ (56,013) [(1)]	(100.0)%
Total expenses	—	63,216	(63,216) [(1)]	(100.0)%
NSAM income (loss) in discontinued operations	—	(7,203)	7,203	(100.0)%
NRE				
Total revenues	89,600	1,647	$ 87,953 [(4)]	5,340.2 %
Total expenses[(2)(3)]	205,406	38,050	167,356 [(4)]	439.8 %
Unrealized gain (loss) on investments and other	(10,812)	—	(10,812)	NA
Realized gain (loss) on investments and other	5	(170)	175	(102.9)%
Income (loss) before income tax benefit (expense) provision	(126,613)	(36,573)	(90,040)	246.2 %
Income tax benefit (expense)	18,070	—	18,070	NA
NRE income (loss) in discontinued operations	(108,543)	(36,573)	(71,970)	NA
Income (loss) from operating real estate discontinued operations	(11)	(925)	914	(98.8)%
Total income (loss) from discontinued operations	$ (108,554)	$ (44,701)	$ (63,853)	142.8 %

(1) Represents revenues and expenses for the six months ended June 30, 2014 prior to the NSAM Spin-off.
(2) Includes $109.4 million and $31.7 million of transaction costs related to acquisitions for the years ended December 31, 2015 and 2014, respectively.
(3) Includes $42.4 million and $0.5 million of depreciation and amortization for the years ended December 31, 2015 and 2014, respectively.
(4) The increase is a result of the acquisition of three European portfolios in 2015.

Comparison of the Year Ended December 31, 2014 to December 31, 2013 (dollars in thousands):

The following table represents our results of operations for the years ended December 31, 2014 and 2013 (dollars in thousands).

The consolidated financial statements for the year ended December 31, 2014 includes: (i) our results of operations for the six months ended December 31, 2014 which represents our results of operations following the NSAM Spin-off on June 30, 2014; and (ii) our results of operations for the six months ended June 30, 2014 which includes a carve-out of revenues and expenses attributable to NSAM recorded in discontinued operations. As a result, results of operations for the year ended December 31, 2014 may not be comparative to our results of operations reported for the prior period presented.

	Years Ended December 31,		Increase (Decrease)	
	2014	2013	Amount	%
Property and other revenues				
Rental and escalation income	$ 349,951	$ 235,124	$ 114,827	48.8 %
Hotel related income	237,039	—	237,039	NA
Resident fee income	77,516	—	77,516	NA
Other revenue	14,994	5,723	9,271	162.0 %
Total property and other revenues	679,500	240,847	438,653	182.1 %
Net interest income				
Interest income	310,116	303,989	6,127	2.0 %
Interest expense on debt and securities	11,977	37,632	(25,655)	(68.2)%
Net interest income on debt and securities	298,139	266,357	31,782	11.9 %
Expenses				
Management fee, related party	82,756	—	82,756	NA
Interest expense—mortgage and corporate borrowings	231,894	141,027	90,867	64.4 %
Real estate properties—operating expenses	318,477	73,668	244,809	332.3 %
Other expenses	8,920	4,558	4,362	95.7 %
Transaction costs	172,416	12,464	159,952	1,283.3 %
Provision for (reversal of) loan losses, net	3,769	(8,786)	12,555	(142.9)%
General and administrative expenses				
Salaries and related expense	22,124	26,421	(4,297)	(16.3)%
Equity-based compensation expense	24,885	11,784	13,101	111.2 %
Other general and administrative expenses	12,357	16,159	(3,802)	(23.5)%
Total general and administrative expenses	59,366	54,364	5,002	9.2 %
Depreciation and amortization	184,689	93,470	91,219	97.6 %
Total expenses	1,062,287	370,765	691,522	186.5 %
Other income (loss)				
Unrealized gain (loss) on investments and other	(231,697)	(32,677)	(199,020)	609.1 %
Realized gain (loss) on investments and other	(77,064)	32,376	(109,440)	(338.0)%
Gain (loss) from deconsolidation of N-Star CDOs	(31,423)	(299,802)	268,379	(89.5)%
Other income (loss)	—	38	(38)	NA
Income (loss) before equity in earnings (losses) of unconsolidated ventures and income tax benefit (expense)	(424,832)	(163,626)	(261,206)	159.6 %
Equity in earnings (losses) of unconsolidated ventures	165,053	91,726	73,327	79.9 %
Income tax benefit (expense)	(16,606)	(7,249)	(9,357)	129.1 %
Income (loss) from continuing operations	(276,385)	(79,149)	(197,236)	249.2 %
Income (loss) from discontinued operations	(44,701)	(8,761)	(35,940)	410.2 %
Net income (loss)	$ (321,086)	$ (87,910)	$ (233,176)	265.2 %

Property and Other Revenues

Rental and Escalation Income

Rental and escalation income increased $114.8 million, primarily attributable to new acquisitions in 2014 including healthcare, industrial and a full year related to manufactured housing and multifamily investments ($154.2 million), offset by lower income from our net lease and healthcare properties ($6.9 million), all in our real estate segment and lower income related to REOs that were deconsolidated in the N-Star CDO CRE debt segment ($32.5 million).

Hotel Related Income

We generated hotel related income of $237.0 million related to new hotel acquisitions in 2014. We did not own any hotel properties prior to 2014.

Resident Fee Income

We generated resident fee income of $77.5 million in 2014 primarily related to the healthcare RIDEA properties acquired during the year. We did not own any RIDEA properties prior to 2014.

Other Revenue

Other revenue increased $9.3 million primarily due to an increase in real estate related fees ($5.9 million) in our real estate segment and administrative fees from our deconsolidated N-Star CDOs which were eliminated in consolidation in 2013 ($3.4 million) in our N-Star CDOs segment.

Net Interest Income

Net interest income is generated on our interest-earning assets less related interest-bearing liabilities and is recorded as part of our CRE debt, securities and N-Star CDO segments and includes certain CRE debt and notes receivable investments included as part of our real estate segment. For assets financed in a CDO, also referred to as legacy investments, the N-Star CDO segments are based on the primary collateral of the CDO financing transaction and as such may include other types of investments.

The following table presents the average balance of interest-earning assets less related interest-bearing liabilities, associated interest income and expense and corresponding yield earned and incurred for the years ended December 31, 2014 and 2013. Amounts presented have been impacted by the timing of new investments and repayments during the periods (dollars in thousands):

	Years Ended December 31,					
	2014			2013		
	Average Carrying Value[1]	Interest Income/ Expense[2]	WA Yield/ Financing Cost[3]	Average Carrying Value[1]	Interest Income/ Expense[2]	WA Yield/ Financing Cost[3]
Interest-earning assets:						
CRE debt investments[4]	$ 1,195,758	$ 164,902	13.79%	$ 1,547,091	$ 145,427	9.40%
CRE securities investments	1,045,422	145,214	13.89%	1,554,922	158,562	10.20%
	$ 2,241,180	310,116	13.84%	$ 3,102,013	303,989	9.80%
Interest-bearing liabilities:						
CDO bonds payable	$ 702,191	$ 5,893	3.24% [5]	$ 2,275,986	$ 29,913	3.63% [5]
Securitization bonds payable	70,080	2,394	3.42%	97,973	3,058	3.12%
Loan facilities	84,721	3,690	4.36%	69,869	4,233	6.80%
Secured term loan	—	—	—%	8,776	428	4.88%
	$ 856,992	11,977	3.37%	$ 2,452,604	37,632	3.71%
Net interest income		$ 298,139			$ 266,357	

(1) Based on amortized cost for CRE debt and securities investments, principal amount for CDO bonds payable, securitization bonds payable and loan facilities. All amounts are calculated based on quarterly averages. Additionally, amounts include manufactured housing notes receivables recorded in other assets based on carrying value.
(2) Includes the effect of amortization of premium or accretion of discount and deferred fees.
(3) Calculated as interest income or expense divided by average carrying value.
(4) Includes $4.6 million and $0.2 million of interest income related to manufactured housing notes receivables recorded in other assets and included in our real estate segment for the years ended December 31, 2014 and 2013, respectively.
(5) We use interest rate swaps in CDO financing transactions to manage interest rate risk. Weighted average financing cost includes $16.9 million and $52.7 million of net cash payments on interest rate swaps recorded in unrealized gain (loss) in our consolidated statements of operations for the years ended December 31, 2014 and 2013, respectively.

Interest income increased $6.1 million, primarily attributable to increased income on debt investments ($96.2 million) in our CRE debt segment, debt investments and notes receivables ($4.7 million), in our real estate segment and investments in deconsolidated N-Star CDO bonds and equity notes ($42.9 million) in our CRE securities segment, offset by decreased interest income on CRE debt and securities investments ($137.8 million) in the N-Star CDOs segment primarily attributable to the deconsolidation of N-Star CDO bonds payable.

Interest expense decreased $25.7 million, primarily attributable to the deconsolidation of N-Star CDO bonds payable ($23.6 million) and reduced interest on other borrowings ($2.1 million) in the CRE debt segment.

Expenses

Management Fee, Related Party

For the six months ended December 31, 2014, we recorded $79.4 million related to the base management fee and $3.3 million related to the incentive fee to NSAM. The management contract with NSAM commenced on July 1, 2014, and as such, there were no management fees incurred for the six months ended June 30, 2014 and the year ended December 31, 2013.

Interest Expense—Mortgage and Corporate Borrowings

Interest expense on mortgage and corporate borrowings increased $90.9 million, primarily attributable to increased interest expense related to new mortgage and other notes payable associated with new property acquisitions ($105.7 million) in our real estate segment, our corporate borrowings ($8.5 million) and senior notes at the corporate level that were repaid at maturity ($11.5 million), offset by lower interest expense from mortgage notes on REO that were deconsolidated ($9.4 million)in our N-Star CDO CRE debt segment and lower interest expense at the corporate level primarily due to conversions of exchangeable senior notes ($25.5 million).

Real Estate Properties—Operating Expenses

Real estate operating expenses primarily relate to utilities, real estate taxes, insurance and repair and maintenance and with respect to RIDEA properties, salaries, food and beverage and resident services. Real estate properties operating expenses increased $244.8 million, primarily attributable to new acquisitions in 2014 comprised of healthcare, hotel and industrial properties and a full year related to manufactured housing and multifamily investments ($261.7 million), offset by lower expenses from our net lease and remaining healthcare properties ($1.9 million), all in our real estate segment and REO that were deconsolidated ($15.2 million) in our N-Star CDO CRE debt segment.

Other Expenses

Other expenses primarily represents third-party asset management, audit and legal fees and other administrative related fees related to portfolio management of our real estate segment and other expenses such as legal and consulting fees for loan modifications and restructurings and other expenses associated with managing the N-Star CDOs. Other expenses increased $4.4 million related to new acquisitions in 2014 in our real estate segment.

Transaction Costs

Transaction costs represent costs such as professional fees associated with new investments, dead deal costs and restructuring costs which are related to specific transactions. For the year ended December 31, 2014, transaction costs of $172.4 million primarily related to real estate acquisitions and restructurings, which includes transaction costs related to the merger of Griffin-American ($72.9 million), the acquisitions of hotel portfolios ($53.8 million), acquisitions and restructurings related to our other healthcare portfolios ($30.0 million) and our other acquisitions, all in our real estate segment. For the year ended December 31, 2013, transaction costs of $12.5 million related to our acquisition of manufactured housing communities ($3.5 million), multifamily properties ($3.8 million) and PE Investments ($4.2 million), all in our real estate segment.

Provision for (Reversal of) Loan Losses, Net

For the year ended December 31, 2014, provision for loan losses, net of $3.8 million related to two loans ($2.8 million) in our CRE debt segment and notes receivable related to our manufactured housing portfolio ($1.0 million) in our real estate segment. For the year ended December 31, 2013, reversal of provision for loan losses, net in our CRE debt segment of $8.8 million related to reversals of provision for loan loss of $15.1 million primarily associated with a loan loss on a mezzanine loan ($6.3 million), offset by a reversal of provision for loan loss for a mezzanine loan for which we contemporaneously took title to the collateral ($4.0 million) and a reversal of a provision for loan loss in September 2013 primarily related to a loan that paid off at par during the fourth quarter.

General and Administrative Expenses

General and administrative expenses are principally incurred at the corporate level. General and administrative expenses increased $5.0 million primarily attributable to the following:

Salaries and related expense decreased $4.3 million primarily due to most of our existing employees at the time of the NSAM Spin-off becoming employees of NSAM.

Equity-based compensation expense is comprised of (dollars in thousands):

	Time-Based Awards		Performance-Based Awards		Total	
	Years Ended December 31,		Years Ended December 31,		Years Ended December 31,	
	2014	2013	2014	2013	2014	2013
NorthStar Realty	$ 22,332	$ 8,940	$ 2,553	$ 2,844	$ 24,885	$ 11,784
Allocation to NSAM[1]	6,800	3,928	6,945	1,249	13,745	5,177
Total	$ 29,132	$ 12,868	$ 9,498	$ 4,093	$ 38,630	$ 16,961

(1) Recorded in discontinued operations. The allocation to NSAM for 2014 is equity-based compensation expense for the six months ended June 30, 2014 and a full year for 2013.

Other general and administrative expenses decreased $3.8 million due to the NSAM Spin-off.

Depreciation and Amortization

Depreciation and amortization expense increased $91.2 million, primarily related to new acquisitions ($105.9 million) in our real estate segment, offset by lower expense related to REO that were deconsolidated ($14.6 million) in our N-Star CDO CRE debt segment.

Other Income (Loss)

Unrealized Gain (Loss) on Investments and Other

Unrealized gain (loss) on investments and other is primarily related to the non-cash change in fair value adjustments and the remaining amount is related to net cash payments on interest rate swaps. The following table presents a summary of unrealized gain (loss) on investments and other by operating segment for the years ended December 31, 2014 and 2013 (dollars in thousands):

	Year Ended December 31, 2014					
				N-Star CDOs		
	Real Estate	CRE Debt	CRE Securities	CRE Securities	Corporate	Total
Change in fair value of:						
Real estate securities, available for sale[1]	$ —	$ —	$ (23,814)	$ 11,490	$ —	$ (12,324)
PE Investments[1]	32,621	—	—	—	—	32,621
CDO bonds payable, at fair value[1]	—	—	—	(217,608)	—	(217,608)
Junior subordinated notes, at fair value[1]	—	—	—	—	(13,969)	(13,969)
Derivatives, at fair value	(2,898)	—	—	11,082	—	8,184
Foreign currency remeasurement[2]	(9,479)	(1,310)	—	—	(930)	(11,719)
Subtotal unrealized gain (loss)	20,244	(1,310)	(23,814)	(195,036)	(14,899)	(214,815)
Net cash payments on derivatives	—	—	(232)	(16,650)	—	(16,882)
Total unrealized gain (loss) on investments and other	$ 20,244	$ (1,310)	$ (24,046)	$ (211,686)	$ (14,899)	$ (231,697)

(1) Represents financial assets and liabilities for which the fair value option was elected.
(2) Represents foreign currency remeasurement on investments, cash and deposits primarily denominated in Euros.

	Year Ended December 31, 2013					
			N-Star CDOs			
	CRE Debt	CRE Securities	CRE Debt	CRE Securities	Corporate	Total
Change in fair value of:						
Real estate securities, available for sale[1]	$ —	$ 3,916	$ (2,407)	$ 93,171	$ —	$ 94,680
CDO bonds payable, at fair value[1]	—	—	—	(106,626)	—	(106,626)
Junior subordinated notes, at fair value[1]	—	—	—	—	(4,030)	(4,030)
Derivatives, at fair value	—	—	—	33,730	—	33,730
Foreign currency remeasurement[2]	2,300	—	—	—	—	2,300
Subtotal unrealized gain (loss)	2,300	3,916	(2,407)	20,275	(4,030)	20,054
Net cash payments on derivatives	—	—	(10,285)	(42,446)	—	(52,731)
Total unrealized gain (loss) on investments and other	$ 2,300	$ 3,916	$ (12,692)	$ (22,171)	$ (4,030)	$ (32,677)

(1) Represents financial assets and liabilities for which the fair value option was elected.
(2) Primarily represents foreign currency remeasurement on an investment denominated in Euros.

Realized Gain (Loss) on Investments and Other

The following table presents a summary of realized gain (loss) on investments and other by segment for the years ended December 31, 2014 and 2013 (dollars in thousands):

		Years Ended December 31,	
Description	**Segment**	**2014**	**2013**
Conversion of exchangeable senior notes	Corporate	$ (65,771)	$ (10,918)
Sale of real estate debt	CRE Debt	(2,920)	(1,769)
Sales/repayments from N-Star CDO bonds[1]	CRE Securities	9,571	—
Sales of N-Star CDO securities	N-Star CDO CRE debt	—	(1,421)
Sales of N-Star CDO securities	N-Star CDO CRE securities	2,742	39,240
Liquidation of N-Star CDO II	N-Star CDO CRE securities	—	7,020
Repurchase of N-Star CDO bonds	N-Star CDO CRE securities	(13,927)	(12,360)
Healthcare and net lease property related	Real Estate	(3,659)	—
Sale of manufactured homes	Real Estate	(3,893)	(879)
Sale of timeshare units	Real Estate	—	12,215
Other	Various	793	1,248
Total		$ (77,064)	$ 32,376

(1) Represents cash accelerated amortization on N-Star CDO bonds.

Gain (Loss) from Deconsolidation of N-Star CDOs

For the year ended December 31, 2014, the loss of $31.4 million is related to the deconsolidation of N-Star CDOs III and V, which was predominately due to the reversal of prior unrealized gains on CDO bonds payable recorded in prior periods due to the election of the fair value option. For the year ended December 31, 2013, the loss of $299.8 million is related to the deconsolidation of N-Star CDOs IV, VI, VII and VIII, the CapLease CDO and the CSE CDO, which was predominately due to the reversal of the unrealized gains on the CDO liabilities that were recorded in prior periods due to the election of the fair value option.

Equity in Earnings (Losses) of Unconsolidated Ventures and Income Tax Benefit (Expense)

Equity in Earnings (Losses) of Unconsolidated Ventures

The following table presents a summary of our equity in earnings (losses) of unconsolidated ventures, substantially all of which is generated from investments in our real estate segment, for the years ended December 31, 2014 and 2013 (dollars in thousands):

	Years Ended December 31,		
	2014	2013	Increase (Decrease)
PE Investments	$ 150,801	$ 88,842	$ 61,959
Investment in RXR Realty	8,003	—	8,003
Other unconsolidated ventures	6,249	2,884	3,365
Total	$ 165,053	$ 91,726	$ 73,327

Income Tax Benefit (Expense)

Income tax expense for the year ended December 31, 2014 represents a net expense of $16.6 million primarily related to a provision for income tax for our PE Investments ($16.8 million) and other various real estate investments ($1.6 million), offset by the effect of net operating loss carryforward related to our hotel and healthcare portfolios operating under a RIDEA structure ($1.8 million), all in our real estate segment. Income tax expense for the year ended December 31, 2013 represents income tax of $7.2 million related to a provision for income tax on our PE Investments ($6.2 million) and a sales tax of timeshare units ($1.0 million), both in our real estate segment.

Discontinued Operations

Income (Loss) from Discontinued Operations

Discontinued operations primarily represents activity related to NorthStar Europe and NSAM prior to their respective spin-offs. NSAM's revenues exclude the effect of any fees that it would have earned in connection with the management agreement with us (dollars in thousands):

	Years Ended December 31,		Increase (Decrease)	
	2014	2013	Amount	%
NSAM				
Total revenues	$ 56,013	$ 89,938	$ (33,925) [(1)]	(37.7)%
Total expenses	63,216	90,343	(27,127) [(1)]	(30.0)%
NSAM income (loss) in discontinued operations	(7,203)	(405)	(6,798)	NM
NRE				
Total revenues	1,647	—	1,647	NA
Total expenses	38,050	—	38,050 [(2)]	NA
Realized gain (loss) on investments and other	(170)	—	(170)	NA
NRE income (loss) in discontinued operations	(36,573)	—	(36,573)	NA
Income (loss) from operating real estate discontinued operations	(925)	(8,356)	7,431	(88.9)%
Total income (loss) from discontinued operations	$ (44,701)	$ (8,761)	$ (35,940)	410.2 %

(1) The decrease is a result of the year ended December 31, 2014 representing only six months of total revenues and expenses of NSAM prior to the NSAM Spin-off on June 30, 2014, compared to a full year of activity of NSAM for the year ended December 31, 2013.

(2) Includes $31.7 million of transaction costs related to acquisitions for the year ended December 31, 2014.

Liquidity and Capital Resources

We require capital to fund our operating expenses and investment activities, including the repurchase of our common stock. Our capital sources may include cash flow from operations, net proceeds from asset repayments and sales, borrowings under credit facilities, financings secured by our assets such as mortgage notes, securitization financing transactions, long-term senior and subordinate corporate capital such as revolving credit facilities, senior term loans, senior notes, senior exchangeable notes, trust preferred securities, perpetual preferred stock and common stock. For instance, we are currently exploring the sale of certain real estate, CRE debt and securities, and subsequent to year end, have sold or committed to sell $2.0 billion of assets to generate liquidity to repurchase our common stock and reduce our leverage. Proceeds from these sales initiatives, along with capital retained from our revised dividend policy, are currently expected to be used for repurchasing our common stock, which we believe is currently trading at a large discount to underlying net asset value and toward the repayment of all of our corporate recourse borrowing obligations which total $590 million (excluding $280 million of trust preferred securities with maturities beginning in 2035).

In addition, in connection with the NSAM Spin-off, we entered into a revolving credit agreement with NSAM pursuant to which we make available, on an "as available basis," up to $250 million of financing to NSAM subject to certain conditions (refer to Related Party Arrangements). The terms of the NSAM revolving credit facility contain various representations, warranties, covenants and conditions, including the condition that our obligation to advance proceeds to NSAM is dependent upon us and its affiliates having at least $100 million of either unrestricted cash and cash equivalents or amounts available under committed lines of credit, after taking into account the amount NSAM seeks to draw under the facility. In addition, in connection with the NRE Spin-off, we provided NorthStar Europe with an initial capitalization of $250 million.

We seek to meet our long-term liquidity requirements, including the repayment of borrowings and our investment funding needs, through existing cash resources, issuance of debt or equity capital, return of capital from investments and the liquidation or refinancing of assets. Nonetheless, our ability to meet a long-term (beyond one year) liquidity requirement may be subject to obtaining additional debt and equity financing. Any decision by our lenders and investors to provide us with financing will depend upon a number of factors, such as our compliance with the terms of our existing credit arrangements, our financial performance, industry or market trends, the general availability of and rates applicable to financing transactions, such lenders' and investors' resources and policies concerning the terms under which they make capital commitments and the relative attractiveness of alternative investment or lending opportunities.

As a REIT, we are required to distribute at least 90% of our annual REIT taxable income to our stockholders, including taxable income where we do not receive corresponding cash, and we intend to distribute all or substantially all of our REIT taxable income in order to comply with the REIT distribution requirements of the Internal Revenue Code and to avoid federal income tax and the non-deductible excise tax. On a quarterly basis, our board of directors determines an appropriate common stock dividend based upon numerous factors, including CAD, REIT qualification requirements, availability of existing cash balances, borrowing capacity under existing credit agreements, access to cash in the capital markets and other financing sources, our view of our ability to realize gains in the future through appreciation in the value of our assets, general economic conditions and economic conditions that more specifically impact our business or prospects. Future dividend levels are subject to adjustment based upon our evaluation of the factors described above, as well as other factors that our board of directors may, from time-to-time, deem relevant to consider when determining an appropriate common stock dividend.

We currently believe that our existing sources of funds should be adequate for purposes of meeting our short-term liquidity needs. Unrestricted cash as of February 23, 2016 was approximately $476 million.

Capital Raise

In 2015, we issued aggregate capital of $1.3 billion from the issuance of common equity.

Securitization Financing Transactions

We have historically demonstrated the ability to securitize our CRE debt investments and expect to continue to pursue similar transactions to finance our newly-originated debt investments that might initially be financed on our credit facilities. In 2012 and 2013 we, and on behalf of NorthStar Income, entered into two securitization financing transactions with an aggregate $610 million of principal amount of bonds issued providing permanent, non-recourse, non-mark-to-market financing for CRE debt investments of ours and NorthStar Income's. In January 2015, Securitization-2012-1 with $228 million principal amount of original bonds issued was repaid in full.

Corporate Borrowings

In August 2014, we entered into our Corporate Revolver with certain commercial bank lenders, with a total current amount of $250 million for a three year term. Additionally, in September 2014, we entered into a corporate term arrangement with respect to the establishment of term borrowings. Subsequent to year end, our Corporate Revolver was repaid and we expect our remaining corporate recourse borrowings to be repaid from proceeds from sales initiatives.

Loan Facility

With respect to investment-level financing, we maintain a loan facility that provides up to $200 million to finance the origination of first mortgage loans and senior loan participations secured by commercial real estate. The interest rate and advance rate depend on asset type and characteristic. Subsequent to year end, the maturity date for the facility was extended for one year with final maturity in March 2018. As of February 25, 2016, we had $25 million outstanding under our loan facility.

Our loan facility contains representations, warranties, covenants, conditions precedent to funding, events of default and indemnities that are customary for agreements of this type. We are currently in compliance with all of our financial covenants under our loan facility.

Exchangeable Senior Notes

For the year ended December 31, 2015, holders exchanged $14 million principal amount of our 5.375% Exchangeable Senior Notes for an aggregate 0.9 million shares of our common stock, after giving effect to the Reverse Split. As of February 25, 2016, we had $31 million in principal amount of exchangeable senior notes outstanding.

Cash Flows

The following presents a summary of our consolidated statements of cash flows for the years ended December 31, 2015, 2014 and 2013 (dollars in thousands).

The consolidated cash flows for the year ended December 31, 2015 includes: (i) our cash flow for the two months ended December 31, 2015, including our cash flow following the NRE Spin-off on October 31, 2015; and (ii) our cash flow for the ten months ended October 31, 2015, attributable to revenues and expenses of NorthStar Europe recorded in discontinued operations.

The consolidated cash flows for the year ended December 31, 2014 includes: (i) our cash flow for the six months ended December 31, 2014, including our cash flow following the NSAM Spin-off on June 30, 2014; and (ii) our cash flow for the six months ended June 30, 2014, attributable to revenues and expenses of NSAM recorded in discontinued operations.

As a result, cash flows for the year ended December 31, 2015 may not be comparative to our cash flows reported for the prior periods presented.

	Years Ended December 31,		
Cash flow provided by (used in):	**2015**	**2014**	**2013**
Operating activities	$ 520,658	$ 144,856	$ 240,674
Investing activities	(3,006,574)	(7,054,227)	(2,285,153)
Financing activities	2,417,491	6,572,518	2,235,542
Effect of foreign currency translation on cash and cash equivalents	(4,438)	(2,173)	—
Net increase (decrease) in cash and cash equivalents	$ (72,863)	$ (339,026)	$ 191,063

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

Net cash provided by operating activities was $521 million for the year ended December 31, 2015 compared to $145 million for the year ended December 31, 2014. The increase was primarily due to new investment activity.

Net cash used in investing activities was $3.0 billion for the year ended December 31, 2015 compared to $7.1 billion for the year ended December 31, 2014. The decrease in net cash used was primarily due to less acquisitions in 2015 as compared to 2014. 2015 includes European real estate acquired and subsequently spun off as part of the NRE Spin-off.

Net cash provided by financing activities was $2.4 billion for the year ended December 31, 2015 compared to $6.6 billion for the year ended December 31, 2014. The primary cash inflows for the year ended December 31, 2015 was $1.3 billion of net new capital, $2.1 billion of net new borrowings, $340 million of proceeds from NRE Senior Notes, now the primary obligation of NorthStar Europe, and $88 million of net contributions from non-controlling interests, offset by $644 million for the payment of dividends, $360 million distributed to NorthStar Europe in connection with the NRE Spin-off, $105 million for the payment of financing costs, $116 million for the repurchase of our common stock and $116 million for net repurchase/repayment of CDO bonds. The primary cash inflows for the year ended December 31, 2014 was $1.4 billion of net new capital, $6.2 billion of net new borrowings and $227 million of net contributions from non-controlling interests, offset by $438 million for the payment of dividends, $119 million distributed to NSAM in connection with the NSAM Spin-off, $481 million for the repayment of the 2014 Senior Notes and $80 million for net repurchase/repayment of CDO bonds.

Year Ended December 31, 2014 Compared to December 31, 2013

Net cash provided by operating activities was $145 million for the year ended December 31, 2014 compared to $241 million for the year ended December 31, 2013. The decrease was primarily due to an increase in transaction costs incurred related to new real estate acquisitions.

Net cash used in investing activities was $7.1 billion for the year ended December 31, 2014 compared to $2.3 billion for the year ended December 31, 2013. The increase in net cash used was primarily due to an increase of $4.8 billion of new acquisitions of operating real estate.

Net cash provided by financing activities was $6.6 billion for the year ended December 31, 2014 compared to $2.2 billion for the year ended December 31, 2013. The primary cash inflows for the year ended December 31, 2014 was $1.4 billion of net new capital, $6.2 billion of net new borrowings and $227 million of net contributions from non-controlling interests, offset by $438 million for the payment of dividends, $119 million distributed to NSAM in connection with the NSAM Spin-off, $481 million for the repayment of the 2014 Senior Notes and $80 million for net repurchase/repayment of CDO bonds. The primary cash inflows for the year ended December 31, 2013 was $1.8 billion of net new capital and $1.2 billion of net new borrowings, offset by $542 million for net repurchase/repayment of CDO bonds, $10 million for net swap activities and $227 million for the payment of dividends.

Contractual Obligations and Commitments

The following table presents contractual obligations and commitments as of December 31, 2015 (dollars in thousands):

	Payments Due by Period				
	Total	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Mortgage and other notes payable	$ 7,297,081	$ 87,534	$ 329,050	$ 6,274,271	$ 606,226
CDO bonds payable	436,491	—	—	—	436,491
Credit facilities and term borrowings	662,053	—	662,053	—	—
Exchangeable senior notes(1)	31,360	—	12,955	1,000	17,405
Junior subordinated notes	280,117	—	—	—	280,117
Borrowings of properties, held for sale	2,214,305	55,621	47,390	74,955	2,036,339
Operating leases(2)	148,082	4,984	10,183	10,225	122,690
Outstanding unfunded commitments(3)	9,300	1,755	7,545	—	—
PE Investments(4)	57,800	10,000	47,800	—	—
Estimated interest payments(5)	1,969,701	417,035	776,778	433,590	342,298
Total	$ 13,106,290	$ 576,929	$ 1,893,754	$ 6,794,041	$ 3,841,566

(1) The 7.25% Notes, 8.875% Notes and 5.375% Notes have a final maturity date of June 15, 2027, June 15, 2032 and June 15, 2033, respectively. The above table reflects the holders' repurchase rights which may require us to repurchase the 7.25% Notes, 8.875% Notes and 5.375% Notes on June 15, 2017, June 15, 2019 and June 15, 2023, respectively. Each of these Notes may be exchanged at any time prior to maturity at the option of the respective holder in accordance with the terms of the applicable indenture. In 2016, through February 25, 2016, we exchanged an aggregate $0.6 million principal amount of exchangeable senior notes and settled all such exchanges in shares of our common stock.

(2) Represents ground leases on certain operating real estate.

(3) Our future funding commitments on CRE debt investments are subject to certain conditions that borrowers must meet to qualify for such fundings. Fundings are categorized by estimated funding period. Assuming that all debt and real estate investments that have future fundings meet the terms to qualify for such funding, represents our equity requirement on the remaining future funding requirements. Excludes a $2.0 million future funding commitment associated with a loan sold subsequent to year end.

(4) Includes an estimated $10 million associated with future fundings and any deferred purchase price. Such amount excludes our portion of the deferred purchase obligation of PE Investment II joint venture of $243 million. In February 2016, substantially all of our interest in PE Investment II was sold and our portion of the deferred purchase price obligation of the PE Investment II joint venture will be assumed by the buyers upon consent of the initial seller.

(5) Estimated interest payments are based on the weighted average life of the borrowing, including borrowings of assets held for sale. Applicable LIBOR benchmark plus the respective spread as of December 31, 2015 was used to estimate payments for our floating-rate liabilities.

The table above does not include the amounts payable to NSAM under the management agreement. The annualized fee payable to NSAM is approximately $186 million as of December 31, 2015. In addition, the table above does not include: (i) the revolving credit agreement with NSAM pursuant to which we make available to NSAM, on an "as available basis," up to $250 million of financing; and (ii) our commitment to purchase shares of NSAM's Sponsored Companies' common stock. Refer to "Related Party Arrangements" for a further discussion.

Guarantee Agreements

We maintain certain guaranty agreements that are excluded from the table above including guarantee agreements with various hotel franchisors, pursuant to which we guaranteed the franchisees' obligations, including payments of franchise fees and marketing fees, for the term of the agreements, which expires from 2029 to 2034. As of December 31, 2015, the aggregate amount remaining under these guarantees is $6 million.

In July 2015, NorthStar Europe issued $340 million principal amount of 4.625% senior notes due December 2016, or NRE Senior Notes. In connection with the NRE Spin-off, the NRE Senior Notes are senior unsubordinated and unsecured primary obligations of NorthStar Europe and we continue to guarantee payments subsequent to the NRE Spin-off.

Off-Balance Sheet Arrangements

As of December 31, 2015, we had off-balance sheet arrangements with respect to retained interests in certain deconsolidated N-Star CDOs. Refer to Note 17. "Variable Interest Entities" in "Financial Statements and Supplementary Data" for a discussion of such retained interests in such N-Star CDOs in our consolidated financial statements. In each case, our exposure to loss is limited to the carrying value of our investment.

Additionally, we have certain arrangements which do not meet the definition of off-balance sheet arrangements, but do have some of the characteristics of off-balance sheet arrangements, including certain investments in unconsolidated ventures. Refer to Note 5. "Investments in Private Equity Funds" and Note 6. "Investments in Unconsolidated Ventures" in "Financial Statements and Supplementary Data" for a discussion of such unconsolidated ventures in our consolidated financial statements. In each case, our exposure to loss is limited to the carrying value of our investment.

Related Party Arrangements

NorthStar Asset Management Group

<u>Management Agreement</u>

Upon completion of the NSAM Spin-off, we entered into a management agreement with an affiliate of NSAM for an initial term of 20 years, which automatically renew for additional 20-year terms each anniversary thereafter unless earlier terminated. As asset manager, NSAM is responsible for our day-to-day operations, subject to the supervision of our board of directors. Through its global network of subsidiaries and branch offices, NSAM performs services and engages in activities relating to, among other things, investments and financing, portfolio management and other administrative services, such as accounting and investor relations, to us and our subsidiaries other than our CRE loan origination business. The management agreement with NSAM provides for a base management fee and incentive fee. The management contract with NSAM commenced on July 1, 2014, and as such, there were no management fees incurred for the six months ended June 30, 2014 and year ended December 31, 2013.

In connection with the NRE Spin-off, NorthStar Europe entered into a management agreement with NSAM with an initial term of 20 years on terms substantially consistent with the terms of our management agreement with NSAM. Our management agreement with NSAM was amended and restated in connection with the NRE Spin-off to, among other things, adjust the annual base management fee and incentive fee hurdles for the NRE Spin-off.

<u>Base Management Fee</u>

For the year ended December 31, 2015, we incurred $190 million related to the base management fee. For the six months ended December 31, 2014, we incurred $79 million related to the base management fee. The base management fee to NSAM will increase subsequent to December 31, 2015 by an amount equal to 1.5% per annum of the sum of:

- cumulative net proceeds of all future common equity and preferred equity issued by us;
- equity issued by us in exchange or conversion of exchangeable notes based on the stock price at the date of issuance;
- any other issuances by us of common equity, preferred equity or other forms of equity, including but not limited to limited partnership interests, or LTIP Units, in our Operating Partnership (excluding units issued to us and equity-based compensation, but including issuances related to an acquisition, investment, joint venture or partnership); and
- cumulative CAD in excess of cumulative distributions paid on common stock, LTIP units or other equity awards beginning the first full calendar quarter after the NSAM Spin-off.

Additionally, our equity interest in RXR Realty and Aerium is structured so that NSAM is entitled to the portion of distributable cash flow from each investment in excess of the $10 million minimum annual base amount.

<u>Incentive Fee</u>

For the year ended December 31, 2015 and the six months ended December 31, 2014, we incurred $9 million and $3 million, respectively, related to the incentive fee. The incentive fee is calculated and payable quarterly in arrears in cash, equal to:

- the product of: (a) 15% and (b) our CAD before such incentive fee, divided by the weighted average shares outstanding for the calendar quarter, when such amount is in excess of $0.68 per share and up to $0.78 per share, after giving effect to the Reverse Split and the NRE Spin-off, or the 15% Hurdle; plus

- the product of: (a) 25% and (b) our CAD before such incentive fee, divided by the weighted average shares outstanding for the calendar quarter, when such amount is in excess of $0.78 per share, after giving effect to the Reverse Split and the NRE Spin-off, or the 25% Hurdle;
- multiplied by our weighted average shares outstanding for the calendar quarter.

In addition, NSAM may also earn an incentive fee from our healthcare investments in connection with NSAM's Healthcare Strategic Partnership (refer to below).

Weighted average shares represents the number of shares of our common stock, LTIP Units or other equity-based awards (with some exclusions), outstanding on a daily weighted average basis. With respect to the base management fee, all equity issuances are allocated on a daily weighted average basis during the fiscal quarter of issuance. With respect to the incentive fee, such amounts will be appropriately adjusted from time to time to take into account the effect of any stock split, reverse stock split, stock dividend, reclassification, recapitalization or other similar transaction.

Additional Management Agreement Terms

If we were to spin-off any asset or business in the future, such entity would be managed by NSAM on terms substantially similar to those set forth in the management agreement between us and NSAM. The management agreement further provides that the aggregate base management fee in place immediately after any future spin-off will not be less than our aggregate base management fee in place immediately prior to such spin-off.

Our management agreement with NSAM provides that in the event of a change of control of NSAM or other event that could be deemed an assignment of the management agreement, we will consider such assignment in good faith and not unreasonably withhold, condition or delay our consent. The management agreement further provides that we anticipate consent would be granted for an assignment or deemed assignment to a party with expertise in commercial real estate and $10 billion of assets under management. The management agreement also provides that, notwithstanding anything in the agreement to the contrary, to the maximum extent permitted by applicable law, rules and regulations, in connection with any merger, sale of all or substantially all of the assets, change of control, reorganization, consolidation or any similar transaction of us or NSAM, directly or indirectly, the surviving entity will succeed to the terms of the management agreement.

Payment of Costs and Expenses and Expense Allocation

We are responsible for all of our direct costs and expenses and will reimburse NSAM for costs and expenses incurred by NSAM on our behalf. In addition, NSAM may allocate indirect costs to us related to employees, occupancy and other general and administrative costs and expenses in accordance with the terms of, and subject to the limitations contained in, our management agreement with NSAM, or the G&A Allocation. Our management agreement with NSAM provides that the amount of the G&A Allocation will not exceed the following: (i) 20% of the combined total of: (a) our and NorthStar Europe's, or the NorthStar Listed Companies', general and administrative expenses as reported in their consolidated financial statements excluding (1) equity-based compensation expense, (2) non-recurring items, (3) fees payable to NSAM under the terms of the applicable management agreement and (4) any allocation of expenses to the NorthStar Listed Companies, or NorthStar Listed Companies' G&A; and (b) NSAM's general and administrative expenses as reported in its consolidated financial statements, excluding equity-based compensation expense and adding back any costs or expenses allocated to any managed company of NSAM; less (ii) the NorthStar Listed Companies' G&A. The G&A Allocation may include our allocable share of NSAM's compensation and benefit costs associated with dedicated or partially dedicated personnel who spend all or a portion of their time managing our affairs, based upon the percentage of time devoted by such personnel to our affairs. The G&A Allocation may also include rental and occupancy, technology, office supplies, travel and entertainment and other general and administrative costs and expenses also allocated based on the percentage of time devoted by personnel to our affairs. In addition, we will pay directly or reimburse NSAM for an allocable portion of any severance paid pursuant to any employment, consulting or similar service agreements in effect between NSAM and any of its executives, employees or other service providers.

In connection with the NRE Spin-off and the related agreements, the NorthStar Listed Companies' obligations to reimburse NSAM for the G&A Allocation and any severance are shared among the NorthStar Listed Companies, at NSAM's discretion, and the 20% cap on the G&A Allocation, as described above, applies on an aggregate basis to the NorthStar Listed Companies. NSAM currently determined to allocate these amounts based on assets under management.

For the year ended December 31, 2015 and the six months ended December 31, 2014, NSAM allocated $10 million, of which $1 million is recorded in discontinued operations related to NorthStar Europe, and $5 million, respectively, to us.

In addition, we, together with NorthStar Europe and any company spun-off from us or NorthStar Europe, will pay directly or reimburse NSAM for up to 50% of any long-term bonus or other compensation that NSAM's compensation committee determines shall be paid and/or settled in the form of equity and/or equity-based compensation to executives, employees and service providers of NSAM during any year. Subject to this limitation and limitations contained in any applicable management agreement between NSAM and NorthStar Europe or any company spun-off from us or NorthStar Europe, the amount paid by us, NorthStar Europe and any company spun-off from us or NorthStar Europe will be determined by NSAM in its discretion. At the discretion of NSAM's compensation committee, this compensation may be granted in shares of our restricted stock, restricted stock units, LTIP Units or other forms of equity compensation or stock-based awards; provided that if at any time a sufficient number of shares of our common stock are not available for issuance under our equity compensation plan, such compensation shall be paid in the form of RSUs, LTIP Units or other securities that may be settled in cash. Our equity compensation for each year may be allocated on an individual-by-individual basis at the discretion of the NSAM compensation committee and, as long as the aggregate amount of the equity compensation for such year does not exceed the limits set forth in the management agreement, the proportion of any particular individual's equity compensation may be greater or less than 50%.

We were responsible for paying approximately 50% of the 2014 long-term bonuses earned under the NorthStar Asset Management Group Inc. Executive Incentive Bonus Plan, or NSAM Bonus Plan. Long-term bonuses were paid to executives in the form of equity-based awards of both us and NSAM, subject to performance-based and time-based vesting conditions over the four-year performance period from January 1, 2014 through December 31, 2017. The long-term bonuses paid in the form of equity-based awards of ours were adjusted for the NRE Spin-off and Reverse Split in the same manner as all other equity-based awards of ours.

Investment Opportunities

Under the management agreement, we agreed to make available to NSAM for the benefit of NSAM and its managed companies, including us, all investment opportunities that we source. NSAM agreed to fairly allocate such opportunities among NSAM's managed companies, including us, and NSAM in accordance with an investment allocation policy. Pursuant to the management agreement, we are entitled to fair and reasonable compensation for our services in connection with any loan origination opportunities sourced by us, which may include first mortgage loans, subordinate mortgage interests, mezzanine loans and preferred equity interests, in each case relating to commercial real estate. Inception to date, we earned $3 million from NSAM for services in connection with loan origination opportunities, which represents $1 million for the year ended December 31, 2015 and $2 million for the six months ended December 31, 2014.

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

Credit Agreement

In connection with the NSAM Spin-off, we entered into a revolving credit agreement with NSAM pursuant to which we make available to NSAM, on an "as available basis," up to $250 million of financing with a maturity of June 30, 2019 at LIBOR plus 3.50%. The revolving credit facility is unsecured. NSAM expects to use the proceeds for general corporate purposes, including potential future acquisitions. In addition, NSAM may use the proceeds to acquire assets on behalf of its managed companies, including us, that it intends to allocate to such managed company but for which such managed company may not then have immediately available funds. The terms of the revolving credit facility contain various representations, warranties, covenants and conditions, including the condition that our obligation to advance proceeds to NSAM is dependent upon us and its affiliates having at least $100 million of either unrestricted cash and cash equivalents or amounts available under committed lines of credit, after taking into account the amount NSAM seeks to draw under the facility. As of December 31, 2015, we have not funded any amounts to NSAM in connection with this agreement.

Healthcare Strategic Joint Venture

In January 2014, NSAM entered into a long-term strategic partnership with James F. Flaherty III, former Chief Executive Officer of HCP, Inc., focused on expanding our healthcare business into a preeminent healthcare platform, or the Healthcare Strategic Partnership. In connection with the partnership, Mr. Flaherty oversees and seeks to grow both our healthcare real estate portfolio and the portfolio of NorthStar Healthcare. In connection with entering into the partnership, we granted Mr. Flaherty certain RSUs (refer to Note 11. "Equity-Based Compensation" in "Financial Statements and Supplementary Data"). The Healthcare Strategic Partnership is entitled to incentive fees ranging from 20% to 25% above certain hurdles for new and existing healthcare real estate investments held by us. For the years ended December 31, 2015 and 2014, we did not incur any incentive fees related to the Healthcare Strategic Partnership.

NSAM Sponsored Companies

Prior to the NSAM Spin-off, we had agreements with each of our previously sponsored companies: NorthStar Income, NorthStar Healthcare and NorthStar Income II to manage their day-to-day operations, including identifying, originating and acquiring investments on their behalf and earning fees for our services. For the six months ended June 30, 2014, we earned $22 million of fees related to these agreements, which are recorded in discontinued operations in the consolidated statements of operations. In addition, we were entitled to certain expense allocation for costs paid on behalf of the NSAM Sponsored Companies. For the six months ended June 30, 2014, we received $14 million of reimbursement from the NSAM Sponsored Companies.

We committed to purchase up to $10 million in shares of each of NSAM's Sponsored Companies' common stock during the two year period from when each offering was declared effective through the end of their respective offering period, in the event that NSAM Sponsored Companies' distributions to its stockholders, on a quarterly basis, exceeds its modified funds from operations (as defined in accordance with the current practice guidelines issued by the Investment Program Association).

We acquired an aggregate of $15 million of shares of NorthStar Income, NorthStar Healthcare and NorthStar Income II through December 31, 2015. In addition, pursuant to the management agreement with NSAM, we committed up to $10 million to invest as distribution support consistent with past practice in each future public non-traded NSAM Sponsored Company, up to a total of five new companies per year. We have committed to invest as distribution support in the following NSAM Sponsored Companies:

- NorthStar/RXR New York Metro - In October 2015, NorthStar/RXR New York Metro Real Estate, Inc., or NorthStar/RXR New York Metro, filed an amended registration statement with the SEC, seeking to offer an additional class of common shares related to its $2 billion public offering. In December 2015, we and RXR Realty satisfied NorthStar/RXR New York Metro's minimum offering amount as a result of the purchase of 0.2 million shares of its common stock for an aggregate $2.0 million. NSAM began raising capital for NorthStar/RXR New York Metro in the beginning of 2016.
- NorthStar Corporate Fund - In October 2015, NorthStar Corporate Income Fund, or NorthStar Corporate Fund, filed its amended registration statement on Form N-2 with the SEC seeking to raise up to $3 billion in a public offering of common stock. Subsequent to year end, NorthStar Corporate Fund was declared effective by the SEC and expects to begin raising capital in early 2016.
- NorthStar Capital Fund - In October 2015, NorthStar Real Estate Capital Income Fund filed its registration statement on Form N-2 with the SEC seeking to raise up to $3 billion in a public offering of common stock.
- NorthStar Corporate Investment - In June 2015, NorthStar Corporate Investment, Inc. confidentially submitted its amended registration statement on Form N-2 to the SEC seeking to raise up to $1 billion in a public offering of common stock.

N-Star CDOs

We earn certain collateral management fees from the N-Star CDOs primarily for administrative services. For the years ended December 31, 2015, 2014 and 2013, we earned $5 million, $6 million and $11 million in fee income, respectively, of which $2 million, $3 million and $10 million were eliminated in consolidation. Prior to the third quarter 2013, all amounts were eliminated in consolidation as all of the N-Star CDOs were consolidated by us.

Additionally, we earn interest income from the N-Star CDO bonds and N-Star CDO equity in deconsolidated N-Star CDOs. For the years ended December 31, 2015, 2014 and 2013, we earned $58 million, $72 million and $12 million, respectively, of interest income from such investments in deconsolidated N-Star CDOs.

American Healthcare Investors

In December 2014, NSAM acquired a 43% interest in AHI and James F. Flaherty III, a strategic partner of NSAM, acquired a 12% interest in AHI. AHI is a healthcare-focused real estate investment management firm that co-sponsored and advised Griffin-American, until Griffin-American was acquired by us and NorthStar Healthcare. In connection with this acquisition, AHI provides certain management and related services, including property management, to NSAM, NorthStar Healthcare and us assisting NSAM in managing the current and future healthcare assets (excluding any joint venture assets) acquired by us and, subject to certain conditions, other NSAM managed companies. For the year ended December 31, 2015 and from acquisition date (December 8, 2014) to December 31, 2014, we incurred $2 million and an immaterial amount, respectively, of property management fees to AHI.

Island Hospitality Management

In January 2015, NSAM acquired a 45% interest in Island. Island is a leading, independent select service hotel management company that currently manages 160 hotel properties, representing $4 billion of assets, of which 110 hotel properties are owned by us. Island provides certain asset management, property management and other services to us to assist in managing our hotel properties. Island receives a base management fee of 2.5% to 3.0% of the monthly revenue of our hotel properties it manages for us. For the period from NSAM's acquisition date (January 9, 2015) to December 31, 2015, we incurred $17 million of base property management and other fees to Island.

NSAM purchase of common stock

In 2015, NSAM purchased 2.7 million shares of our common stock in the open market for $50 million.

Recent Sales or Commitments to Sell to NSAM Sponsored Companies

Subsequent to year end we sold or entered into agreements to sell certain assets to NSAM Sponsored Companies:

- In February 2016, we entered into an agreement to sell substantially all of our 70% interest in PE Investment II to the existing owners of the remaining 30% interest, one a third party which purchased approximately 80% of the interest sold and the other NorthStar Income which purchased the other approximate 20% interest of the interest sold. NorthStar Income paid $37 million for its respective interest. As part of the transaction, both buyers will assume the deferred purchase price obligation, on a pro rata basis, of the PE Investment II joint venture upon receiving consent from the initial seller.
- In February 2016, we entered into an agreement to sell our 60% interest in the Senior Housing Portfolio to NorthStar Healthcare, which owns the remaining 40% interest for, $535 million, subject to proration and adjustment. NorthStar Healthcare will assume our portion of the $648 million of mortgage borrowing as part of the transaction. We expect to receive approximately $150 million of net proceeds upon completion of the sale in March 2016.
- In February 2016, we sold a 49% interest in one loan with a total principal amount of $40 million to a third party, at par, with the remaining 51% interest sold to NorthStar Income II, also at par.
- In February 2016, we sold one CRE security with a carrying value of $13 million to NorthStar Income II.

The board of directors of each NSAM Sponsored Company, including all of the independent directors, approved each of the respective transactions after considering, among other matters, third-party pricing support.

Recent Developments

Dividends

On February 25, 2016, we declared a dividend of $0.40 per share of common stock, after giving effect to the Reverse Split. The common stock dividend will be paid on March 11, 2016 to stockholders of record as of the close of business on March 7, 2016. On January 28, 2016, we declared a dividend of $0.54688 per share of Series A preferred stock, $0.51563 per share of Series B preferred stock, $0.55469 per share of Series C preferred stock, $0.53125 per share of Series D Preferred Stock and $0.54688 per share of Series E Preferred Stock. Dividends were paid on all series of preferred stock on February 16, 2016 to stockholders of record as of the close of business on February 8, 2016.

Strategic Initiatives

On February 25, 2016, we announced that our board of directors formed a special committee and the special committee retained UBS Investment Bank as its financial advisor to explore a potential recombination transaction with NSAM. The special committee will be comprised solely of independent directors that are not on the board of directors of NSAM, including the new independent director appointed to the board of directors effective March 1, 2016. There can be no assurance that the exploration of corporate strategic initiatives will result in the identification or consummation of any strategic transaction or initiative.

Inflation

Virtually all of our assets and liabilities are interest rate sensitive in nature. As a result, interest rates and other factors influence our performance significantly more than inflation does. A change in interest rates may correlate with inflation rates. Substantially all of the leases at our manufactured housing communities and multifamily properties allow for monthly or annual rent increases which provide us with the opportunity to achieve increases, where justified by the market, as each lease matures. Such types of leases generally minimize the risks of inflation on our manufactured housing communities and multifamily properties. Refer to "Quantitative and Qualitative Disclosures About Market Risk" for additional details.

Non-GAAP Financial Measures

We use CAD and NOI, each a non-GAAP measure, to evaluate our profitability.

Cash Available for Distribution

We believe that CAD provides investors and management with a meaningful indicator of operating performance. We also believe that CAD is useful because it adjusts for a variety of cash (such as transaction costs, cash flow related to N-Star CDO equity interests and community fees) and non-cash items (such as depreciation and amortization, equity-based compensation, realized gain (loss) on investments, provision for loan losses, asset impairment, bad debt expense and non-cash interest income and expense items). We adjust for transaction costs because these costs are not a meaningful indicator of our recurring operating performance. For instance, these transaction costs include costs such as professional fees associated with new investments or restructuring of investments, which are expenses related to specific transactions. We adjust for the cash flow related to N-Star CDO equity interests which represents the net interest generated from the N-Star CDO equity interests. We also adjust for community fees received in cash related to our independent living healthcare portfolio which represents a component of our aggregate net return generated related to such investment. These cash flows are a component of our ongoing return on such investments, and therefore, is adjusted in CAD as it provides investors and management with a meaningful indicator of our recurring operating performance. Furthermore, CAD adjusts N-Star CDO bond discounts to record such investments on an effective yield basis over the expected weighted average life of the investment. N-Star CDO bond discounts relates to repurchased CDO bonds of consolidated CDO financing transactions at a discount to par. These CDO bonds typically have a low interest rate and the majority of the return is generated from repurchasing the CDO bonds at a discount to expected recovery value. Because the return generated through the accretion of the discount is a meaningful contributor to our recurring operating performance, such accretion is adjusted in CAD. The computation for the accretion of the discount under U.S. GAAP and CAD is the same. However, for CDO financing transactions that are consolidated under U.S. GAAP, the CDO bonds are not presented as an investment but rather are eliminated in our consolidated financial statements. In addition, we adjust for distributions and adjustments to joint venture partners, which represent the net return generated from our investments allocated to our non-controlling interests. For our owned hotels, our CAD calculation is equivalent to earnings before interest taxes depreciation and amortization (EBITDA), the hotel industry standard metric, which does not make an adjustment for furniture, fixtures and equipment (FF&E) reserves. CAD may fluctuate from period to period based upon a variety of factors, including, but not limited to, the timing and amount of investments, repayments and asset sales, capital raised, use of leverage, changes in the expected yield of investments and the overall conditions in commercial real estate and the economy generally. Management also believes that quarterly distributions are principally based on operating performance and our board of directors includes CAD as one of several metrics it reviews to determine quarterly distributions to stockholders.

We calculate CAD by subtracting from or adding to net income (loss) attributable to common stockholders, non-controlling interests and the following items: depreciation and amortization items including depreciation and amortization, straight-line rental income or expense (excluding amortization of rent free periods), amortization of above/below market leases, amortization of deferred financing costs, amortization of discount on financings and other and equity-based compensation; cash flow related to N-Star CDO equity interests; accretion of consolidated N-Star CDO bond discounts; non-cash net interest income in consolidated N-Star CDOs; unrealized gain (loss) from the change in fair value; realized gain (loss) on investments and other, excluding accelerated amortization related to sales of CDO bonds or other investments; provision for loan losses, net; impairment on depreciable property; bad debt expense; deferred tax benefit (expense); acquisition gains or losses; distributions and adjustments related to joint venture partners; transaction costs; foreign currency gains (losses); impairment on goodwill and other intangible assets; gains (losses) on sales; and one-time events pursuant to changes in U.S. GAAP and certain other non-recurring items. For example, CAD has been adjusted to exclude non-recurring gain (loss) from deconsolidation of certain N-Star CDOs. These items, if applicable, include any adjustments for unconsolidated ventures.

CAD should not be considered as an alternative to net income (loss) attributable to common stockholders, determined in accordance with U.S. GAAP, as an indicator of operating performance. In addition, our methodology for calculating CAD may differ from the methodologies used by other comparable companies, including other REITs, when calculating the same or similar supplemental financial measures and may not be comparable with these companies.

The following table presents a reconciliation of CAD to net income (loss) attributable to common stockholders for the three months and year ended December 31, 2015 (dollars in thousands):

	December 31, 2015	
	Three Months Ended	Year Ended
Net income (loss) attributable to common stockholders	$ (72,282)	$ (327,497)
Non-controlling interests	(8,799)	(24,008)
Adjustments:		
Depreciation and amortization items[(1)]	145,950	549,047
N-Star CDO bond discounts[(2)]	4,483	12,738
Non-cash net interest income in consolidated N-Star CDOs	(10,196)	(40,922)
Unrealized (gain) loss from fair value adjustments / Provision for loan losses, net	25,837	196,763
Realized (gain) loss on investments[(3)]	3,296	11,055
Distributions / adjustments to joint venture partners	(11,357)	(43,717)
Transaction costs and other[(4)]	39,691	92,023
Adjustments related to discontinued operations[(5)]	1,364	146,905
CAD	$ 117,987	$ 572,387

(1) The three months ended December 31, 2015 includes depreciation and amortization of $117.6 million (including $0.2 million related to unconsolidated ventures and $0.7 million of cash flow related to community fees), straight-line rental income of $(7.0) million, amortization of above/below market leases of $2.9 million, amortization of deferred financing costs of $15.3 million, amortization of discount on financings and other of $14.0 million (primarily related to an early loan payoff and $1.2 million of net year end adjustments) and amortization of equity-based compensation of $3.0 million. The year ended December 31, 2015 includes depreciation and amortization of $460.0 million (including $1.5 million related to unconsolidated ventures and $1.6 million of cash flow related to community fees), straight-line rental income of $(30.0) million, amortization of above/below market leases of $11.7 million, amortization of deferred financing costs of $58.0 million, amortization of discount on financings and other of $21.7 million (primarily related to an early loan payoff) and amortization of equity-based compensation of $27.7 million.

(2) For CAD, realized discounts on CDO bonds are accreted on an effective yield basis based on expected maturity. For CDOs that were deconsolidated, CDO bond accretion is included in net income attributable to common stockholders from the date of deconsolidation.

(3) The three months ended December 31, 2015 excludes $(4.6) million related to securities in our consolidated CDOs, $0.1 million of foreign currency and $1.3 million of other real estate gains and includes $0.7 million related to the liquidation of CDO IV, $0.6 million related to losses in an unconsolidated venture and $0.3 million related to tax recovery. The year ended December 31, 2015 excludes $(13.2) million related to securities in our consolidated CDOs, $3.0 million related to a real estate asset sale in our consolidated CDO, $(1.1) million of foreign currency, $(1.3) million related to conversion of exchangeable notes and $1.6 million of other real estate gains and includes $13.3 million primarily related to accelerated amortization on CDO bonds, $9.4 million related to the liquidation of CDO IV, $2.1 million related to a mortgage payoff on a net lease property and $0.6 million related to losses in an unconsolidated venture.

(4) The three months ended December 31, 2015 includes $5.6 million of transaction costs, $5.6 million of cash flow related to N-Star CDO equity interests, $(5.9) million of deferred taxes, $32.0 million of impairment losses (including $25.5 million of goodwill impairment) and $2.4 million of bad debt expense. The year ended December 31, 2015 includes $31.4 million of transaction costs primarily related to costs associated with the acquisition of real estate, $28.3 million of cash flow related to N-Star CDO equity interests, $(6.0) million of deferred taxes, $32.0 million of impairment losses (including $25.5 million of goodwill impairment) and $6.4 million of bad debt expense and certain non-recurring items.

(5) The three months ended December 31, 2015 includes one month of activity of NorthStar Europe prior to the NRE Spin-off with an adjustment of $1.4 million to discontinued operations. The year ended December 31, 2015 includes ten months of activity of NorthStar Europe prior to the NRE Spin-off with an adjustment of $146.9 million to discontinued operations.

Net Operating Income (NOI)

We believe NOI is a useful metric of the operating performance of our real estate portfolio in the aggregate. Portfolio results and performance metrics represent 100% for all consolidated investments and represent our ownership percentage for unconsolidated joint ventures. Net operating income represents total property and related revenues, adjusted for: (i) amortization of above/below market rent; (ii) straight line rent; (iii) other items such as adjustments related to joint ventures, cash flow related to community fees and non-recurring bad debt expense; and (iv) less property operating expenses. However, the usefulness of NOI is limited because it excludes general and administrative costs, interest expense, transaction costs, depreciation and amortization expense, realized gains (losses) from the sale of properties and other items under U.S. GAAP and capital expenditures and leasing costs necessary to maintain the operating performance of properties, all of which may be significant economic costs. NOI may fail to capture significant trends in these components of U.S. GAAP net income (loss) which further limits its usefulness.

NOI should not be considered as an alternative to net income (loss), determined in accordance with U.S. GAAP, as an indicator of operating performance. In addition, our methodology for calculating NOI may differ from the methodologies used by other comparable companies, including other REITs, when calculating the same or similar supplemental financial measures and may not be comparable with these companies.

The following table presents a reconciliation of NOI to property and other related revenues less property operating expenses for our property types in our real estate segment the three months ended December 31, 2015 (dollars in thousands):

	Total[(1)]	Healthcare[(6)]	Hotel	Manufactured Housing[(6)]	Net Lease	Multifamily[(6)]	Multi-tenant Office
Property and other revenues							
Rental and escalation income	$ 194,384	$ 117,301	$ —	$ 45,046	$ 16,404	$ 10,142	$ 5,491
Hotel related income	189,912	—	189,912	—	—	—	—
Resident fee income	71,930	71,930	—	—	—	—	—
Other revenue[(2)]	4,864	917	—	2,683	516	590	158
Total property and other revenues	461,090	190,148	189,912	47,729	16,920	10,732	5,649
Real estate properties—operating expenses	241,369	85,003	128,884	18,081	2,037	4,910	2,454
Adjustments:							
Interest income[(3)]	2,816	1,262	—	1,554	—	—	—
Equity in earnings[(4)]	400	—	—	—	75	325	—
Amortization and other items[(5)]	(1,496)	(1,384)	(125)	—	(83)	451	(355)
NOI	$ 221,441	$ 105,023	$ 60,903	$ 31,202	$ 14,875	$ 6,598	$ 2,840

(1) Amounts exclude NOI related to properties in NorthStar Europe which was spun-off on October 31, 2015. NOI for the month prior to the NRE Spin-off was $12.8 million.
(2) Certain other revenue earned is not included as part of NOI, including collateral management fees for administrative services in our N-Star CDOs, that are not part of our real estate segment.
(3) Represents interest income earned from notes receivable on manufactured homes and loans in the Griffin-American Portfolio.
(4) Includes an adjustment related to our interest in an unconsolidated joint venture in a net lease and multifamily property.
(5) Primarily includes amortization of straight-line rental income, amortization of above/below market leases, cash flow related to community fees and non-recurring bad debt.
(6) Subsequent to December 31, 2015, we entered into agreements or committed to sell certain of our owned real estate portfolios, including a portfolio of 32 senior housing properties, up to 10 multifamily properties and retained an advisor to sell all or a portion of our manufactured housing portfolio.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are primarily subject to interest rate risk and credit risk. These risks are dependent on various factors beyond our control, including monetary and fiscal policies, domestic and international economic conditions and political considerations. Our market risk sensitive assets, liabilities and related derivative positions are held for investment and not for trading purposes.

Interest Rate Risk

Changes in interest rates affect our net income, which is the difference between the income earned on our investments and the interest expense incurred in connection with our borrowings and derivatives.

Our general financing strategy has focused on the use of "match-funded" structures. This means that we seek to align the maturities of our liabilities with the maturities on our assets as closely as possible in order to manage the risks of being forced to refinance our liabilities prior to the maturities of our assets. Substantially all of our investments are financed with non-recourse mortgage notes. In addition, we seek to match the interest rate on our assets with like-kind borrowings, so fixed-rate investments are financed with fixed-rate borrowings and floating-rate assets are financed with floating-rate borrowings, directly or indirectly, through the use of interest rate swaps, caps and other financial instruments or through a combination of these strategies. For longer duration, relatively stable investment real estate cash flows such as those derived from net lease assets, we tend to use fixed rate financing. For real estate cash flows with greater growth potential such as hotels and healthcare under a RIDEA structure, we tend to use floating rate financing which provides prepayment flexibility and may provide a better match between underlying cash flow projections and potential increases in interest rates.

Our CRE debt and securities investments bear interest at either a floating or fixed rate. The interest rate on our floating-rate assets is a fixed spread over an index such as LIBOR and typically reprices every 30 days based on LIBOR in effect at the time. Given the frequent and periodic repricing of our floating-rate assets, changes in benchmark interest rates are unlikely to materially affect the value of our floating-rate portfolio. Changes in short-term rates will, however, affect income from these investments. However, some of our non-legacy CRE debt originations have LIBOR floors that are in excess of current LIBOR. We will not benefit from an increase in LIBOR until it is in excess of the floors.

As of December 31, 2015, a hypothetical 100 basis point increase in one-month LIBOR or the applicable index applied to our floating-rate assets and liabilities (and related derivatives) would result in a decrease in net income of approximately $43 million annually, of which $30 million of the change is attributable to floating rate financing of hotel and healthcare operating real estate and does not reflect the potential increase in rental cash flow associated with economic growth that may be typical in a rising interest rate environment.

A change in interest rates could affect the value of our fixed-rate CRE debt and securities investments and our real estate investments. For example, increasing interest rates could result in a higher required yield on investments, which could decrease the value on existing fixed-rate investments in order to adjust their yields to current market levels. In addition, the value of our real estate properties may be influenced by changes in interest rates and credit spreads (as discussed below) because value is typically derived by discounting expected future cash flow generated by the property using interest rates (such as the 10-year U.S. Treasury Note yield) plus a risk premium based on the property type and creditworthiness of the tenants/operators. A lower risk-free rate generally results in a lower discount rate and, therefore, a higher valuation, and vice versa; however, an increase in the risk-free rate would not impact our net income.

A change in the interest rate and credit spread may also impact our net book value as CRE securities are marked-to-market each quarter with any change in fair value reflected in unrealized gains (losses) or OCI. Generally, as interest rates increase, the value of fixed-rate securities within our CDO financing transaction, such as CMBS, decreases and as interest rates decrease, the value of these securities will increase. A change in unrealized gains (losses) do not directly affect our operating cash flow or our ability to pay a dividend to stockholders.

We use derivative instruments to manage interest rate exposure. These derivatives are typically in the form of interest rate swap or cap agreements and the primary objective is to minimize interest rate risks associated with our investments and financing activities. The counterparties of these arrangements are major financial institutions with which we may also have other financial relationships. We are exposed to credit risk in the event of non-performance by these counterparties and we monitor their financial condition. For example, in June 2015 we entered into a $2 billion notional 10-year fixed interest rate swap in order to seek to hedge against future refinancing costs of certain of our mortgage borrowings. This swap is currently materially out of the money and we have posted $74 million of margin as of February 25, 2016 for the benefit of our counterparty and may be subject to future margin calls. If an early termination event occurs now with respect to this swap, which could be triggered by a change of control or similar merger transaction, in addition to losing the margin we have posted we would currently be required to pay approximately $160 million to our counterparty. As of December 31, 2015, our counterparties do not hold any cash margin as collateral against our remaining derivative contracts. As of December 31, 2015, none of our derivatives qualify for hedge accounting treatment, therefore, gains (losses) resulting from their fair value measurement at the end of each reporting period are recognized as an increase or decrease in unrealized gain (loss) on investments and other in our consolidated statements of operations. In addition, we are, and may in the future be, subject to additional expense based on the notional amount of the derivative and a specified spread over the applicable LIBOR. Because the fair value of these instruments can vary significantly between periods, we may experience significant fluctuations in the amount of our unrealized gain (loss) in any given period. As of December 31, 2015, a hypothetical 100 basis point increase (decrease) in the 10-year treasury forward curve applied to our interest rate swap would result in an unrealized gain (loss) of approximately $172 million.

Credit Spread Risk

The value of our fixed and floating-rate investments also changes with market credit spreads. This means that when market-demanded risk premium, or credit spread, increases, the value of our fixed- and floating-rate assets decrease and vice versa. Fixed-rate assets are valued based on a market credit spread over the rate payable on fixed rate U.S. Treasury of like maturity. This means that their value is dependent on the yield demanded on such assets by the market, based on their credit relative to U.S. Treasuries. Floating-rate CRE debt and securities investments are valued based on a market credit spread over the applicable LIBOR. Demand for a higher yield on investments results in higher or "wider" spread over the benchmark rate (usually the applicable U.S. Treasury yield) to value these assets. Under these conditions, the value of our portfolio should decrease. Conversely, if the spread used to value these assets were to decrease or "tighten," the value of these assets should increase.

Credit Risk

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

Credit risk in our CRE debt and securities investments relates to each individual borrower's ability to make required interest and principal payments on scheduled due dates. We seek to manage credit risk through a comprehensive credit analysis prior to making an investment, actively monitoring our portfolio and the underlying credit quality, including subordination and diversification of our portfolio. Our analysis is based on a broad range of real estate, financial, economic and borrower-related factors which we believe are critical to the evaluation of credit risk inherent in a transaction.

Our CRE debt investments are collateral dependent, meaning the principal source of repayment is from a sale or refinancing of the collateral securing our debt. In the event that a borrower cannot repay our debt, we may exercise our remedies under the debt agreements, which may include taking title to collateral. We describe many of the options available to us in this situation in the "Portfolio Management" section in "Business" of this Annual Report. To the extent the value of the collateral underlying a CRE debt investment exceeds the carrying value of the investment (including all debt senior to us) and the expense we incur in collecting the debt, we would collect 100% of our investment. To the extent the carrying value of our CRE debt investment plus all senior debt to our position exceeds the realizable value to our collateral (net of expenses), then we would incur a loss. CMBS investments are generally junior in right of payment of interest and principal to one or more senior classes but benefit from the support of one or more subordinate classes of securities or other form of credit support within a securitization transaction.

CONTROLS AND PROCEDURES

Attached as exhibits to the 2015 Form 10-K are certifications of the Company's Chief Executive Officer and Chief Financial Officer, which are required in accordance with Rule 13a-14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). This "Controls and Procedures" section includes information concerning the controls and procedures evaluation referred to in the certifications. "Financial Statements and Supplementary Data" in this Annual Report sets forth the report of Grant Thornton LLP, the Company's independent registered public accounting firm, regarding its audit of the Company's internal control over financial reporting set forth below in this section. This section should be read in conjunction with the certifications and the Grant Thornton LLP report for a more complete understanding of the topics presented.

Disclosure Controls and Procedures

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

As of the end of the period covered by this report, management conducted an evaluation as required under Rules 13a-15(b) and 15d-15(b) under the Exchange Act under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer of the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15 (e) and 15d-15(e) under the Exchange Act).

Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures are effective. Notwithstanding the foregoing, a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will detect or uncover failures to disclose material information otherwise required to be set forth in the Company's periodic reports.

Internal Control over Financial Reporting

(a) Management's annual report on internal control over financial reporting.

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

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, the Company carried out an evaluation of the effectiveness of its internal control over financial reporting as of December 31, 2015 based on the "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (2013 framework).

Based upon this evaluation, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2015.

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

The Company's independent registered public accounting firm, Grant Thornton LLP, independently assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2015. Grant Thornton LLP has issued an attestation report, which is included in "Financial Statements and Supplementary Data" of this Annual Report.

(c) Changes in internal control over financial reporting.

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

Inherent Limitations on Effectiveness of Controls

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

CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements of NorthStar Realty Finance Corp. and the notes related to the foregoing consolidated financial statements, together with the independent registered public accounting firm's reports thereon are included in this section.

Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders

NorthStar Realty Finance Corp.

We have audited the accompanying consolidated balance sheets of NorthStar Realty Finance Corp. (a Maryland corporation) and subsidiaries (the “Company”) as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows for each of the three years in the period ended December 31, 2015. Our audits of the basic consolidated financial statements included the financial statement schedules listed in the index appearing under Item 15. These financial statements and financial statement schedules are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NorthStar Realty Finance Corp. and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 31, 2015, based on criteria established in the 2013 Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 29, 2016 expressed an unqualified opinion.

/s/ GRANT THORNTON LLP

New York, New York

February 29, 2016

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders

NorthStar Realty Finance Corp.

We have audited the internal control over financial reporting of NorthStar Realty Finance Corp. (a Maryland corporation) and subsidiaries (the "Company") as of December 31, 2015, based on criteria established in the 2013 Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control over Financial Reporting ("Management's Report"). Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in the 2013 Internal Control-Integrated Framework issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended December 31, 2015, and our report dated February 29, 2016 expressed an unqualified opinion on those financial statements.

/s/ GRANT THORNTON LLP

New York, New York

February 29, 2016

NORTHSTAR REALTY FINANCE CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in Thousands)

	December 31, 2015	December 31, 2014
Assets		
Cash and cash equivalents	$ 224,101	$ 296,964
Restricted cash	299,288	389,779
Operating real estate, net	8,702,259	10,212,004
Real estate debt investments, net (refer to Note 4)	501,474	1,067,667
Real estate debt investments, held for sale	224,677	—
Investments in private equity funds, at fair value (refer to Note 5)	1,101,650	962,038
Investments in unconsolidated ventures (refer to Note 6)	155,737	207,777
Real estate securities, available for sale (refer to Note 7)	702,110	878,514
Receivables, net of allowance of $4,318 and $2,020 as of December 31, 2015 and 2014, respectively	66,197	111,299
Receivables, related parties	2,850	2,287
Unbilled rent receivable, net of allowance of $116 and $4,037 as of December 31, 2015 and 2014, respectively	46,262	16,140
Derivative assets, at fair value	116	2,131
Intangible assets, net	527,277	659,445
Assets of properties held for sale (refer to Note 3)	2,742,635	29,012
Assets of discontinued operations (refer to Note 9)	—	158,533
Other assets	106,412	185,122
Total assets[1]	$ 15,403,045	$ 15,178,712
Liabilities		
Mortgage and other notes payable	$ 7,164,576	$ 8,327,509
Credit facilities and term borrowings	652,704	718,759
CDO bonds payable, at fair value	307,601	390,068
Securitization bonds payable	—	41,746
Exchangeable senior notes	29,038	41,008
Junior subordinated notes, at fair value	183,893	215,172
Accounts payable and accrued expenses	170,120	186,836
Due to related party (refer to Note 10)	50,903	47,430
Derivative liabilities, at fair value	103,293	17,915
Intangible liabilities, net	149,642	176,528
Liabilities of properties held for sale (refer to Note 3)	2,209,689	28,962
Liabilities of discontinued operations (refer to Note 9)	—	79,512
Other liabilities	165,856	193,611
Total liabilities[2]	11,187,315	10,465,056
Commitments and contingencies		
Equity		
NorthStar Realty Finance Corp. Stockholders' Equity		
Preferred stock, $986,640 aggregate liquidation preference as of December 31, 2015 and 2014	939,118	939,118
Common stock, $0.01 par value, 500,000,000 shares authorized, 183,239,708 and 150,842,021 shares issued and outstanding as of December 31, 2015 and 2014, respectively[3]	1,832	1,508
Additional paid-in capital	5,149,349	4,828,928
Retained earnings (accumulated deficit)	(2,309,564)	(1,422,399)
Accumulated other comprehensive income (loss)	18,485	49,540
Total NorthStar Realty Finance Corp. stockholders' equity	3,799,220	4,396,695
Non-controlling interests	416,510	316,961
Total equity	4,215,730	4,713,656
Total liabilities and equity	$ 15,403,045	$ 15,178,712

Refer to accompanying notes to consolidated financial statements.

NORTHSTAR REALTY FINANCE CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (Continued)

(Dollars in Thousands)

	December 31, 2015	December 31, 2014
(1) **Assets of consolidated VIEs included in the total assets above:**		
Restricted cash	$ 11,362	$ 4,601
Operating real estate, net	—	7,137
Real estate debt investments, net	22,145	25,325
Real estate securities, available for sale	385,421	463,050
Receivables	1,577	2,304
Other assets	590	242
Total assets of consolidated VIEs	$ 421,095	$ 502,659
(2) **Liabilities of consolidated VIEs included in the total liabilities above:**		
CDO bonds payable, at fair value	$ 307,601	$ 390,068
Accounts payable and accrued expenses	1,255	1,761
Derivative liabilities, at fair value	7,321	17,707
Other liabilities	575	1,784
Total liabilities of consolidated VIEs	$ 316,752	$ 411,320

(3) Adjusted for the one-for-two reverse stock split completed on November 1, 2015. Refer to Note 12. “Stockholders’ Equity” for additional disclosure.

Refer to accompanying notes to consolidated financial statements.

NORTHSTAR REALTY FINANCE CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in Thousands, Except Per Share Data)

	Years Ended December 31,		
	2015[1]	2014	2013
Property and other revenues			
Rental and escalation income	$ 732,425	$ 349,951	$ 235,124
Hotel related income	784,151	237,039	—
Resident fee income	271,394	77,516	—
Other revenue	29,466	14,994	5,723
Total property and other revenues	1,817,436	679,500	240,847
Net interest income			
Interest income (refer to Note 10)	227,483	310,116	303,989
Interest expense on debt and securities	8,678	11,977	37,632
Net interest income on debt and securities	218,805	298,139	266,357
Expenses			
Management fee, related party (refer to Note 10)	198,695	82,756	—
Interest expense—mortgage and corporate borrowings	486,408	231,894	141,027
Real estate properties—operating expenses	915,701	318,477	73,668
Other expenses	26,607	8,920	4,558
Transaction costs	31,427	172,416	12,464
Impairment losses	31,951	—	—
Provision for (reversal of) loan losses, net	4,201	3,769	(8,786)
General and administrative expenses			
Salaries and related expense	13,744	22,124	26,421
Equity-based compensation expense[3]	27,693	24,885	11,784
Other general and administrative expenses	16,658	12,357	16,159
Total general and administrative expenses	58,095	59,366	54,364
Depreciation and amortization	456,916	184,689	93,470
Total expenses	2,210,001	1,062,287	370,765
Other income (loss)			
Unrealized gain (loss) on investments and other	(204,112)	(231,697)	(32,677)
Realized gain (loss) on investments and other	14,407	(77,064)	32,376
Gain (loss) from deconsolidation of N-Star CDOs (refer to Note 17)	—	(31,423)	(299,802)
Other income (loss)	—	—	38
Income (loss) before equity in earnings (losses) of unconsolidated ventures and income tax benefit (expense)	(363,465)	(424,832)	(163,626)
Equity in earnings (losses) of unconsolidated ventures	219,077	165,053	91,726
Income tax benefit (expense)	(14,325)	(16,606)	(7,249)
Income (loss) from continuing operations	(158,713)	(276,385)	(79,149)
Income (loss) from discontinued operations (refer to Note 9)[2][3]	(108,554)	(44,701)	(8,761)
Net income (loss)	(267,267)	(321,086)	(87,910)
Net (income) loss attributable to non-controlling interests	24,008	22,879	5,973
Preferred stock dividends	(84,238)	(73,300)	(55,516)
Net income (loss) attributable to NorthStar Realty Finance Corp. common stockholders	$ (327,497)	$ (371,507)	$ (137,453)
Earnings (loss) per share:[4]			
Income (loss) per share from continuing operations	$ (1.25)	$ (3.33)	$ (2.43)
Income (loss) per share from discontinued operations	(0.62)	(0.46)	(0.17)
Basic	$ (1.87)	$ (3.79)	$ (2.60)
Diluted	$ (1.87)	$ (3.79)	$ (2.60)
Weighted average number of shares:[4]			
Basic	174,873,074	98,035,886	52,953,880
Diluted	176,345,121	98,995,229	55,244,584

(1) The consolidated financial statements for the year ended December 31, 2015 includes: (i) the Company's results of operations for the two months ended December 31, 2015 which represents the activity following the NRE Spin-off; and (ii) the Company's results of operations for the ten months ended October 31, 2015 which represents a carve-out of revenues and expenses attributable to NRE recorded in discontinued operations. As a result, the year ended December 31, 2015 may not be comparable to the prior periods presented.
(2) Refer to Note 9. "Spin-offs" for disclosure related to the Spin-offs.
(3) The six months ended June 30, 2014 and year ended December 31, 2013 includes $13.7 million and $5.2 million, respectively, of equity-based compensation recorded in discontinued operations.
(4) Adjusted for the one-for-two reverse stock split completed on November 1, 2015. Refer to Note 12. "Stockholders' Equity" for additional disclosure.

Refer to accompanying notes to consolidated financial statements.

NORTHSTAR REALTY FINANCE CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Dollars in Thousands)

	Years Ended December 31,		
	2015	2014	2013
Net income (loss)	$ (267,267)	$ (321,086)	$ (87,910)
Other comprehensive income (loss):			
Unrealized gain (loss) on real estate securities, available for sale, net	(35,218)	58,872	(1,483)
Reclassification of swap (gain) loss into interest expense—mortgage and corporate borrowings (refer to Note 15)	934	915	4,885
Reclassification of swap (gain) loss into gain (loss) from deconsolidation of N-Star CDOs (refer to Note 17)	—	—	15,246
Foreign currency translation adjustment, net	17,042	(5,155)	—
Total other comprehensive income (loss)	(17,242)	54,632	18,648
Comprehensive income (loss)	(284,509)	(266,454)	(69,262)
Comprehensive (income) loss attributable to non-controlling interests	24,537	22,121	5,174
Comprehensive income (loss) attributable to NorthStar Realty Finance Corp.	$ (259,972)	$ (244,333)	$ (64,088)

Refer to accompanying notes to consolidated financial statements.

NORTHSTAR REALTY FINANCE CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY

(Dollars and Shares in Thousands)

	Preferred Stock		Common Stock[(1)]		Additional Paid-in Capital[(1)]	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total NorthStar Stockholders' Equity	Non-controlling Interests	Total Equity
	Shares	Amount	Shares	Amount						
Balance as of December 31, 2012	21,466	$ 504,018	40,902	$ 409	$ 1,196,358	$ (376,685)	$ (22,179)	$ 1,301,921	$ 28,943	$ 1,330,864
Net proceeds from offering of common stock	—	—	33,062	331	1,305,288	—	—	1,305,619	—	1,305,619
Net proceeds from offering of preferred stock	8,000	193,334	—	—	—	—	—	193,334	—	193,334
Common stock related to transactions	—	—	—	—	17,712	—	—	17,712	—	17,712
Non-controlling interests—contributions	—	—	—	—	—	—	—	—	19,774	19,774
Non-controlling interests—distributions	—	—	—	—	—	—	—	—	(1,403)	(1,403)
Dividend reinvestment plan	—	—	7	—	249	—	—	249	—	249
Amortization of equity-based compensation	—	—	—	—	—	—	—	—	16,961	16,961
Equity component of exchangeable senior notes	—	—	—	—	45,740	—	—	45,740	—	45,740
Conversion of exchangeable senior notes	—	—	2,896	29	74,748	—	—	74,777	—	74,777
Other comprehensive income (loss)	—	—	—	—	—	—	17,845	17,845	803	18,648
Conversion of LTIP Units	—	—	335	3	10,127	—	—	10,130	(10,130)	—
Dividends on common stock and equity-based awards (refer to Note 11)	—	—	—	—	—	(171,798)	—	(171,798)	(9,588)	(181,386)
Dividends on preferred stock	—	—	—	—	—	(55,516)	—	(55,516)	—	(55,516)
Net income (loss)	—	—	—	—	—	(81,937)	—	(81,937)	(5,973)	(87,910)
Balance as of December 31, 2013	29,466	$ 697,352	77,202	$ 772	$ 2,650,222	$ (685,936)	$ (4,334)	$ 2,658,076	$ 39,387	$ 2,697,463
Net proceeds from offering of common stock	—	—	27,625	276	1,191,031	—	—	1,191,307	—	1,191,307
Net proceeds from offering of preferred stock	10,000	241,766	—	—	—	—	—	241,766	—	241,766
Common stock related to transactions	—	—	30,854	308	1,082,423	—	—	1,082,731	—	1,082,731
Issuance of common stock in connection with exercise of warrants	—	—	399	4	12	—	—	16	—	16
Non-controlling interests—contributions	—	—	—	—	—	—	—	—	321,455	321,455
Non-controlling interests—distributions	—	—	—	—	—	—	—	—	(13,593)	(13,593)
Dividend reinvestment plan	—	—	4	—	239	—	—	239	—	239
Amortization of equity-based compensation	—	—	—	—	21,053	—	—	21,053	16,322	37,375
Equity component of exchangeable senior notes	—	—	—	—	(296,382)	—	—	(296,382)	—	(296,382)
Conversion of exchangeable senior notes	—	—	12,454	125	320,179	—	—	320,304	—	320,304
Other comprehensive income (loss)	—	—	—	—	—	—	53,874	53,874	758	54,632
Conversion of LTIP Units	—	—	2,304	23	18,588	—	—	18,611	(18,611)	—
Spin-off of NSAM	—	—	—	—	(158,437)	—	—	(158,437)	—	(158,437)
Dividends on common stock and equity-based awards (refer to Note 11)	—	—	—	—	—	(364,956)	—	(364,956)	(5,878)	(370,834)
Dividends on preferred stock	—	—	—	—	—	(73,300)	—	(73,300)	—	(73,300)
Net income (loss)	—	—	—	—	—	(298,207)	—	(298,207)	(22,879)	(321,086)
Balance as of December 31, 2014	39,466	$ 939,118	150,842	$ 1,508	$ 4,828,928	$ (1,422,399)	$ 49,540	$ 4,396,695	$ 316,961	$ 4,713,656
Net proceeds from offering of common stock	—	—	38,000	380	1,325,860	—	—	1,326,240	—	1,326,240
Non-controlling interests—contributions	—	—	—	—	—	—	—	—	126,484	126,484
Non-controlling interests—distributions	—	—	—	—	—	—	—	—	(36,661)	(36,661)
Non-controlling interests—reallocation of interest in Operating Partnership (refer to Note 13)	—	—	—	—	(14,548)	—	—	(14,548)	14,548	—
Dividend reinvestment plan	—	—	7	—	194	—	—	194	—	194
Amortization of equity-based compensation	—	—	—	—	13,757	—	—	13,757	11,935	25,692
Conversion of exchangeable senior notes	—	—	829	8	13,582	—	—	13,590	—	13,590
Other comprehensive income (loss)	—	—	—	—	—	—	(16,713)	(16,713)	(529)	(17,242)
Conversion of Deferred LTIP Units to LTIP Units (refer to Note 13)	—	—	—	—	(18,730)	—	—	(18,730)	18,730	—
Retirement of shares of common stock	—	—	(6,470)	(64)	(117,983)	—	—	(118,047)	—	(118,047)
Issuance of restricted stock, net of tax withholding	—	—	32	—	(3,602)	—	—	(3,602)	—	(3,602)
Spin-off of NorthStar Europe (refer to Note 9)	—	—	—	—	(878,109)	—	(14,342)	(892,451)	(7,450)	(899,901)
Dividends on common stock and equity-based awards (refer to Note 11)	—	—	—	—	—	(559,668)	—	(559,668)	(3,500)	(563,168)
Dividends on preferred stock	—	—	—	—	—	(84,238)	—	(84,238)	—	(84,238)
Net income (loss)	—	—	—	—	—	(243,259)	—	(243,259)	(24,008)	(267,267)
Balance as of December 31, 2015	39,466	$ 939,118	183,240	$ 1,832	$ 5,149,349	$ (2,309,564)	$ 18,485	$ 3,799,220	$ 416,510	$ 4,215,730

(1) Adjusted for the one-for-two reverse stock split completed on November 1, 2015. Refer to Note 12. "Stockholders' Equity" for additional disclosure.

Refer to accompanying notes to consolidated financial statements.

NORTHSTAR REALTY FINANCE CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in Thousands)

	Years Ended December 31,		
	2015	2014	2013
Cash flows from operating activities:			
Net income (loss)	$ (267,267)	$ (321,086)	$ (87,910)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Equity in (earnings) losses of PE Investments	(198,159)	(150,801)	(88,842)
Equity in (earnings) losses of unconsolidated ventures	(20,918)	(14,252)	(2,884)
Depreciation and amortization	499,347	185,222	94,840
Amortization of premium/accretion of discount on investments	(51,247)	(76,040)	(58,032)
Interest accretion on investments	(13,841)	(22,064)	(1,549)
Amortization of deferred financing costs	48,411	18,400	7,393
Amortization of equity-based compensation	25,692	37,375	16,961
Unrealized (gain) loss on investments and other	202,832	214,815	(20,054)
Realized (gain) loss on investments and other	(14,407)	77,234	(31,414)
(Gain) loss on deconsolidation of N-Star CDOs	—	31,423	299,802
Impairment from discontinued operations	—	555	8,613
Impairment losses	31,951	—	—
Distributions from PE Investments (refer to Note 5)	198,159	150,801	88,842
Distributions from unconsolidated ventures	7,531	3,514	4,744
Distributions from equity investments	26,469	19,453	7,028
Amortization of capitalized above/below market leases	14,015	1,189	(1,438)
Straight line rental income, net	(34,676)	(9,263)	(2,713)
Deferred income taxes, net	(27,742)	—	—
Provision for (reversal of) loan losses, net	4,201	3,769	(8,786)
Allowance for uncollectible accounts	5,457	10,858	1,138
Other	912	502	148
Discount received	—	3,223	7,815
Changes in assets and liabilities:			
Restricted cash	(11,313)	(83,159)	(6,846)
Receivables	29,632	(34,997)	(10,912)
Receivables, related parties	(657)	6,323	(11,946)
Other assets	7,147	(37,169)	(1,041)
Accounts payable and accrued expenses	26,931	56,284	32,860
Due to related party	1,973	47,430	—
Other liabilities	30,225	25,317	4,857
Net cash provided by (used in) operating activities	520,658	144,856	240,674
Cash flows from investing activities:			
Acquisition of operating real estate	(3,367,580)	(3,466,610)	(1,624,959)
Acquisition of Griffin-American, net of cash	—	(2,947,856)	—
Improvements of operating real estate	(150,197)	(37,955)	(11,028)
Proceeds from sale of operating real estate	22,487	27,630	17,687
Deferred costs and intangible assets	(4,809)	(21,597)	(769)
Origination of or fundings for real estate debt investments	(72,596)	(282,181)	(744,209)
Acquisition of real estate debt investments	(72,950)	(997)	(56,301)
Proceeds from sale of real estate debt investments	—	28,500	106,845
Repayment on real estate debt investments	589,694	196,034	274,029
Investment in PE Investments (refer to Note 5)	(609,616)	(557,719)	(664,392)
Distributions from PE Investments (refer to Note 5)	455,207	230,598	135,607
Investment in unconsolidated ventures	(4,005)	(73,254)	(109,218)
Distributions from unconsolidated ventures	23,403	11,873	11,782
Acquisition of real estate securities, available for sale	(38,822)	(36,519)	(2,800)
Proceeds from the sale of real estate securities, available for sale	95,664	94,763	223,992
Repayment of real estate securities, available for sale	116,410	63,902	187,622
Change in restricted cash	35,849	(201,135)	(30,736)
Investment deposits and pending deal costs	(13,226)	—	—
Other assets	(11,487)	(81,704)	1,695
Net cash provided by (used in) investing activities	(3,006,574)	(7,054,227)	(2,285,153)

Refer to accompanying notes to consolidated financial statements.

NORTHSTAR REALTY FINANCE CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(Dollars in Thousands)

	Years Ended December 31,		
	2015	2014	2013
Cash flows from financing activities:			
Borrowings from mortgage and other notes payable	$ 2,201,141	$ 5,932,208	$ 1,252,085
Repayment of mortgage and other notes payable	(56,711)	(383,018)	(21,272)
Proceeds from CDO bonds reissuance	—	—	23,725
Repayment of CDO bonds	(90,069)	(87,859)	(655,575)
Repurchase of CDO bonds	(25,531)	(15,320)	(44,222)
Repayment of securitization bonds payable	(41,831)	(40,505)	(15,794)
Borrowings from credit facilities	1,141,150	922,540	147,748
Repayment of credit facilities	(1,211,877)	(259,798)	(138,798)
Repayment of secured term loan	—	—	(105)
Proceeds from exchangeable senior notes	—	—	345,000
Repurchase and repayment of exchangeable senior notes	—	—	(36,710)
Proceeds from Senior Notes	340,000	—	—
Repayment of 2014 Senior Notes	—	(481,118)	—
Payment of financing costs	(105,445)	(139,937)	(28,280)
Purchase of derivative instruments	(29,599)	(4,159)	(9,563)
Settlement of derivative instruments	—	2,995	—
Change in restricted cash	1,781	22,843	134,504
Net proceeds from common stock offering	1,326,240	1,191,307	1,305,619
Repurchase of common stock	(116,046)	—	—
Net proceeds from preferred stock offering	—	241,766	193,334
Proceeds from dividend reinvestment plan	194	239	249
Spin-off of NSAM (refer to Note 9)	—	(118,728)	—
Spin-off of NorthStar Europe (refer to Note 9)	(360,410)	—	—
Dividends	(643,858)	(438,256)	(227,314)
Contributions from non-controlling interests	125,023	246,027	19,774
Distributions to non-controlling interests	(36,661)	(18,709)	(8,863)
Net cash provided by (used in) financing activities	2,417,491	6,572,518	2,235,542
Effect of foreign currency translation on cash and cash equivalents	(4,438)	(2,173)	—
Net increase (decrease) in cash and cash equivalents	(72,863)	(339,026)	191,063
Cash and cash equivalents—beginning of period	296,964	635,990	444,927
Cash and cash equivalents—end of period	$ 224,101	$ 296,964	$ 635,990

Refer to accompanying notes to consolidated financial statements.

1. Business and Organization

NorthStar Realty Finance Corp. is a diversified commercial real estate company (the “Company” or “NorthStar Realty”). The Company invests in multiple asset classes across commercial real estate (“CRE”) that it expects will generate attractive risk-adjusted returns and may take the form of acquiring real estate, originating or acquiring senior or subordinate loans, as well as pursuing opportunistic CRE investments. The Company is a Maryland corporation and completed its initial public offering in October 2004. The Company conducts its operations so as to continue to qualify as a real estate investment trust (“REIT”) for U.S. federal income tax purposes.

On March 13, 2015, the Company formed NorthStar Realty Finance Limited Partnership, a Delaware limited partnership and the operating partnership of the Company (the “Operating Partnership”). The Company contributed substantially all of its assets to the Operating Partnership in exchange for all of the common and preferred limited partnership interests in the Operating Partnership and the assumption of certain of the Company’s liabilities. The Operating Partnership holds, directly or indirectly, substantially all of the Company’s assets and the Company conducts its operations, directly or indirectly, through the Operating Partnership.

All references herein to the Company refer to NorthStar Realty Finance Corp. and its consolidated subsidiaries, including the Operating Partnership, collectively, unless the context otherwise requires.

Spin-offs

On June 30, 2014, the Company completed the spin-off of its historical asset management business (“NSAM Spin-off”) in the form of a tax-free distribution (the “NSAM Distribution”). Effective upon the NSAM Spin-off, the Company is externally managed and advised by an affiliate of NorthStar Asset Management Group Inc. (NYSE: NSAM), which together with its affiliates is referred to as NSAM.

On October 31, 2015, the Company completed the spin-off of its European real estate business (the “NRE Spin-off”) into a separate publicly-traded REIT, NorthStar Realty Europe Corp. (“NorthStar Europe”), in the form of a taxable distribution (the “NRE Distribution”). In connection with the NRE Distribution, each of the Company’s common stockholders received shares of NorthStar Europe’s common stock on a one-for-six basis, before giving effect to a one-for-two reverse stock split of the Company’s common stock (this or any such reverse stock split herein referred to as the “Reverse Split”). The Company contributed to NorthStar Europe approximately $2.6 billion of European real estate, at cost (excluding the Company’s European healthcare properties), comprised of 52 properties spanning across some of Europe’s top markets (“European Portfolio”) and $250 million of cash. NSAM manages NorthStar Europe pursuant to a long-term management agreement, on substantially similar terms as the Company’s management agreement with NSAM.

The NRE Spin-off and the NSAM Spin-off are herein collectively referred to as “Spin-offs.” Refer to Note 9. “Spin-offs” for further disclosure.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying consolidated financial statements and related notes of the Company have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”).

The year ended December 31, 2015 includes: (i) the Company’s results of operations for the two months ended December 31, 2015 which represents the activity following the NRE Spin-off; and (ii) the Company’s results of operations for the ten months ended October 31, 2015 which includes a carve-out of revenues and expenses attributable to NRE recorded in discontinued operations. The year ended December 31, 2014 includes: (i) the Company’s results of operations for the six months ended December 31, 2014 which represents the activity following the NSAM Spin-off; and (ii) the Company’s results of operations for the six months ended June 30, 2014 which includes a carve-out of revenues and expenses attributable to NSAM recorded in discontinued operations. As a result, the years ended December 31, 2015 and 2014 may not be comparable to the prior period presented.

Periods prior to June 30, 2014 and October 31, 2015 present a carve-out of revenues and expenses presented in discontinued operations associated with NSAM and NorthStar Europe, related to the Company’s historical asset management and European real estate business. Expenses also included an allocation of indirect expenses of the Company to NSAM and NRE, including salaries, equity-based compensation and other general and administrative expenses (primarily occupancy and other cost) based on an estimate had the asset management and European real estate business been run as an independent entity. This allocation method was principally based on relative headcount and management’s knowledge of the Company’s operations.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, the Operating Partnership and their consolidated subsidiaries. The Company consolidates variable interest entities ("VIE") where the Company is the primary beneficiary and voting interest entities which are generally majority owned or otherwise controlled by the Company. All significant intercompany balances are eliminated in consolidation.

Variable Interest Entities

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

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

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

The Company evaluates its CRE debt and securities, investments in unconsolidated ventures and securitization financing transactions, such as its collateralized debt obligations ("CDOs") and its liabilities to subsidiary trusts issuing preferred securities ("junior subordinated notes") to determine whether they are a VIE. The Company analyzes new investments and financings, as well as reconsideration events for existing investments and financings, which vary depending on type of investment or financing.

Voting Interest Entities

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

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

Investments in Unconsolidated Ventures

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

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

The Company may account for an investment in an unconsolidated entity at fair value by electing the fair value option. The Company elected the fair value option for its investments (directly or indirectly in joint ventures) that own limited partnership interests in real estate private equity funds ("PE Investments") and certain investments in unconsolidated ventures (refer to Note 6).

The Company records the change in fair value for its share of the projected future cash flow of such investments from one period to another in equity in earnings (losses) from unconsolidated ventures in the consolidated statements of operations. Any change in fair value attributed to market related assumptions is considered unrealized gain (loss).

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

Non-controlling Interests

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

Estimates

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

Reclassifications

Certain prior period amounts have been reclassified in the consolidated financial statements to conform to current period presentation including amounts related to certain assets held for sale (refer to Note 3) and discontinued operations (refer to Note 9).

Comprehensive Income (Loss)

The Company reports consolidated comprehensive income (loss) in separate statements following the consolidated statements of operations. Comprehensive income (loss) is defined as the change in equity resulting from net income (loss) and OCI. The components of OCI principally include: (i) unrealized gain (loss) on real estate securities available for sale for which the fair value option is not elected; (ii) the reclassification of unrealized gain (loss) on real estate securities available for sale for which the fair value option was not elected to realized gain (loss) upon sale or realized event; (iii) the reclassification of unrealized gain (loss) to interest expense on derivative instruments that are or were deemed to be effective hedges; (iv) foreign currency translation adjustment; and (v) reclassification of foreign currency translation into realized gain (loss) on investments and other upon realized event.

The following tables present the components of accumulated OCI for the years ended December 31, 2015, 2014 and 2013 (dollars in thousands):

Accumulated OCI	Unrealized Gain (Loss) on Available for Sale Securities	Interest Rate Swap Gain (Loss)	Foreign Currency Translation	Total
Balance as of December 31, 2012	$ (276)	$ (21,903)	$ —	$ (22,179)
Unrealized gain (loss) on real estate securities, available for sale	(557)	—	—	(557)
Reclassification of unrealized (gain) loss on real estate securities, available for sale into realized gain (loss) on investments and other	(926)	—	—	(926)
Reclassification of swap (gain) loss into interest expense—mortgage and corporate borrowings (refer to Note 15)	—	4,885	—	4,885
Reclassification of swap (gain) loss into gain (loss) from deconsolidation of N-Star CDOs (refer to Note 17)	—	15,246	—	15,246
Non-controlling interests	23	(826)	—	(803)
Balance as of December 31, 2013	$ (1,736)	$ (2,598)	$ —	$ (4,334)
Unrealized gain (loss) on real estate securities, available for sale	60,140	—	—	60,140
Reclassification of unrealized (gain) loss on real estate securities, available for sale into realized gain (loss) on investments and other	(1,268)	—	—	(1,268)
Reclassification of swap (gain) loss into interest expense—mortgage and corporate borrowings (refer to Note 15)	—	915	—	915
Foreign currency translation adjustment	—	—	(5,155)	(5,155)
Non-controlling interests	(1,064)	(11)	317	(758)
Balance as of December 31, 2014	$ 56,072	$ (1,694)	$ (4,838)	$ 49,540
Unrealized gain (loss) on real estate securities, available for sale	(21,091)	—	—	(21,091)
Reclassification of unrealized (gain) loss on real estate securities, available for sale into realized gain (loss) on investments and other	(14,127)	—	—	(14,127)
Reclassification of swap (gain) loss into interest expense—mortgage and corporate borrowings (refer to Note 15)	—	934	—	934
Foreign currency translation adjustment	—	—	17,042	17,042
Reclassification of foreign currency translation upon NRE Spin-off	—	—	(14,342)	(14,342)
Non-controlling interests	162	(7)	374	529
Balance as of December 31, 2015	$ 21,016	$ (767)	$ (1,764)	$ 18,485

Cash and Cash Equivalents

The Company considers all highly-liquid investments with an original maturity date of three months or less to be cash equivalents. Cash, including amounts restricted, may at times exceed the Federal Deposit Insurance Corporation deposit insurance limit of $250,000 per institution. The Company mitigates credit risk by placing cash and cash equivalents with major financial institutions. To date, the Company has not experienced any losses on cash and cash equivalents.

Restricted Cash

Restricted cash primarily consists of amounts related to operating real estate and CRE debt investments. The following table presents a summary of restricted cash as of December 31, 2015 and 2014 (dollars in thousands):

	December 31, 2015	December 31, 2014
Capital expenditures reserves	$ 171,712	$ 211,010
Operating real estate escrow reserves[(1)]	107,399	117,740
CRE debt escrow deposits	8,815	56,342
Cash in CDOs[(2)]	11,362	4,687
Total	$ 299,288	$ 389,779

(1) Primarily represents insurance, real estate tax, repair and maintenance, tenant security deposits and other escrows related to operating real estate.
(2) Represents proceeds from repayments and/or sales pending distribution.

Fair Value Option

The fair value option provides an election that allows a company to irrevocably elect fair value for certain financial assets and liabilities on an instrument-by-instrument basis at initial recognition. The Company may elect to apply the fair value option for certain investments due to the nature of the instrument. Any change in fair value for assets and liabilities for which the election is made is recognized in earnings.

Operating Real Estate

Operating real estate is carried at historical cost less accumulated depreciation. Ordinary repairs and maintenance are expensed as incurred. Major replacements and improvements which improve or extend the life of the asset are capitalized and depreciated over their useful life. Operating real estate is depreciated using the straight-line method over the estimated useful lives of the assets, summarized as follows:

Category:	Term:
Building (fee interest)	15 to 40 years
Building improvements	Lesser of the useful life or remaining life of the building
Building leasehold interests	Lesser of 40 years or remaining term of the lease
Land improvements	10 to 30 years
Tenant improvements	Lesser of the useful life or remaining term of the lease

The Company follows the purchase method for an acquisition of operating real estate, where the purchase price is allocated to tangible assets such as land, building, tenant and land improvements and other identified intangibles, such as goodwill. Costs directly related to an acquisition deemed to be a business combination are expensed and included in transaction costs in the consolidated statements of operations. The Company evaluates whether real estate acquired in connection with a foreclosure, UCC/deed in lieu of foreclosure or a consentual modification of a loan (herein collectively referred to as taking title to collateral) ("REO") constitutes a business and whether business combination accounting is appropriate. Any excess upon taking title to collateral between the carrying value of a loan over the estimated fair value of the property is charged to provision for loan losses.

Operating real estate, including REO, which has met the criteria to be classified as held for sale, is separately presented on the consolidated balance sheets. Such operating real estate is recorded at the lower of its carrying value or its estimated fair value less the cost to sell. Once a property is determined to be held for sale, depreciation is no longer recorded.

Minimum rental amounts due under leases are generally either subject to scheduled fixed increases or adjustments. The following table presents approximate future minimum rental income under noncancelable operating leases to be received over the next five years and thereafter as of December 31, 2015 (dollars in thousands):

Years Ending December 31:(1)	
2016	$ 372,196
2017	353,178
2018	329,957
2019	315,227
2020	304,540
Thereafter	1,669,031
Total	$ 3,344,129

(1) Excludes rental income from healthcare and hotel properties permitted by the REIT Investment Diversification and Empowerment Act of 2007 ("RIDEA") and manufactured housing communities, multifamily and independent living properties that are subject to short-term leases.

Real Estate Debt Investments

CRE debt investments are generally intended to be held to maturity and, accordingly, are carried at cost, net of unamortized loan fees, premium and discount. CRE debt investments that are deemed to be impaired are carried at amortized cost less a loan loss reserve, if deemed appropriate, which approximates fair value. CRE debt investments where the Company does not have the intent to hold the loan for the foreseeable future or until its expected payoff are classified as held for sale and recorded at the lower of cost or estimated value.

Real Estate Securities

The Company classifies its CRE securities investments as available for sale on the acquisition date, which are carried at fair value. The Company historically elected to apply the fair value option for its CRE securities investments. For those CRE securities for which the fair value option was elected, any unrealized gains (losses) from the change in fair value is recorded in unrealized gains (losses) on investments and other in the consolidated statements of operations.

The Company may decide to not elect the fair value option for certain CRE securities due to the nature of the particular instrument. For those CRE securities for which the fair value option was not elected, any unrealized gain (loss) from the change in fair value is recorded as a component of accumulated OCI in the consolidated statements of equity, to the extent impairment losses are considered temporary.

Intangible Assets and Intangible Liabilities

The Company records acquired identified intangibles, which includes intangible assets (such as value of the above-market leases, in-place leases, goodwill and other intangibles) and intangible liabilities (such as the value of below-market leases), based on estimated fair value. The value allocated to the above or below-market leases is amortized over the remaining lease term as a net adjustment to rental income. Other intangible assets are amortized into depreciation and amortization expense on a straight-line basis over the remaining lease term.

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

Events or circumstances which could indicate a potential impairment include (but are not limited to) issues with local, state or federal governments; on-going or projected negative operating income or cash flow; a significant change in payor mix related to healthcare assets; and/or a significant change in the occupancy rate and/or rising interest rates.

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

The annual impairment test for the reporting units related to a healthcare portfolio acquired in 2014 was conducted as of October 1 and the remaining reporting units related to the Griffin-American Portfolio as of December 31, 2015. Management used an independent third-party valuation party specialist to assist. Based on the step one analysis performed, management determined the fair value for all of reporting units were in excess of the respective reporting unit's carrying value, with four exceptions, related to the healthcare portfolio acquired in 2014. As a result, we estimated the impairment loss for such reporting units to be $25.5 million and recorded an estimated preliminary impairment charge for such amount in the fourth quarter 2015. Due to the timing and complexity of step two of the impairment test, which is required to determine the actual impairment, we were unable to finalize the amount of impairment prior to filing form 10-K for the year ended December 31, 2015. Step two of the impairment test will be completed in the first quarter 2016 and any such adjustment will be recorded.

Summary

The following tables presents identified intangibles as of December 31, 2015 and 2014 (dollars in thousands):

	December 31, 2015[1]			December 31, 2014		
	Gross Amount	Accumulated Amortization	Net	Gross Amount	Accumulated Amortization	Net
Intangible assets:						
In-place leases	$ 289,124	$ (82,089)	$ 207,035	$ 316,129	$ (49,656)	$ 266,473
Above-market leases	268,426	(35,940)	232,486	273,522	(9,730)	263,792
Goodwill[2]	48,635	NA	48,635	75,806	NA	75,806
Other	41,149	(2,028)	39,121	53,724	(350)	53,374
Total	$ 647,334	$ (120,057)	$ 527,277	$ 719,181	$ (59,736)	$ 659,445
Intangible liabilities:						
Below-market leases	$ 177,931	$ (30,462)	$ 147,469	$ 184,209	$ (14,838)	$ 169,371
Other[3]	2,236	(63)	2,173	7,157	NA	7,157
Total	$ 180,167	$ (30,525)	$ 149,642	$ 191,366	$ (14,838)	$ 176,528

(1) As of December 31, 2015, the weighted average amortization period for above-market leases, below-market leases and in-place leases is 11.8 years, 13.8 years and 9.8 years, respectively.
(2) Represents goodwill associated with two acquisitions of healthcare portfolios that operate through RIDEA structures. The first portfolio relates to a healthcare portfolio acquired in 2014 ($25.5 million) and the second acquired with the acquisition of Griffin-American Healthcare REIT II, Inc. ("Griffin-American Portfolio") ($48.6 million). For the year ended December 31, 2015, the Company recorded a goodwill impairment of $25.5 million related to the healthcare portfolio acquired in 2014.
(3) Represents the value associated with a purchase price option associated with the Griffin-American Portfolio.

The following table presents a rollforward of goodwill for the years ended December 31, 2015 and 2014 (dollars in thousands):

Balance as of December 31, 2013	$ —
Goodwill from acquisitions	75,806
Balance as of December 31, 2014	75,806
Goodwill from acquisitions	26,046
Disposal of goodwill[1]	(26,046)
Impairment losses	(25,531)
Adjustments from foreign currency translation	(1,640)
Balance as of December 31, 2015	$ 48,635

(1) Represents goodwill associated with the European Portfolio's contributed to NorthStar Europe upon completion of the NRE Spin-off.

The Company recorded amortization of acquired above-market leases, net of acquired below-market leases of $(11.3) million, $(1.2) million and $1.4 million for the years ended December 31, 2015, 2014 and 2013, respectively. Amortization of other intangible assets was $74.1 million, $20.3 million and $15.4 million for the years ended December 31, 2015, 2014 and 2013, respectively.

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

	Intangible Assets[1]			Intangible Liabilities[1]	
Years Ending December 31:	In-place Leases, Net	Above-market Leases, Net	Other, Net[2]	Below-market Leases, Net	Other, Net
2016	$ 53,017	$ 27,362	$ 2,925	$ 15,090	$ 50
2017	52,260	27,152	1,985	14,859	50
2018	50,725	26,957	1,698	14,091	50
2019	15,681	26,957	1,698	13,755	50
2020	5,942	26,832	1,698	13,697	50
Thereafter	29,410	97,226	14,874	75,977	1,923
Total	$ 207,035	$ 232,486	$ 24,878	$ 147,469	$ 2,173

(1) Identified intangibles will be amortized through periods ending December 2026.
(2) Excludes $14.2 million of intangible assets related to certain healthcare properties that are not amortized.

Other Assets and Other Liabilities

The following table presents a summary of other assets and other liabilities as of December 31, 2015 and 2014 (dollars in thousands):

	December 31, 2015	December 31, 2014
Other assets:		
Investment-related reserves	$ 47,380	$ 24,800
Deferred tax assets[1]	24,435	7,730
Prepaid expenses	22,573	25,326
Deferred costs	8,105	5,494
Notes receivable, net[2]	694	48,932
Due from servicer	642	64,583
Investment deposits and pending deal costs	568	4,298
Other	2,015	3,959
Total	$ 106,412	$ 185,122

	December 31, 2015	December 31, 2014
Other liabilities:		
Deferred tax liabilities	$ 50,341	$ 38,303
PE Investments deferred purchase price (refer to Note 5)	44,212	39,759
Tenant security deposits	30,327	27,604
Prepaid rent and unearned revenue	24,697	16,458
Escrow deposits payable	11,753	67,750
Other	4,526	3,737
Total	$ 165,856	$ 193,611

(1) As of December 31, 2015 and 2014, our taxable REIT subsidiaries ("TRS") had deferred tax assets related to net operating loss carryforwards of \$2.3 million and \$1.7 million, respectively, which is net of a valuation allowance of \$24.2 million and \$10.4 million as of December 31, 2015 and 2014, respectively.

(2) The change from prior year is primarily related to \$57.3 million of manufactured housing notes receivables reclassified to assets of properties held for sale as of December 31, 2015.

Revenue Recognition

Operating Real Estate

Rental and escalation income from operating real estate is derived from leasing of space to various types of tenants and healthcare operators. The leases are for fixed terms of varying length and generally provide for annual rentals and expense reimbursements to be paid in monthly installments. Rental income from leases is recognized on a straight-line basis over the term of the respective leases. The excess of rents recognized over amounts contractually due pursuant to the underlying leases are included in unbilled rent receivable on the consolidated balance sheets. Escalation income represents revenue from tenant/operator leases which provide for the recovery of all or a portion of the operating expenses and real estate taxes paid by the Company on behalf of the respective property. This revenue is accrued in the same period as the expenses are incurred.

The Company generates operating income from healthcare and hotel properties permitted by RIDEA. Revenue related to healthcare properties includes resident room and care charges and other resident charges. Revenue related to operating hotel properties primarily consists of room and food and beverage sales. Revenue is recognized when such services are provided, generally defined as the date upon which a resident or guest occupies a room or uses the healthcare property or hotel services and is recorded in resident fee income for healthcare properties and hotel related income for hotel properties in the consolidated statements of operations.

Real Estate Debt Investments

Interest income is recognized on an accrual basis and any related premium, discount, origination costs and fees are amortized over the life of the investment using the effective interest method. The amortization is reflected as an adjustment to interest income in the consolidated statements of operations. The amortization of a premium or accretion of a discount is discontinued if such loan is reclassified to held for sale.

Real Estate Securities

Interest income is recognized using the effective interest method with any premium or discount amortized or accreted through earnings based on expected cash flow through the expected maturity date of the security. Changes to expected cash flow may result in a change to the yield which is then applied retrospectively for high-credit quality securities that cannot be prepaid or otherwise settled in such a way that the holder would not recover substantially all of the investment or prospectively for all other securities to recognize interest income.

Credit Losses and Impairment on Investments

Operating Real Estate

The Company's real estate portfolio is reviewed on a quarterly basis, or more frequently as necessary, to assess whether there are any indicators that the value of its operating real estate may be impaired or that its carrying value may not be recoverable. A property's value is considered impaired if the Company's estimate of the aggregate expected future undiscounted cash flow to be generated by the property is less than the carrying value of the property. In conducting this review, the Company considers U.S. and global macroeconomic factors and real estate sector conditions together with investment specific and other factors. To the extent an impairment has occurred, the loss is measured as the excess of the carrying value of the property over the estimated fair value of the property and recorded in impairment losses in the consolidated statements of operations.

An allowance for a doubtful account for a tenant/operator receivable is established based on a periodic review of aged receivables resulting from estimated losses due to the inability of tenant/operator to make required rent and other payments contractually due. Additionally, the Company establishes, on a current basis, an allowance for future tenant/operator/resident/guest credit losses on unbilled rent receivable based on an evaluation of the collectability of such amounts.

Real Estate Debt Investments

Loans are considered impaired when based on current information and events, it is probable that the Company will not be able to collect principal and interest amounts due according to the contractual terms. The Company assesses the credit quality of the portfolio and adequacy of loan loss reserves on a quarterly basis or more frequently as necessary. Significant judgment of the Company is required in this analysis. The Company considers the estimated net recoverable value of the loan as well as other factors, including but not limited to the fair value of any collateral, the amount and the status of any senior debt, the quality and financial condition of the borrower and the competitive situation of the area where the underlying collateral is located. Because this determination is based on projections of future economic events, which are inherently subjective, the amount ultimately realized may differ materially from the carrying value as of the balance sheet date. If upon completion of the assessment, the estimated fair value of the underlying collateral is less than the net carrying value of the loan, a loan loss reserve is recorded with a corresponding charge to provision for loan losses. The loan loss reserve for each loan is maintained at a level that is determined to be adequate by management to absorb probable losses.

Income recognition is suspended for a loan at the earlier of the date at which payments become 90-days past due or when, in the opinion of the Company, a full recovery of income and principal becomes doubtful. When the ultimate collectability of the principal of an impaired loan is in doubt, all payments are applied to principal under the cost recovery method. When the ultimate collectability of the principal of an impaired loan is not in doubt, contractual interest is recorded as interest income when received, under the cash basis method until an accrual is resumed when the loan becomes contractually current and performance is demonstrated to be resumed. A loan is written off when it is no longer realizable and/or legally discharged.

Investments in Unconsolidated Ventures

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

Real Estate Securities

CRE securities for which the fair value option is elected are not evaluated for other-than-temporary impairment ("OTTI") as any change in fair value is recorded in the consolidated statements of operations. Realized losses on such securities are reclassified to realized gain (loss) on investments and other as losses occur.

CRE securities for which the fair value option is not elected are evaluated for OTTI quarterly. Impairment of a security is considered to be other-than-temporary when: (i) the holder has the intent to sell the impaired security; (ii) it is more likely than not the holder will be required to sell the security; or (iii) the holder does not expect to recover the entire amortized cost of the security. When a CRE security has been deemed to be other-than-temporarily impaired due to (i) or (ii), the security is written down to its fair value and an OTTI is recognized in the consolidated statements of operations. In the case of (iii), the security is written down to its fair value and the amount of OTTI is then bifurcated into: (a) the amount related to expected credit losses; and (b) the amount related to fair value adjustments in excess of expected credit losses. The portion of OTTI related to expected credit losses is recognized in the consolidated statements of operations. The remaining OTTI related to the valuation adjustment is recognized as a component of accumulated OCI in the consolidated statements of equity. The portion of OTTI recognized through earnings is accreted back to the amortized cost basis of the security through interest income, while amounts recognized through OCI are amortized over the life of the security with no impact on earnings. CRE securities which are not high-credit quality are considered to have an OTTI if the security has an unrealized loss and there has been an adverse change in expected cash flow. The amount of OTTI is then bifurcated as discussed above.

Troubled Debt Restructuring

CRE debt investments modified in a troubled debt restructuring ("TDR") are modifications granting a concession to a borrower experiencing financial difficulties where a lender agrees to terms that are more favorable to the borrower than is otherwise available in the current market. Management judgment is necessary to determine whether a loan modification is considered a TDR. Troubled debt that is fully satisfied via taking title to collateral, repossession or other transfers of assets is generally included in the definition of TDR. Loans acquired as a pool with deteriorated credit quality that have been modified are not considered a TDR.

Equity-Based Compensation

The Company accounts for equity-based compensation awards, including awards granted to co-employees, using the fair value method, which requires an estimate of fair value of the award. Awards may be based on a variety of measures such as time, performance, market or a combination thereof. For time-based awards, fair value is determined based on the stock price on the grant date. The Company recognizes compensation expense over the vesting period on a straight-line basis. For performance-based awards, fair value is determined based on the stock price at the date of grant and an estimate of the probable achievement of such measure. The Company recognizes compensation expense over the requisite service period, net of estimated forfeitures, using the accelerated attribution expense method. For market-based measures, fair value is determined using a Monte Carlo analysis under a risk-neutral premise using a risk-free interest rate. The Company recognizes compensation expense, over the requisite service period, net of estimated forfeitures, on a straight-line basis. For awards with a combination of performance or market measures, the Company estimates the fair value as if it were two separate awards. First, the Company estimates the probability of achieving the performance measure. If it is not probable the performance condition will be met, the Company records the compensation expense based on the fair value of the market measure, as described above. This expense is recorded even if the market-based measure is never met. If the performance-based measure is subsequently estimated to be achieved, the Company records compensation expense based on the performance-based measure. The Company would then record a cumulative catch-up adjustment for any additional compensation expense.

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

Foreign Currency

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

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

Earnings Per Share

The Company's basic earnings per share ("EPS") is calculated by dividing net income (loss) attributable to common stockholders by the weighted average number of common stock outstanding. Diluted EPS includes restricted stock and the potential dilution that could occur if outstanding restricted stock units ("RSUs") or other contracts to issue common stock, assuming performance hurdles have been met, were converted to common stock (including limited partnership interests in the Operating Partnership which are structured as profits interests ("LTIP Units") (refer to Note 11), where such exercise or conversion would result in a lower EPS. The dilutive effect of such RSUs and LTIP Units is calculated assuming all units are converted to common stock.

Discontinued Operations

Subsequent to the early adoption of the accounting standards update on the presentation of discontinued operations beginning in April 2014, the Company presents spin-offs of businesses and portfolios of properties that are sold or classified as held for sale are as discontinued operations provided that the disposal represents a strategic shift that has (or will have) a major effect on our operations and financial results.

Income Taxes

The Company has elected to be taxed as a REIT and to comply with the related provisions of the Internal Revenue Code of 1986, as amended, the ("Code"). Accordingly, the Company generally will not be subject to U.S. federal income tax to the extent of its distributions to stockholders and as long as certain asset, income and share ownership tests are met. To maintain its qualification as a REIT, the Company must annually distribute at least 90% of its REIT taxable income to its stockholders and meet certain other requirements. The Company may also be subject to certain state, local and franchise taxes. Under certain circumstances, federal income and excise taxes may be due on its undistributed taxable income. If the Company were to fail to meet these requirements, it would be subject to U.S. federal income tax, which could have a material adverse impact on its results of operations and amounts available for distributions to its stockholders. The Company believes that all of the criteria to maintain the Company's REIT qualification have been met for the applicable periods, but there can be no assurance that these criteria will continue to be met in subsequent periods.

The Company maintains various TRSs which may be subject to U.S. federal, state and local income taxes and foreign taxes. In general, a TRS of the Company may perform non-customary services for tenants, hold assets that the REIT cannot hold directly and may engage in most real estate or non-real estate-related business. The Company has established several TRSs in jurisdictions for which no taxes are assessed on corporate earnings. However, the Company generally must include in earnings the income from these TRSs even if it has received no cash distributions. Additionally, the Company has invested in certain real estate assets in Europe, the majority of which were contributed to NorthStar Europe as part of the NRE Spin-off, for which local country level taxes will be due on earnings (or other measure) and in some cases withholding taxes for the repatriation of earnings back to the REIT. The REIT will not generally be subject to any additional U.S. taxes on the repatriation of its earnings.

Current and deferred taxes are recorded on the portion of earnings (losses) recognized by the Company with respect to its interest in TRSs and taxable foreign subsidiaries. Deferred income tax assets and liabilities are calculated based on temporary differences between the Company's U.S. GAAP consolidated financial statements and the federal, state, local and foreign tax basis of assets and liabilities as of the consolidated balance sheet date. The Company evaluates the realizability of its deferred tax assets (e.g., net operating loss and capital loss carryforwards) and recognizes a valuation allowance if, based on the available evidence, it is more likely than not that some portion or all of its deferred tax assets will not be realized. When evaluating the realizability of its deferred tax assets, the Company considers estimates of expected future taxable income, existing and projected book/tax differences, tax planning strategies available and the general and industry specific economic outlook. This realizability analysis is inherently subjective, as it requires the Company to forecast its business and general economic environment in future periods. Changes in estimate of deferred tax asset realizability, if any, are included in provision for income tax expense included in income tax benefit (expense) in the consolidated statements of operations.

The Company has assessed its tax positions for all open tax years, which includes 2012 to 2015 and concluded there were no material uncertainties to be recognized. The Company's accounting policy with respect to interest and penalties is to classify these amounts as a component of income tax expense, where applicable. The Company has not recognized any such amounts related to uncertain tax positions for the years ended December 31, 2015, 2014 and 2013. As of December 31, 2015, the tax years that remain subject to examination by major tax jurisdictions generally include 2012 through 2015.

The Company recorded an income tax expense of $14.3 million, $16.6 million and $7.2 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued an accounting update requiring a company to recognize as revenue the amount of consideration it expects to be entitled to in connection with the transfer of promised goods or services to customers. The accounting standard update will replace most of the existing revenue recognition guidance currently promulgated by U.S. GAAP. In July 2015, the FASB decided to delay the effective date of the new revenue standard by one year. The effective date of the new revenue standard for the Company will be January 1, 2018. The Company is in the process of evaluating the impact, if any, of the update on its consolidated financial position, results of operations and financial statement disclosures.

In February 2015, the FASB issued updated guidance that changes the rules regarding consolidation. The pronouncement eliminates specialized guidance for limited partnerships and similar legal entities and removes the indefinite deferral for certain investment funds. The new guidance is effective for annual periods and interim periods within those annual periods beginning after December 15, 2015, with early adoption permitted. The Company will adopt the new standard on January 1, 2016 and it is not expected to have a material impact on its consolidated financial position or results of operations.

In April 2015, the FASB issued an accounting update changing the presentation of financing costs in financial statements. Under the new guidance, an entity would present these costs in the balance sheet as a direct deduction from the related liability rather than as an asset. Amortization of the costs would continue to be reported as interest expense. The new guidance is effective for annual periods and interim periods beginning after December 15, 2015, with early adoption permitted. In the fourth quarter 2015, the Company adopted this guidance and the impact to the consolidated balance sheet from the reclassification of such costs was a reduction to both total assets and total liabilities of $91.2 million and $147.6 million as of December 31, 2015 and 2014, respectively.

In September 2015, the FASB issued updated guidance that eliminates the requirement that an acquirer in a business combination account for measurement-period adjustments retrospectively. Under the new guidance, an acquirer will recognize a measurement-period adjustment during the period in which it determines the amount of the adjustment. The new guidance is effective for annual periods and interim periods beginning after December 15, 2015, with early adoption permitted. The Company adopted this guidance in the third quarter 2015 and it did not have a material impact on the Company's consolidated financial position, results of operations and financial statement disclosures.

In January 2016, the FASB issued an accounting update that addresses certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The new guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. The Company is currently assessing the impact of the guidance on the Company's consolidated financial position, results of operations and financial statement disclosures.

In February 2016, the FASB issued an accounting update that requires lessees to present right-of-use assets and lease liabilities on the balance sheet. The new guidance is to be applied using a modified retrospective approach at the beginning of the earliest comparative period in the financial statements and is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. The Company is evaluating the impact that this guidance will have on its consolidated financial position, results of operations and financial statement disclosures.

3. Operating Real Estate

The following table presents operating real estate, net as of December 31, 2015 and 2014 (dollars in thousands):

	December 31, 2015	December 31, 2014
Land	$ 1,047,620	$ 1,472,667
Land improvements	148,295	1,070,507
Buildings and improvements	6,728,957	6,963,704
Building leasehold interests and improvements	723,573	591,626
Furniture, fixtures and equipment	346,628	286,340
Tenant improvements	165,539	159,159
Construction in progress	57,663	17,054
Subtotal	9,218,275	10,561,057
Less: Accumulated depreciation	(511,113)	(349,053)
Less: Allowance for Operating real estate impairment	(4,903)	—
Operating real estate, net[(1)]	$ 8,702,259	$ 10,212,004

(1) As of December 31, 2015 and 2014, operating real estate was subject to $7.3 billion and $8.5 billion of mortgage notes payable, respectively.

For the years ended December 31, 2015, 2014 and 2013, depreciation expense was $382.1 million, $164.9 million and $76.1 million, respectively.

Real Estate Acquisitions

The following table summarizes the Company's acquisitions for the year ended December 31, 2015, excluding acquisitions related to the European Portfolio that were spun off as part of the NRE Spin-off and certain real estate classified as held-for-sale (refer to below) (dollars in millions):

Acquisition Date	Type	Description	Name	Purchase Price[(1)]	Properties	Financing	Equity	Ownership Interest	Transaction Costs
February - March 2015	Office	Multi-tenant office	SteelWave Portfolio[(2)]	$ 98.1	7	$ 67.3	$ 28.2	95%	$ 0.7
June 2015	Healthcare	Medical office building	Griffin-American Portfolio[(3)]	15.6	1	11.5	4.1	86% [(4)]	0.1
June 2015	Hotel	Upscale extended stay and premium branded select service	NE Portfolio	175.5	9	132.3	45.2	100%	2.2
July 2015	Hotel	Upscale extended stay and premium branded select and full service	Miami Hotel Portfolio	154.2	3	115.5	38.7	100%	1.5

(1) Includes escrows and reserves and excludes transaction costs.
(2) Represents an additional acquisition related to the SteelWave Portfolio.
(3) Represents an additional acquisition related to the Griffin-American Portfolio.
(4) NorthStar Healthcare Income, Inc. ("NorthStar Healthcare"), a sponsored company of NSAM, is the non-controlling interest holder of the remaining 14% of the Griffin-American Portfolio.

The following table presents the initial allocation of the purchase price of the assets acquired and the liabilities issued or assumed upon the closing of the following acquisitions: an additional acquisition related to the Griffin-American Portfolio, NE Portfolio and Miami Hotel Portfolio that continue to be subject to refinement upon receipt of all information. The table excludes 2015 acquisitions related to the European Portfolio contributed to NorthStar Europe upon completion of the NRE Spin-off, a manufactured housing portfolio and independent living facility portfolio ("Senior Housing Portfolio") acquired, which was classified as operating real estate held for sale as of December 31, 2015 (dollars in thousands):

Assets:	
Land and improvements	$ 32,830
Buildings, leasehold interests and improvements	269,826
Acquired intangibles[(1)]	1,372
Other assets acquired	37,249
Total assets acquired	$ 341,277
Liabilities:	
Mortgage and other notes payable	$ 255,156
Other liabilities assumed	1,628
Total liabilities	256,784
Total NorthStar Realty Finance Corp. stockholders' equity[(2)]	83,894
Non-controlling interests	599
Total liabilities and equity	$ 341,277

(1) Acquired intangibles include in-place leases and unamortized lease origination costs.
(2) Stockholders' equity excludes transaction costs incurred in connection with the acquisitions.

For the year ended December 31, 2015, the Company recorded aggregate revenue of $42.6 million and a net loss of $0.9 million related to these acquisitions. Net loss is primarily related to transaction costs, depreciation and amortization expense.

The following table presents the final allocation of the purchase price of the assets acquired and liabilities issued and assumed upon the closing of the following portfolios (dollars in thousands):

	Griffin-American Portfolio[(3)]	Hotel Portfolios[(4)(5)]	SteelWave Portfolio[(6)]
Assets:			
Land and improvements	$ 377,135	$ 159,640	$ 20,718
Buildings and improvements	3,323,346	635,668	64,392
Acquired intangibles[(1)]	458,545	2,076	9,812
Other assets acquired	237,933	132,963	3,189
Total assets acquired	$ 4,396,959	$ 930,347	$ 98,111
Liabilities:			
Mortgage and other notes payable	$ 2,919,211	$ 713,676	$ 67,254
Other liabilities assumed[(2)]	240,513	4,625	1,813
Total liabilities	3,159,724	718,301	69,067
Total NorthStar Realty Finance Corp. stockholders' equity	1,049,818	210,721	27,559
Non-controlling interests	187,417	1,325	1,485
Total equity	1,237,235	212,046	29,044
Total liabilities and equity	$ 4,396,959	$ 930,347	$ 98,111

(1) Acquired intangibles include in-place leases, above-market leases and goodwill.
(2) Other liabilities assumed include below-market lease intangibles and deferred tax liabilities.
(3) For the year ended December 31, 2015, the Company recorded revenue and net loss related to the Griffin-American Portfolio of $392.9 million and $59.2 million, respectively. Net loss is primarily related to depreciation and amortization expense.
(4) Includes a $259.3 million hotel portfolio acquired in August 2014 and a $681.0 million hotel portfolio acquired in September 2014.
(5) For the year ended December 31, 2015, the Company recorded aggregate revenue and net income of $256.7 million and $13.2 million, respectively.
(6) For the year ended December 31, 2015, the Company recorded aggregate revenue and net loss of $20.2 million and $2.5 million, respectively.

Real Estate Held for Sale

The following table summarizes the Company's operating real estate held for sale as of December 31, 2015 (dollars in thousands):

		Assets			Liabilities			
Description	**Properties**	**Operating Real Estate, Net(1)**	**Intangible Assets, Net**	**Total(2)**	**Mortgage and Other Notes Payable, Net**	**Intangible Liabilities, Net**	**Total**	**WA Ownership Interest**
Manufactured housing communities	136	$ 1,490,284	$ 24,034	$ 1,514,318	$ 1,262,725	$ —	$ 1,262,725	94%
Senior Housing Portfolio(3)	32	828,233	24,816	853,049	644,486	—	644,486	60%
Multifamily(4)	11	304,172	—	304,172	247,022	—	247,022	90%
Other	8	70,416	680	71,096	41,742	13,714	55,456	NA
Total	187	$ 2,693,105	$ 49,530	$ 2,742,635	$ 2,195,975	$ 13,714	$ 2,209,689	

(1) Includes $57.3 million of manufactured housing notes receivables previously recorded in other assets.

(2) Represents operating real estate and intangible assets and liabilities, net of depreciation and amortization of $242.4 million.

(3) In February 2016, the Company entered into an agreement to sell its 60% interest in the $899 million Senior Housing Portfolio for $535 million, subject to proration and adjustment. The Company expects to receive $150 million of net proceeds upon completion of the sale in March 2016. Refer to Related Party Arrangements for further disclosure.

(4) In February 2016, the Company entered in and is finalizing agreements to sell up to ten multifamily properties for $311 million with $210 million of mortgage financing expected to be assumed as part of the transaction. The Company expects to receive $91 million of net proceeds and continues to explore the sale of the remaining two properties.

4. Real Estate Debt Investments

The following table presents CRE debt investments as of December 31, 2015 (dollars in thousands):

	Number	Principal Amount	Carrying Value	Allocation by Investment Type(5)	Weighted Average (6) Fixed Rate	Weighted Average (6) Spread Over LIBOR(7)	Weighted Average (6) Yield(8)	Floating Rate as % of Principal Amount(5)
Asset Type:								
First mortgage loans(1)(2)	11	$ 286,628	$ 260,237	51.6%	7.09%	4.95%	6.18%	55.8%
Mezzanine loans	6	22,361	18,630	4.0%	9.04%	4.00%	8.39%	39.9%
Subordinate interests	4	171,044	169,781	30.8%	13.04%	5.65%	8.72%	59.0%
Corporate loans	4	35,215	30,681	6.3%	12.93%	—	14.84%	—
Subtotal/Weighted average(3)(4)	25	515,248	479,329	92.7%	10.51%	5.26%	8.12%	52.5%
CRE debt in N-Star CDOs								
First mortgage loans	2	26,957	9,321	4.9%	—	1.27%	3.10%	100.0%
Mezzanine loans	1	11,000	10,675	2.0%	8.00%	—	8.24%	—
Corporate loans	6	2,149	2,149	0.4%	6.74%	—	6.74%	—
Subtotal/Weighted average	9	40,106	22,145	7.3%	7.79%	1.27%	5.70%	67.2%
Total	34	$ 555,354	$ 501,474	100.0%	10.33%	4.79%	7.98%	53.5%
Real estate debt, held for sale(9)	7	$ 225,037	$ 224,677	NA	13.65%	7.41%	10.89%	52.5%

(1) Includes a Sterling denominated loan of £66.7 million, of which £31.6 million is available to be funded as of December 31, 2015. This loan has various maturity dates depending upon the timing of advances; however, will be no later than March 2022.
(2) Includes three loans that pursuant to certain terms and conditions which may or may not be satisfied, where the Company has an option to purchase the properties securing these loans.
(3) Certain CRE debt investments serve as collateral for financing transactions including carrying value of $38.6 million for the Company's loan facility. The remainder is unleveraged. Assuming that all loans that have future fundings meet the terms to qualify for such funding, the Company's cash requirement on future fundings would be $9.3 million. Excludes $2.1 million future funding commitment associated with real estate debt, held for sale.
(4) In September 2015, the Company purchased four CRE debt investments for $72.9 million from N-Star CDO IV, at fair value. Refer to Note 7 for further disclosure.
(5) Based on principal amount.
(6) Excludes an aggregate principal amount of $130.9 million related to three CRE debt investments that were originated prior to 2008, three non-performing loans and one first mortgage loan acquired with deteriorated credit quality.
(7) $108.5 million principal amount (excluding CRE debt in N-Star CDOs) has a weighted average LIBOR floor of 0.82%. Includes one first mortgage loan with a principal amount of $5.8 million with a spread over the prime rate.
(8) Based on initial maturity and for floating-rate debt, calculated using one-month LIBOR as of December 31, 2015 and for CRE debt with a LIBOR floor, using such floor.
(9) In February 2016, the Company sold or committed to sell these seven loans at par, with $46.9 million of proceeds used to pay down the Company's loan facility, resulting in net proceeds of $178.2 million.

The following table presents CRE debt investments as of December 31, 2014 (dollars in thousands):

	Number	Principal Amount	Carrying Value	Allocation by Investment Type(7)	Weighted Average(8) Fixed Rate	Weighted Average(8) Spread Over LIBOR(9)	Weighted Average(8) Yield(10)	Floating Rate as % of Principal Amount(7)
Asset Type:								
First mortgage loans(1)(2)(6)	13	$ 434,671	$ 313,590	36.6%	9.51%	6.66%	9.34%	57.2%
Mezzanine loans	8	149,816	146,088	12.6%	13.79%	13.83%	14.05%	53.3%
Subordinate interests	8	201,564	200,237	17.0%	13.11%	12.33%	13.01%	40.7%
Corporate loans(3)(4)	8	360,343	382,427	30.3%	12.37%	—	12.99%	—
Subtotal/Weighted average(5)	37	1,146,394	1,042,342	96.5%	11.89%	9.15%	12.00%	35.6%
CRE debt in N-Star CDOs								
First mortgage loans	2	26,957	11,360	2.3%	—	1.27%	3.08%	100.0%
Mezzanine loans	1	11,000	11,000	0.9%	8.00%	—	8.00%	—
Corporate loans	6	2,965	2,965	0.3%	6.74%	—	6.74%	—
Subtotal/Weighted average	9	40,922	25,325	3.5%	7.73%	1.27%	5.64%	65.9%
Total	46	$ 1,187,316	$ 1,067,667	100.0%	11.82%	8.65%	11.85%	36.7%

(1) Includes a Sterling denominated loan of £66.7 million, of which £16.1 million is outstanding as of December 31, 2014. This loan has various maturity dates depending upon the timing of advances; however, will be no later than March 2022.
(2) Includes three loans that pursuant to certain terms and conditions which may or may not be satisfied, where the Company has an option to purchase the properties securing these loans.
(3) Includes $112.0 million of preferred equity investments for which the Company elected the fair value option.
(4) Includes four revolving loans of $156.4 million, of which $60.7 million is outstanding as of December 31, 2014.
(5) Certain CRE debt investments serve as collateral for financing transactions including carrying value of $35.8 million for Securitization 2012-1 and $140.6 million for credit facilities. The remainder is unleveraged.
(6) There are no loans on non-accrual status except for one first mortgage loan acquired with deteriorated credit quality with a carrying value of $5.7 million as of December 31, 2014. Certain loans have an accrual of interest at a specified rate that may be in addition to a current rate. Such loans represent an aggregate $3.2 million carrying value where the Company does not recognize interest income on the accrual rate but does recognize interest income based on the current rate.
(7) Based on principal amount.
(8) Excludes three CRE debt investments with an aggregate principal amount of $10.7 million that were originated prior to 2008.
(9) $357.9 million principal amount (excluding CRE debt in N-Star CDOs) has a weighted average LIBOR floor of 0.84%. Includes one first mortgage loan with a principal amount of $6.2 million with a spread over prime rate.
(10) Based on initial maturity and for floating-rate debt, calculated using one-month LIBOR as of December 31, 2014 and for CRE debt with a LIBOR floor, using such floor.

The following table presents maturities of CRE debt investments based on principal amount as of December 31, 2015 (dollars in thousands):

	Initial Maturity	Maturity Including Extensions[1]
Years ending December 31:		
2016	$ 293,496	$ 199,406
2017	251	50,376
2018	1,897	40,647
2019	—	—
2020	—	—
Thereafter	259,710	264,925
Total	$ 555,354	$ 555,354

(1) Assumes that all debt with extension options will qualify for extension at such maturity according to the conditions stipulated in the governing documents.

The Company had three non-performing loans (“NPLs”) with an aggregate principal amount of $95.9 million as of December 31, 2015 due to maturity defaults.

As of December 31, 2015, the weighted average maturity, including extensions, of CRE debt investments was 4.9 years.

Actual maturities may differ from contractual maturities as certain borrowers may have the right to prepay with or without prepayment penalty. The Company may also extend certain contractual maturities in connection with loan modifications.

The principal amount of CRE debt investments differs from the carrying value primarily due to unamortized origination fees and costs, unamortized premium and discount and loan loss reserves recorded as part of the carrying value of the investment. As of December 31, 2015, the Company had $42.1 million of net unamortized discount and $1.6 million of net unamortized origination fees and costs.

Provision for Loan Losses

The following table presents activity in loan loss reserves on CRE debt investments for the years ended December 31, 2015, 2014, and 2013 (dollars in thousands):

	Years Ended December 31,		
	2015	2014	2013
Beginning balance	$ 5,599	$ 2,880	$ 156,699
Provision for (reversal of) loan losses, net	2,240 [(1)(4)]	2,719 [(1)]	(8,786) [(2)]
Transfers to REO	—	—	(5,623)
Write-offs / payoffs	—	—	(20,210) [(3)]
Deconsolidation of N-Star CDOs	—	—	(119,200)
Ending balance	$ 7,839	$ 5,599	$ 2,880

(1) Excludes $0.8 million of provision for loan losses relating to manufactured housing notes receivables recorded in assets of properties held for sale as of December 31, 2015 and $1.0 million recorded in other assets as of December 31, 2014.
(2) Includes $4.0 million of reversal of previously recorded provisions for loan losses.
(3) Represents a write-off of a previously recorded loan loss reserve upon payoff of a loan.
(4) Excludes $1.2 million of provision for loan losses primarily relating to exit fees on loans held for sale.

Credit Quality Monitoring

CRE debt investments are typically loans secured by direct senior priority liens on real estate properties or by interests in entities that directly own real estate properties, which serve as the primary source of cash for the payment of principal and interest. The Company evaluates its debt investments at least quarterly and differentiates the relative credit quality principally based on: (i) whether the borrower is currently paying contractual debt service in accordance with its contractual terms; and (ii) whether the Company believes the borrower will be able to perform under its contractual terms in the future, as well as the Company's expectations as to the ultimate recovery of principal at maturity.

The Company categorizes a debt investment for which it expects to receive full payment of contractual principal and interest payments as a "loan with no loan loss reserve." The Company categorizes a debt investment as an NPL if it is in maturity default and/or past due at least 90 days on its contractual debt service payments. The Company considers the remaining debt investments to be of weaker credit quality and categorizes such loans as "other loans with a loan loss reserve/non-accrual status." These loans are not considered NPLs because such loans are performing in accordance with contractual terms but the loans have a loan loss reserve and/or are on non-accrual status. Even if a borrower is currently paying contractual debt service or debt service is not due in accordance with its contractual terms, the Company may still determine that the borrower may not be able to perform under its contractual terms in the future and make full payment upon maturity. The Company's definition of an NPL may differ from that of other companies that track NPLs.

The following table presents the carrying value of CRE debt investments, by credit quality indicator, as of each applicable balance sheet date (dollars in thousands):

	December 31,	
Credit Quality Indicator:	2015	2014
Loans with no loan loss reserve:		
First mortgage loans	$ 168,978	$ 324,251
Mezzanine loans	29,305	157,089
Subordinate interests	169,781	200,236
Corporate loans	32,830	385,391
Subtotal	400,894	1,066,967
Other loans with a loan loss reserve/non-accrual status:		
First mortgage loans[(1)]	4,137	700
Mezzanine loans[(2)]	—	—
Subtotal	4,137	700
Non-performing loans	96,443	—
Total	$ 501,474	$ 1,067,667

(1) Excludes one first mortgage loan acquired with deteriorated credit quality with a carrying value of $3.1 million as of December 31, 2015 and two first mortgage loans acquired with deteriorated credit quality with an aggregate carrying value of $5.7 million as of December 31, 2014 and excludes manufactured housing notes receivables recorded in other assets.

(2) Includes one mezzanine loan with a 100% loan loss reserve with a principal amount of $3.8 million as of December 31, 2015 and 2014, respectively. Such loan is not considered a NPL as debt service is currently being received.

Impaired Loans

The Company considers impaired loans to generally include NPLs, loans with a loan loss reserve, loans on non-accrual status (excluding loans acquired with deteriorated credit quality) and TDRs. The following table presents impaired loans as of December 31, 2015 and 2014 (dollars in thousands):

	December 31, 2015				December 31, 2014			
	Number	Principal Amount(1)	Carrying Value(1)	Loan Loss Reserve	Number	Principal Amount(1)	Carrying Value(1)	Loan Loss Reserve
Class of Debt:								
First mortgage loans	5	$ 119,677	$ 100,580	$ 4,073	1	$ 2,533	$ 700	$ 1,833
Mezzanine loans	1	3,766	—	3,766	1	3,766	—	3,766
Total	6	$ 123,443	$ 100,580	$ 7,839	2	$ 6,299	$ 700	$ 5,599

(1) Principal amount differs from carrying value primarily due to unamortized origination fees and costs, unamortized premium or discount and loan loss reserves included in the carrying value of the investment. Excludes one first mortgage loan acquired with deteriorated credit quality with a carrying value of $3.1 million as of December 31, 2015 and two first mortgage loans acquired with deteriorated credit quality with an aggregate carrying value of $5.7 million as of December 31, 2014 and excludes manufactured housing notes receivables recorded in other assets.

The following table presents average carrying value of impaired loans by type and the income recorded on such loans subsequent to them being deemed impaired for the years ended December 31, 2015, 2014 and 2013 (dollars in thousands):

	December 31, 2015			December 31, 2014			December 31, 2013		
	Number	Average Carrying Value	Year Ended Income	Number	Average Carrying Value	Year Ended Income	Number	Average Carrying Value	Year Ended Income
Class of Debt:									
First mortgage loans	5	$ 102,107	$ 2,707	1	$ 1,133	$ —	5	$ 67,531	$ 1,050
Mezzanine loans	1	—	8	1	377	6	7	100,109	416
Subordinate interests	—	—	—	—	—	—	1	—	3
Corporate loans	—	—	—	—	—	—	—	19,530	—
Total/weighted average	6	$ 102,107	$ 2,715	2	$ 1,510	$ 6	13	$ 187,170	$ 1,469

As of December 31, 2015, the Company had two loans past due greater than 90 days.

5. Investments in Private Equity Funds

The following is a description of investments in private equity funds that own PE Investments either through unconsolidated ventures ("PE Investment I" and "PE Investment II") or consolidated ventures and direct investments ("PE Investment III to XV," collectively "Direct PE Investments") which are recorded as investments in private equity funds at fair value on the consolidated balance sheets. The Company elected the fair value option for PE Investments. As a result, the Company records equity in earnings (losses) based on the change in fair value for its share of the projected future cash flow from one period to another. All PE Investments are considered voting interest entities, except for two fund interests in PE Investment XIII (refer to Note 17). PE Investment I and II are not consolidated by the Company due to the substantive participating rights of the partners in joint ventures that own the interests in the real estate private equity funds. The Company does not consolidate any of the underlying real estate private equity funds owned in Direct PE Investments as it does not own a majority voting interest in any such funds or is not the primary beneficiary of such funds.

The following tables summarize the Company's PE Investments as of December 31, 2015 (dollars in millions):

PE Investment(1)	Initial Closing Date	NAV Reference Date(2)	Number of Funds	Purchase Price	Expected Future Funding(3)
PE Investment I	February 15, 2013	June 30, 2012	49	$ 282.1	$ 2
PE Investment III(4)	December 31, 2013	June 30, 2013	8	39.8	—
PE Investment IV	May 30, 2014	December 31, 2013	1	8.0	—
PE Investment V	July 1, 2014	September 30, 2013	3	12.0	—
PE Investment VI	July 30, 2014	June 30, 2014	20	90.2	1
PE Investment VII	August 15, 2014	December 31, 2013	14	54.9	—
PE Investment IX	October 2, 2014	March 31, 2014	11	217.7	2
PE Investment X	December 4, 2014	June 30, 2014	13	152.4	—
PE Investment XI	May 1, 2015	September 30, 2014	2	6.4	—
PE Investment XII	May 5, 2015	June 30, 2014	1	6.2	—
PE Investment XIII	May 22, 2015	December 31, 2014	11	441.1	3
PE Investment XIV(5)	September 9, 2015	December 31, 2014	15	50.2	50
PE Investment XV	November 12, 2015	December 31, 2014	1	60.0	—
Subtotal			149	1,421.0	$ 58
PE Investment II(6)	July 3, 2013	September 30, 2012	24	353.4	$ 243 (6)
Total			173 (7)	$ 1,774.4	

(1) On August 19, 2014, the Company, through a subsidiary, entered into a joint venture with a third party to source and invest in real estate private equity funds. For the year ended December 31, 2015, PE Investment VIII has not made any investments.
(2) Represents the net asset value ("NAV") date on which the Company agreed to acquire the respective PE Investment.
(3) Includes an estimated amount of expected future contributions to funds and any deferred purchase price as of December 31, 2015. The actual amount of future contributions underlying the fund interests that may be called and funded by the Company could vary materially from the Company's expectations.
(4) PE Investment III paid $39.8 million to the seller for all of the fund interests, or 50% of the June 30, 2013 NAV, and paid the remaining $39.8 million, or 50% of the June 30, 2013 NAV, in December 2015 to a third party.
(5) PE Investment XIV paid $50.2 million to the seller for all of the fund interests, or 50% of the December 31, 2014 NAV, and will pay the remaining $47.8 million in equal installments one year and two years after the initial closing date, respectively. Such amount is included in other liabilities on the consolidated balance sheets.
(6) In February 2016, the Company entered into an agreement to sell substantially all of its interest in PE Investment II for proceeds of $184.1 million, of which $145.1 million was received and the remaining is expected in March 2016 upon consent from the initial seller. In connection with the sale, the buyers will assume the Company's $243 million portion of the deferred purchase price obligation of the PE Investment II joint venture upon consent of the PE II Seller.
(7) The total number of funds includes 28 funds held across multiple PE Investments.

	Carrying Value		Year Ended December 31, 2015			Year Ended December 31, 2014		
PE Investment(1)(6)	December 31, 2015	December 31, 2014	Income(2)(3)	Distributions	Contributions	Income(3)	Distributions	Contributions
PE Investment I(4)	$ 154.0	$ 218.6	$ 46.4	$ 88.7	$ 2.1	$ 66.1	$ 97.2	$ 1.1
PE Investment II(4)(5)	186.2	231.6	39.8	119.4	42.9	57.7	115.9	6.0
PE Investment III	26.8	51.0	1.9	26.3	0.2	5.7	25.6	0.3
PE Investment IV	7.6	7.8	1.3	1.5	—	0.8	0.9	—
PE Investment V	7.7	8.0	1.8	2.1	—	1.1	4.9	—
PE Investment VI	75.3	86.3	11.6	23.6	1.0	5.8	10.8	1.3
PE Investment VII	30.2	42.7	8.0	20.6	0.1	3.7	15.6	0.2
PE Investment IX	129.2	174.6	30.2	76.8	0.9	8.3	55.9	4.7
PE Investment X	128.5	141.4	20.8	34.0	0.5	1.6	12.7	0.2
PE Investment XI	4.2	—	0.7	1.4	—	—	—	—
PE Investment XII	2.6	—	0.4	4.0	0.1	—	—	—
PE Investment XIII	287.4	—	30.8	193.4	8.8	—	—	—
PE Investment XIV	55.2	—	3.1	42.7	0.4	—	—	—
PE Investment XV	6.8	—	1.3	5.4	2.5	—	—	—
Total(5)	$ 1,101.7	$ 962.0	$ 198.1	$ 639.9	$ 59.5	$ 150.8	$ 339.5	$ 13.8

(1) On August 19, 2014, the Company, through a subsidiary, entered into a joint venture with a third party to source and invest in PE Investments. For the year ended December 31, 2015, PE Investment VIII has not made any investments.
(2) Income is recorded gross of a current income tax expense of $11.8 million for the year ended December 31, 2015.
(3) Recorded in equity in earnings on the consolidated statement of operations. The year ended December 31, 2014 includes a reclassification between equity in earnings and income tax expense of $16.8 million to conform with the current period presentation.
(4) The Company recorded an unrealized loss of $33.2 million for the year ended December 31, 2015, of which $24.4 million, represented a partial reversal of an unrealized gain of $32.6 million recorded for the year ended December 31, 2014.
(5) Contributions for the year ended December 31, 2015 represents a payment of our portion of the deferred purchase price for PE Investment II.
(6) As of December 31, 2015, cash flow is expected through June 30, 2024, with a weighted average expected remaining life of 1.5 years.

	Year Ended December 31, 2013		
PE Investment	Income[(1)]	Distributions	Contributions
PE Investment I	$ 58.3	$ 130.2	$ 20.8
PE Investment II	30.5	104.9	11.6
PE Investment III	—	9.0	0.3
Total	$ 88.8	$ 244.1	$ 32.7

(1) Recorded in equity in earnings in the consolidated statement of operations. The year ended December 31, 2013 includes a reclassification between equity in earnings and income tax expense of $6.2 million to conform with the current period presentation.

Unconsolidated PE Investments

PE Investment I

In February 2013, the Company completed the initial closing ("PE I Initial Closing") of PE Investment I which owns a portfolio of limited partnership interests in real estate private equity funds managed by institutional-quality sponsors. Pursuant to the terms of the agreement, at the PE I Initial Closing, the full purchase price was funded, excluding future capital commitments. Accordingly, the Company funded $282.1 million and NorthStar Real Estate Income Trust, Inc. ("NorthStar Income") (together with the Company, the "NorthStar Entities") funded $118.0 million. The NorthStar Entities have an aggregate ownership interest in PE Investment I of 51%, of which the Company owns 70.5%. The Company assigned its rights to the remaining 29.5% to a subsidiary of NorthStar Income. Teachers Insurance and Annuity Association of America (the "Class B Partner") contributed its interests in 49 funds subject to the transaction in exchange for all of the Class B partnership interests in PE Investment I.

PE Investment I provides for all cash distributions on a priority basis to the NorthStar Entities as follows: (i) first, 85% to the NorthStar Entities and 15% to the Class B Partner until the NorthStar Entities receive a 1.5x multiple on all of their invested capital, including amounts funded in connection with future capital commitments; (ii) second, 15% to the NorthStar Entities and 85% to the Class B Partner until the Class B Partner receives a return of its then remaining June 30, 2012 capital; and (iii) third, 51% to the NorthStar Entities and 49% to the Class B Partner. All amounts paid to and received by the NorthStar Entities are based on each partner's proportionate interest.

The Company guaranteed all of its funding obligations that may be due and owed under PE Investment I agreements directly to PE Investment I entities. The Company and NorthStar Income each agreed to indemnify the other proportionately for any losses that may arise in connection with the funding and other obligations as set forth in the governing documents in the case of a joint default by the Company and NorthStar Income. The Company and NorthStar Income further agreed to indemnify each other for all of the losses that may arise as a result of a default that is solely caused by the Company or NorthStar Income, as the case may be.

PE Investment II

In June 2013, the Company, NorthStar Income and funds managed by Goldman Sachs Asset Management ("Vintage Funds") (each a "Partner") formed joint ventures and entered into an agreement with Common Pension Fund E, a common trust fund created under New Jersey law ("PE II Seller"), to acquire a portfolio of limited partnership interests in 24 real estate private equity funds managed by institutional-quality sponsors. The aggregate reported NAV acquired was $910.0 million as of September 30, 2012. In February 2016, the Company entered in an agreement to sell substantially all of its interest in PE Investment II for proceeds of $184.1 million, of which $145.1 million was received with the remaining expected in March 2016 upon consent from PE II Seller. In connection with the sale, the buyers, including NorthStar Income, will assume the Company's $243 million portion of the deferred purchase price obligation of the PE Investment II joint venture upon receiving such consent.

6. Investments in Unconsolidated Ventures

The following is a description of investments in unconsolidated ventures. The investments in RXR Realty LLC ("RXR Realty"), Aerium Group ("Aerium") and SteelWave, LLC (formerly known as Legacy Partners Commercial, LLC) ("SteelWave") are accounted for at fair value due to the election of the fair value option (refer to Note 14). The investments in the NSAM Sponsored Companies (as defined below) were accounted for under the equity method prior to the NSAM Spin-off and are accounted for under the cost method subsequent to the NSAM Spin-off. All other investments in unconsolidated ventures are accounted for under the equity method.

The following table summarizes the Company's investments in unconsolidated ventures as of December 31, 2015 and 2014 and for the years ended December 31, 2015, 2014 and 2013 (dollars in millions):

		Carrying Value		Equity in Earnings (Losses)		
	Ownership	December 31,		Years Ended December 31,		
Investment	Interest	2015	2014	2015	2014	2013
RXR Realty(1)	27%	$ 89.3	$ 90.0	$ 16.0	$ 8.0	$ —
Aerium(2)	15%	16.5	62.8	1.3	2.5	—
LandCap(3)	49%	7.7	10.8	0.8	0.7	0.5
SteelWave(4)	40%	6.8	5.0	1.9	0.4	—
CS/Federal(5)	50%	5.7	5.7	0.3	0.1	0.3
NSAM Sponsored Companies(6)	0.3% to 0.5%	14.0	11.5	0.3	0.3	0.6
NorthStar Realty Finance Trusts(7)	N/A	3.7	3.7	—	—	—
Multifamily Joint Venture(8)	90%	3.5	9.9	0.3	(0.3)	(0.7)
Other	Various	8.5	8.4	—	2.6	2.2
Total		$ 155.7	$ 207.8	$ 20.9	$ 14.3	$ 2.9

(1) In December 2013, the Company entered into a strategic transaction with RXR Realty, a leading real estate owner, developer and investment management company focused on high-quality real estate in the New York Tri-State area. The Company's equity interest in RXR Realty is structured so that NSAM is entitled to certain fees in connection with RXR Realty's investment management business. Refer to Note 10. "Related Party Arrangements - NorthStar Asset Management Group - Management Agreement" for further disclosure.

(2) Aerium is a pan-European real estate investment manager specializing in commercial real estate properties. The Company recorded an unrealized loss on its interest in Aerium of $40.4 million for the year ended December 31, 2015. The Company's equity interest in Aerium is structured so that NSAM is entitled to certain fees in connection with Aerium's asset management business. Refer to Note 10. "Related Party Arrangements - NorthStar Asset Management Group - Management Agreement" for further disclosure.

(3) In October 2007, the Company entered into a joint venture with Whitehall Street Global Real Estate Limited Partnership 2007 ("Whitehall") to form LandCap Partners and LandCap LoanCo. (collectively referred to as "LandCap"). The joint venture is managed by a third-party management group. The Company and Whitehall agreed to no longer provide additional new investment capital in the LandCap joint venture.

(4) In September 2014, the Company entered into an investment with SteelWave, a real estate investment manager, owner and operator with a portfolio of commercial assets focused in key markets in the western United States.

(5) CS Federal Drive, LLC ("CS/Federal") owns three adjacent class A office/flex buildings in Colorado. The properties were acquired for $54.3 million and were financed with two separate non-recourse mortgages totaling $38.0 million and the remainder in cash. The mortgages matured on February 11, 2016 and the Company is currently in negotiations with the lender. The mortgages have a fixed interest rate of 5.51% and 5.46%, respectively.

(6) Affiliates of NSAM also manage the Company's previously sponsored companies: NorthStar Income, NorthStar Healthcare and NorthStar Real Estate Income II, Inc. ("NorthStar Income II") and together with any new sponsored company (herein collectively referred to as the "NSAM Sponsored Companies").

(7) The Company owns all of the common stock of NorthStar Realty Finance Trusts I through VIII (collectively, the "Trusts"). The Trusts were formed to issue trust preferred securities. Refer to Note 17 for further disclosure.

(8) In July 2013, the Company through a joint venture with a private investor, acquired a multifamily property with 498 units, located in Philadelphia, Pennsylvania for an aggregate purchase price of $41.0 million, including all costs, escrows and reserves. The property was financed with a non-recourse mortgage note of $29.5 million and the remainder in cash. In April 2015, the property obtained additional non-recourse financing of $7.0 million. Both financings mature on July 1, 2023 and have a weighted average fixed interest rate of 3.87%. The joint venture is exploring the sale of the property.

NSAM Sponsored Companies

The Company committed to purchase up to $10 million in shares of each of NSAM's Sponsored Companies' common stock during the two year period from when each offering was declared effective through the end of their respective offering period, in the event that NSAM Sponsored Companies' distributions to its stockholders, on a quarterly basis, exceeds its modified funds from operations (as defined in accordance with the current practice guidelines issued by the Investment Program Association).

In connection with the Company's commitment to purchase shares of the NSAM Sponsored Companies, the Company acquired an aggregate of $15.2 million of shares of NorthStar Income, NorthStar Healthcare and NorthStar Income II through December 31, 2015. In addition, pursuant to the management agreement with NSAM, the Company committed up to $10 million to invest as distribution support consistent with past practice in each future public non-traded NSAM Sponsored Company, up to a total of five new companies per year.

The Company has committed to invest as distribution support in the following NSAM Sponsored Companies:

- NorthStar/RXR New York Metro Real Estate, Inc. - In October 2015, NorthStar/RXR New York Metro Real Estate, Inc. ("NorthStar/RXR New York Metro") filed an amended registration statement with the SEC, seeking to offer an additional class of common shares related to its $2 billion public offering. In December 2015, the Company and RXR Realty satisfied NorthStar/RXR New York Metro's minimum offering amount as a result of the purchase of 0.2 million shares of its common stock for an aggregate $2.0 million. NSAM began raising capital for NorthStar/RXR New York Metro in the beginning of 2016.

- NorthStar Corporate Fund - In October 2015, NorthStar Corporate Income Fund ("NorthStar Corporate Fund") filed an amended registration statement on Form N-2 with the SEC seeking to raise up to $3 billion in a public offering of common stock. Subsequent to year end, NorthStar Corporate Fund was declared effective by the SEC and expects to begin raising capital in early 2016.
- NorthStar Capital Fund - In October 2015, NorthStar Real Estate Capital Income Fund filed its registration statement on Form N-2 with the SEC seeking to raise up to $3 billion in a public offering of common stock.
- NorthStar Corporate Investment - In June 2015, NorthStar Corporate Investment, Inc. confidentially submitted an amended registration statement on Form N-2 to the SEC seeking to raise up to $1 billion in a public offering of common stock.

Summarized Financial Information

The combined balance sheets for the unconsolidated ventures, including PE Investments and excluding unconsolidated ventures accounted for under the cost method, as of December 31, 2015 and 2014 are as follows (dollars in thousands):

	As of December 31,	
	2015	2014
Assets		
Total assets	$ 8,821,784	$ 6,067,438
Liabilities and equity		
Total liabilities	$ 3,071,593	$ 3,045,171
Equity(1)	5,750,191	3,022,267
Total liabilities and equity	$ 8,821,784	$ 6,067,438

(1) Includes non-controlling interest of $749.7 million and $944.7 million as of December 31, 2015 and 2014, respectively.

The combined statements of operations for the unconsolidated ventures, including PE Investments and excluding unconsolidated ventures accounted for under the cost method, from acquisition date through the three years ended December 31, 2015 are as follows (dollars in thousands):

	Years Ended December 31,		
	2015(1)	2014	2013
Total revenues	$ 1,287,014	$ 907,519	$ 322,944
Net income	781,196	443,158	180,537

(1) Includes summarized financial information for PE Investments for the nine months ended September 30, 2015, which is the most recent financial information available from the underlying funds.

NSAM Sponsored Companies and certain PE Investments, for which the Company has elected the fair value option, are accounted for under the cost method. As of December 31, 2015 and 2014 the aggregate carrying value of such cost method investments was $234 million and $288 million, respectively.

7. Real Estate Securities, Available for Sale

The following table presents CRE securities as of December 31, 2015 (dollars in thousands):

	Number	Principal Amount(3)	Amortized Cost	Cumulative Unrealized Gains	Cumulative Unrealized (Losses)	Fair Value	Allocation by Investment Type(3)	Weighted Average Coupon	Weighted Average Yield(4)
Asset Type:									
N-Star CDO bonds(1)(8)	26	$ 401,848	$ 194,908	$ 24,332	$ (2,513)	$ 216,727	31.3%	1.98%	22.01%
N-Star CDO equity(5)(8)	4	71,003	71,003	1,290	(27,388)	44,905	5.5%	NA	12.41%
CMBS and other securities(6)	15	116,681	61,520	15,340	(21,295)	55,565	9.1%	2.15%	5.52%
Subtotal(2)	45	589,532	327,431	40,962	(51,196)	317,197	45.9%	2.01%	16.83%
CRE securities in N-Star CDOs(5)(7)									
CMBS	123	538,205	398,343	31,244	(103,076)	326,511	41.9%	3.48%	10.13%
Third-party CDO notes	8	55,509	50,047	—	(43,362)	6,685	4.4%	0.01%	—%
Agency debentures	8	87,172	31,774	6,384	(842)	37,316	6.8%	—	4.57%
Unsecured REIT debt	1	8,000	8,285	691	—	8,976	0.6%	7.50%	5.88%
Trust preferred securities	2	7,225	7,225	—	(1,800)	5,425	0.4%	2.25%	2.32%
Subtotal	142	696,111	495,674	38,319	(149,080)	384,913	54.1%	2.80%	8.56%
Total	187	$ 1,285,643	$ 823,105	$ 79,281	$ (200,276)	$ 702,110	100.0%	2.46%	11.85%

(1) Excludes $142.9 million principal amount of N-Star CDO bonds payable that are eliminated in consolidation.
(2) All securities are unleveraged. Subsequent to year end, the Company sold certain N-Star CDO bonds and CRE securities for $53.9 million of net proceeds.
(3) Based on amortized cost for N-Star CDO equity and principal amount for remaining securities.
(4) Based on expected maturity and for floating-rate securities, calculated using the applicable LIBOR as of December 31, 2015.
(5) The fair value option was elected for these securities (refer to Note 14).
(6) The fair value option was elected for $48.7 million carrying value of these securities (refer to Note 14).
(7) Investments in the same securitization tranche held in separate CDO financing transactions are reported as separate investments.
(8) As of December 31, 2015, excluding the sales of N-Star CDO bonds subsequent to year end, the weighted average remaining life of the N-Star CDO bonds and N-Star CDO equity is 2.0 years and 3.2 years, respectively.

The Company sponsored nine CDOs, three of which were primarily collateralized by CRE debt and six of which were primarily collateralized by CRE securities. The Company acquired equity interests of two CRE debt focused CDOs, the CSE RE 2006-A CDO ("CSE CDO") and the CapLease 2005-1 CDO ("CapLease CDO") sponsored by third parties. These CDOs are collectively referred to as the N-Star CDOs and their assets are referred to as legacy investments. All N-Star CDOs are considered VIEs (refer to Note 17). At the time of issuance of the sponsored CDOs, the Company retained the below investment grade bonds, which are referred to as subordinate bonds, and preferred shares and equity notes, which are referred to as equity interests. In addition, the Company repurchased CDO bonds originally issued to third parties at discounts to par. These repurchased CDO bonds and retained subordinate bonds are herein collectively referred to as N-Star CDO bonds.

In September 2015, N-Star CDO IV was liquidated and the third-party senior bondholders of N-Star CDO IV were re-paid in full. In connection with the liquidation, the Company purchased one CMBS for $5.8 million from N-Star CDO IV at fair value. Additionally, the Company received $41.0 million from its equity interest in N-Star CDO IV, resulting in a net realized gain of $9.4 million, a portion of which related to equity distributions that would have been received had N-Star CDO IV not been liquidated.

As of December 31, 2015, the Company's CRE securities portfolio is comprised of N-Star CDO bonds and N-Star CDO equity and other securities which are predominantly conduit commercial mortgage-backed securities ("CMBS"), meaning each asset is a pool backed by a large number of commercial real estate loans. As a result, this portfolio is typically well-diversified by collateral type and geography. As of December 31, 2015, excluding the sales of CRE securities subsequent to year end, contractual maturities of CRE securities investments ranged from five months to 37 years, with a weighted average expected maturity of 3.6 years.

The following table presents CRE securities as of December 31, 2014 (dollars in thousands):

	Number	Principal Amount[3]	Amortized Cost	Cumulative Unrealized Gains	Cumulative Unrealized Losses	Fair Value	Allocation by Investment Type[3]	Weighted Average Coupon	Weighted Average Yield[4]
Asset Type:									
N-Star CDO bonds[1]	32	$ 461,974	$ 205,463	$ 58,116	$ (1,270)	$ 262,309	30.1%	1.83%	24.13%
N-Star CDO equity[5]	5	137,143	137,143	522	(35,198)	102,467	8.9%	NA	18.21%
CMBS and other securities[6]	15	119,089	64,616	12,241	(24,934)	51,923	7.8%	2.48%	5.51%
Subtotal[2]	52	718,206	407,222	70,879	(61,402)	416,699	46.8%	1.97%	19.18%
CRE securities in N-Star CDOs[5][7]									
CMBS	144	636,035	458,186	50,432	(125,751)	382,867	41.5%	3.69%	9.96%
Third-party CDO notes	10	76,253	68,821	—	(45,603)	23,218	5.1%	0.26%	1.32%
Agency debentures	8	87,172	30,371	10,164	(6)	40,529	5.7%	—	4.56%
Unsecured REIT debt	1	8,000	8,396	955	—	9,351	0.5%	7.50%	5.88%
Trust preferred securities	2	7,225	7,225	—	(1,373)	5,850	0.4%	2.25%	2.32%
Subtotal	165	814,685	572,999	61,551	(172,733)	461,815	53.2%	3.00%	8.48%
Total	217	$ 1,532,891	$ 980,221	$ 132,430	$ (234,135)	$ 878,514	100.0%	2.57%	12.92%

(1) Excludes $108.0 million principal amount of N-Star CDO bonds payable that are eliminated in consolidation.
(2) All securities are unleveraged.
(3) Based on amortized cost for N-Star CDO equity and principal amount for remaining securities.
(4) Based on expected maturity and for floating-rate securities, calculated using the applicable LIBOR as of December 31, 2014.
(5) The fair value option was elected for these securities (refer to Note 14).
(6) The fair value option was elected for $42.6 million carrying value of these securities (refer to Note 14).
(7) Investments in the same securitization tranche held in separate CDO financing transactions are reported as separate investments.

For the year ended December 31, 2015, proceeds from the sale of CRE securities was $95.7 million resulting in a net realized gain of $14.1 million. For the year ended December 31, 2014, proceeds from the sale of CRE securities was $94.8 million resulting in a net realized gain of $22.4 million. For the year ended December 31, 2013, proceeds from the sale of CRE securities was $224.0 million resulting in a net realized gain of $35.4 million, which includes proceeds related to the liquidation of N-Star CDO II.

CRE securities investments, not held in N-Star CDOs, include 28 securities for which the fair value option was not elected. As of December 31, 2015, the aggregate carrying value of these securities was $223.7 million, representing $21.9 million of accumulated net unrealized gains included in OCI. As of December 31, 2015, the Company held 23 securities with an aggregate carrying value of $111.9 million with an unrealized loss of $2.5 million, one of which was in an unrealized loss position for a period of greater than 12 months. Based on management's quarterly evaluation, the Company recorded OTTI of $4.0 million and $1.6 million for the years ended December 31, 2015 and 2014, which was recorded in realized gain (loss) on investments and other in the consolidated statements of operations. As of December 31, 2015, the Company does not intend to sell these securities and it is more likely than not that the Company will not be required to sell these securities prior to recovery of its amortized cost basis, which may be at maturity.

8. Borrowings

The following table presents borrowings as of December 31, 2015 and 2014 (dollars in thousands):

				December 31, 2015		December 31, 2014	
	Recourse vs. Non-Recourse	Final Maturity	Contractual Interest Rate(1)(2)	Principal Amount	Carrying Value(3)	Principal Amount	Carrying Value(3)
Mortgage and other notes payable:(4)							
Healthcare							
East Arlington, TX	Non-recourse	May-17	5.89%	$ 3,101	$ 3,101	$ 3,157	$ 3,149
Ohio Portfolio	Non-recourse	Jan-19	LIBOR + 5.00%	19,948	18,848	20,230	19,999
Lancaster, OH	Non-recourse	Jan-19	LIBOR + 5.00%	2,261	2,261	2,442	2,396
Wilkinson Portfolio	Non-recourse	Jan-19	6.99%	147,076	147,076	150,024	149,147
Tuscola/Harrisburg, IL	Non-recourse	Jan-19	7.09%	7,268	7,268	7,412	7,342
Formation Portfolio(5)	Non-recourse	May-19(6)/Jan-25	LIBOR + 4.25%(7)/4.54%	701,819	695,060	705,608	692,935
Minnesota Portfolio	Non-recourse	Nov-19	LIBOR + 3.50%	37,800	37,800	37,800	36,990
Griffin-American - U.K.(5)	Non-recourse	Dec-19(6)	LIBOR + 4.25%(7)	327,890	327,890	348,588	348,588
Griffin-American - U.S. - Fixed(5)	Non-recourse	Dec-19(6)/ Jun-25 / Dec-35	4.68%	1,763,036	1,652,238	1,750,000	1,678,706
Griffin-American - U.S. - Floating(5)	Non-recourse	Dec-19(6)	LIBOR + 3.15%(7)	854,565	854,565	868,797	868,797
Wakefield Portfolio	Non-recourse	April-20	LIBOR + 4.00%	54,694	53,816	54,751	54,675
Healthcare Preferred(8)	Non-recourse	Jul-21	LIBOR + 7.75%	75,000	75,000	75,000	75,000
Indiana Portfolio(8)	Non-recourse	Sept-21	LIBOR + 4.50%	121,130	121,130	121,130	121,130
Subtotal Healthcare/weighted average			4.53%(7)	4,115,588	3,996,053	4,144,939	4,058,854
Hotel							
Innkeepers Portfolio(5)	Non-recourse	Jun-19(6)	LIBOR + 3.39%(7)	840,000	837,137	840,000	830,322
K Partners Portfolio(5)	Non-recourse	Aug-19(6)	LIBOR + 3.25%(7)	211,681	210,660	211,681	208,905
Courtyard Portfolio(5)	Non-recourse	Oct-19(6)	LIBOR + 3.05%(7)	512,000	509,554	512,000	506,292
Inland Portfolio(5)	Non-recourse	Nov-19(6)	LIBOR + 3.60%(7)	817,000	811,927	817,000	806,287
NE Portfolio(5)	Non-recourse	Jun-20(6)	LIBOR + 3.85%(7)	132,250	130,824	—	—
Miami Hotel Portfolio(5)	Non-recourse	Jul-20(6)	LIBOR + 3.90%(7)	115,500	113,833	—	—
Subtotal Hotel/weighted average			3.73%(7)	2,628,431	2,613,935	2,380,681	2,351,806
Manufactured housing communities							
Manufactured Housing Portfolio 3	—	—	—	—	—	297,428	296,856
Manufactured Housing Portfolio 1	—	—	—	—	—	236,900	233,096
Manufactured Housing Portfolio 2	—	—	—	—	—	639,909	631,874
Subtotal Manufactured housing communities				—	—	1,174,237	1,161,826
Net lease							
Fort Wayne, IN	—	—	—	—	—	2,909	2,869
Columbus, OH	—	—	—	—	—	21,934	21,910
Keene, NH	—	—	—	—	—	6,105	6,090
EDS Portfolio	—	—	—	—	—	42,738	42,675
Green Pond, NJ	Non-recourse	Apr-16	5.68%	15,486	15,481	15,799	15,778
Aurora, CO	Non-recourse	Jul-16	6.22%	30,175	30,169	30,720	30,702
DSG Portfolio	Non-recourse	Oct-16	6.17%	30,481	30,428	31,126	31,006
Indianapolis, IN	Non-recourse	Feb-17	6.06%	25,674	25,663	26,151	26,129
Milpitas, CA	Non-recourse	Mar-17	5.95%	18,827	18,807	19,459	19,420
Fort Mill, SC	Non-recourse	Apr-17	5.63%	27,700	27,675	27,700	27,655
Fort Mill, SC - Mezzanine	Non-recourse	Apr-17	6.21%	663	663	1,079	1,079
Industrial Portfolio(5)	Non-recourse	Jul-17/Dec-17	4.21%(7)	221,125	224,635	221,131	226,746
Salt Lake City, UT	Non-recourse	Sept-17	5.16%	12,646	12,555	13,181	13,037
South Portland, ME	Non-recourse	Jul-23	LIBOR + 2.15%(7)	3,241	3,190	3,597	3,534
Subtotal Net lease/weighted average			4.91%(7)	386,018	389,266	463,629	468,630

	Recourse vs. Non-Recourse	Final Maturity	Contractual Interest Rate[(1)(2)]	December 31, 2015 Principal Amount	December 31, 2015 Carrying Value[(3)]	December 31, 2014 Principal Amount	December 31, 2014 Carrying Value[(3)]
Multifamily[(9)]							
Memphis, TN	—	—	—	—	—	39,600	39,040
Southeast Portfolio	—	—	—	—	—	158,417	156,751
Scottsdale, AZ	—	—	—	—	—	46,538	45,905
Subtotal Multifamily				—	—	244,555	241,696
Multi-tenant Office							
Legacy Properties[(5)]	Non-recourse	Nov-19/Feb-20[(6)]	LIBOR + 2.15%[(7)]	112,988	111,266	45,584	44,697
Subtotal Multi-tenant Office				112,988	111,266	45,584	44,697
Other							
Secured borrowing	Non-recourse	May-23	LIBOR + 1.60%	54,056	54,056	—	—
Subtotal Other				54,056	54,056	—	—
Subtotal Mortgage and other notes payable[(4)]				7,297,081	7,164,576	8,453,625	8,327,509
Credit facilities and term borrowings:[(10)]							
Corporate Revolver[(11)]	Recourse	Aug-17	LIBOR + 3.50%[(7)]	165,000	165,000	215,000	215,000
Corporate Term Borrowing	Recourse	Sept-17	4.60% / 4.55%[(12)]	425,000	417,039	425,000	412,717
Loan Facility	—	—	—	—	—	14,850	14,527
Loan Facility 1	Partial Recourse[(13)]	Mar-18[(6)]	2.95%[(7)]	72,053	70,665	77,930	76,515
Subtotal Credit facilities and term borrowings				662,053	652,704	732,780	718,759
CDO bonds payable:							
N-Star I	Non-recourse	Aug-38	7.01%	10,869	10,814	15,020	14,504
N-Star IX	Non-recourse	Aug-52	LIBOR + 0.48%[(7)]	425,622	296,787	545,939	375,564
Subtotal CDO bonds payable—VIE				436,491	307,601	560,959	390,068
Securitization bonds payable:							
Securitization 2012-1	—	—	—	—	—	41,831	41,746
Subtotal Securitization financing transaction				—	—	41,831	41,746
Exchangeable senior notes:							
7.25% Notes	Recourse	Jun-27	7.25%	12,955	12,955	12,955	12,955
8.875% Notes	Recourse	Jun-32	8.875%	1,000	967	1,000	947
5.375% Notes	Recourse	Jun-33	5.375%	17,405	15,116	31,633	27,106
Subtotal Exchangeable senior notes				31,360	29,038	45,588	41,008
Junior subordinated notes:[(14)]							
Trust I	Recourse	Mar-35	LIBOR + 3.25%[(7)]	41,240	29,033	41,240	32,992
Trust II	Recourse	Jun-35	LIBOR + 3.25%[(7)]	25,780	18,152	25,780	20,753
Trust III	Recourse	Jan-36	7.81%	41,238	27,003	41,238	32,784
Trust IV	Recourse	Jun-36	7.95%	50,100	33,446	50,100	39,830
Trust V	Recourse	Sept-36	LIBOR + 2.70%[(7)]	30,100	18,978	30,100	21,823
Trust VI	Recourse	Dec-36	LIBOR + 2.90%[(7)]	25,100	16,348	25,100	18,700
Trust VII	Recourse	Apr-37	LIBOR + 2.50%[(7)]	31,459	18,960	31,459	22,492
Trust VIII	Recourse	Jul-37	LIBOR + 2.70%[(7)]	35,100	21,973	35,100	25,798
Subtotal Junior subordinated notes				280,117	183,893	280,117	215,172
Subtotal				8,707,102	8,337,812	10,114,900	9,734,262
Borrowings of properties, held for sale:[(4)]							
EDS Portfolio[(9)]	Non-recourse	Oct-15	5.37%	41,742	41,742	—	—
Manufactured Housing Communities[(9)]	Non-recourse	Dec-21 - Dec-25	4.32%[(7)]	1,274,643	1,262,726	—	—
Multifamily[(9)]	Non-recourse	Apr-23 - Jul-23	4.08%[(7)]	249,709	247,019	—	—
Senior Housing Portfolio[(9)]	Non-recourse	May-25	4.17%	648,211	644,486	—	—
Subtotal Borrowings of properties, held for sale				2,214,305	2,195,973	—	—
Grand Total				$10,921,407	$ 10,533,785	$ 10,114,900	$ 9,734,262

(1) Refer to Note 15 for further disclosure regarding derivative instruments which are used to manage interest rate exposure.
(2) For borrowings with a contractual interest rate based on LIBOR, represents three-month LIBOR for the Wakefield Portfolio and one-month LIBOR for the other borrowings.
(3) Carrying value represents fair value with respect to CDO bonds payable and junior subordinated notes due to the election of the fair value option (refer to Note 14) and amortized cost, net of deferred financing costs for the other borrowings.
(4) Mortgage and other notes payable are subject to customary non-recourse carveouts.
(5) An aggregate principal amount of $6.6 billion is comprised of 22 senior mortgage notes totaling $5.1 billion and 16 mezzanine mortgage notes totaling $1.5 billion.
(6) Represents final maturity taking into consideration the Company's extension options.
(7) Contractual interest rate represents a weighted average. For borrowings with variable interest rates, the weighted average includes the current LIBOR as of December 31, 2015.
(8) Represents borrowings in N-Star CDOs.
(9) The Company's EDS Portfolio, manufactured housing portfolios, multifamily portfolio and Senior Housing Portfolio are classified as held for sale and associated borrowings are expected to be assumed by a buyer, and therefore, classified as liabilities of assets held for sale. In October 2015, the mortgage matured for the EDS Portfolio and the Company is currently in negotiations with the lender and is expected to give the property back to the lender.
(10) The difference between principal amount and carrying value, if any, represents deferred financing costs.
(11) Secured by collateral relating to a borrowing base comprised primarily of unlevered CRE debt, net lease and securities investments with a carrying value of $666.6 million as of December 31, 2015.
(12) Represents the respective fixed rate applicable to each borrowing under the Corporate Term Borrowing.
(13) Recourse solely with respect to certain types of loans as defined in the governing documents.
(14) Junior subordinated notes Trust II had a fixed interest rate through December 31, 2015 when it changed to floating rate. Trusts III and IV have a fixed interest rate until January 30, 2016 and June 30, 2016, respectively, when the rate will change to floating and reset quarterly to three-month LIBOR plus 2.83% to 2.80%, respectively.

The following table presents a reconciliation of principal amount to carrying value of the Company's mortgage and other notes payable by asset class as of December 31, 2015 and 2014 (dollars in thousands):

	December 31, 2015				December 31, 2014			
Asset Class:	Principal Amount	Discount (Premium), Net	Deferred Financing Costs, Net	Carrying Value	Principal Amount	Discount (Premium), Net	Deferred Financing Costs, Net	Carrying Value
Healthcare	$ 4,115,588	$ 12,801	$ (132,336)	$ 3,996,053	$ 4,144,939	$ (4,650)	$ (81,435)	$ 4,058,854
Hotel	2,628,431	—	(14,496)	2,613,935	2,380,681	—	(28,875)	2,351,806
Manufactured housing	—	—	—	—	1,174,237	2,288	(14,699)	1,161,826
Net lease	386,018	4,389	(1,141)	389,266	463,629	6,940	(1,939)	468,630
Multifamily	—	—	—	—	244,555	—	(2,859)	241,696
Multi-tenant office	112,988	—	(1,722)	111,266	45,584	—	(887)	44,697
Other	54,056	—	—	54,056	—	—	—	—
Total	$ 7,297,081	$ 17,190	$ (149,695)	$ 7,164,576	$ 8,453,625	$ 4,578	$ (130,694)	$ 8,327,509

The following table presents scheduled principal on borrowings, based on final maturity as of December 31, 2015 (dollars in thousands):

	Total	Mortgage and Other Notes Payable	CDO Bonds Payable	Credit Facilities and Term Borrowings	Exchangeable Senior Notes(1)	Junior Subordinated Notes	Borrowings of Properties, Held for Sale
Years ending December 31:							
2016	$ 143,155	$ 87,534	$ —	$ —	$ —	$ —	$ 55,621
2017	926,647	317,896	—	590,000	—	—	18,751
2018	124,801	11,154	—	72,053	12,955	—	28,639
2019	5,960,320	5,923,761	—	—	—	—	36,559
2020	389,906	350,510	—	—	1,000	—	38,396
Thereafter	3,376,578	606,226	436,491	—	17,405	280,117	2,036,339
Total	$ 10,921,407	$ 7,297,081	$ 436,491	$ 662,053	$ 31,360	$ 280,117	$ 2,214,305

(1) The 7.25% Notes, 8.875% Notes and 5.375% Notes have a final maturity date of June 15, 2027, June 15, 2032 and June 15, 2033, respectively. The above table reflects the holders' repurchase rights which may require the Company to repurchase the 7.25% Notes, 8.875% Notes and 5.375% Notes on June 15, 2017, June 15, 2019 and June 15, 2023, respectively.

Credit Facilities and Term Borrowings

Corporate Borrowings

In August 2014, the Company obtained a corporate revolving credit facility (as amended, the "Corporate Revolver") with certain commercial bank lenders, with a three-year term. The Corporate Revolver is secured by collateral relating to a borrowing base and guarantees by certain subsidiaries of the Company. In May 2015, the Company amended and restated the Corporate Revolver to substitute the Operating Partnership as the borrower, with the Company becoming a guarantor. The Operating Partnership must maintain at least $25.0 million of minimum liquidity based on the sum of unrestricted cash or cash equivalents and undrawn availability during the term of the Corporate Revolver. In February 2016, the Company amended the agreement and decreased the aggregate amount of the revolving commitment to $250 million, subject to certain conditions. Subsequent to year end, the Corporate Revolver was repaid and there is currently no outstanding balance.

In September 2014, the Company entered into a corporate term borrowing agreement (as amended, the "Corporate Term Borrowing") with a commercial bank lender to establish term borrowings. In March 2015, the Company amended and restated the Corporate Term Borrowing to substitute the Operating Partnership as the borrower, with the Company becoming a guarantor. Borrowings may be prepaid at any time subject to customary breakage costs. In September and December 2014, the Company entered into a credit agreement providing for a term borrowing under the Corporate Term Borrowing in a principal amount of $275.0 million and $150.0 million, respectively, with a fixed interest rate of 4.60% and 4.55%, respectively, with each maturing on September 19, 2017. There is no available financing remaining under the Corporate Term Borrowing.

The Corporate Revolver and the Corporate Term Borrowing and related agreements contain representations, warranties, covenants, conditions precedent to funding, events of default and indemnities that are customary for agreements of these types. As of December 31, 2015, the Company was in compliance with all of its financial covenants.

Loan Facility

In March 2013, a subsidiary of the Company entered into a master repurchase agreement ("Loan Facility 1") of $200.0 million to finance first mortgage loans and senior interests secured by commercial real estate. In connection with Loan Facility 1, the Company entered into a guaranty agreement under which the Company guaranteed certain of the obligations under Loan Facility 1. Loan Facility 1 and related agreements contain representations, warranties, covenants, conditions precedent to funding, events of default and indemnities that are customary for agreements of these types. More specifically, the Company must maintain at least $20.0 million in unrestricted cash or cash equivalents at all times during the term of Loan Facility 1. In addition, the Company has agreed to guarantee certain customary obligations under Loan Facility 1 if the Company or an affiliate of the Company engage in certain customary bad acts. As of December 31, 2015, the Company was in compliance with all of its financial covenants.

Currently, the Company has $38.8 million carrying value of loans financed with $25.2 million on Loan Facility 1.

During the initial term, Loan Facility 1 acts as a revolving credit facility that can be paid down as assets repay or are sold and re-drawn upon for new investments.

Senior Notes

In March 2014, $172.5 million principal amount of the 7.50% Notes were exchanged for $481.1 million principal amount of senior notes that matured on September 30, 2014 (the "2014 Senior Notes"). In connection with this exchange, the Company recorded a loss of $22.4 million in realized gain (loss) on investments and other in the consolidated statements of operations. On September 30, 2014, the Company repaid the 2014 Senior Notes in cash, including interest, in the amount of $488.3 million.

In July 2015, NorthStar Europe issued $340 million principal amount of 4.625% senior notes due December 2016 ("NRE Senior Notes"). The Company received aggregate net proceeds of $331 million, after deducting the underwriters' discount and other expenses. NorthStar Europe loaned the Company the net proceeds from the issuance of the NRE Senior Notes, which were used for general corporate purposes, including, among other things, the funding of acquisitions, including the Trianon Tower and the repayment of the Company's borrowings. The NRE Senior Notes are senior unsubordinated and unsecured obligations of NorthStar Europe and were deemed repaid upon completion of the NRE Spin-off. The Company and the Operating Partnership continue to guarantee payments on the NRE Senior Notes subsequent to the NRE Spin-off.

Exchangeable Senior Notes

In 2007, the Company issued $172.5 million of 7.25% exchangeable senior notes (“7.25% Notes”) which were offered in accordance with Rule 144A under the Securities Act of 1933, as amended (“Rule 144A”), of which $13.0 million remains outstanding as of December 31, 2015. The 7.25% Notes may be exchangeable upon the occurrence of specified events, and at any time on or after June 15, 2017, and prior to the close of business on the second business day immediately preceding the maturity date, into cash or common stock of the Company, or a combination thereof, if any, at the Company’s option. The exchange price as of December 31, 2015 was $24.14 per share.

In 2012, the Company issued $82.0 million of 8.875% exchangeable senior notes (“8.875% Notes”) which were offered in accordance with Rule 144A, of which $1.0 million remains outstanding as of December 31, 2015. The 8.875% Notes may be exchangeable upon the occurrence of specified events, and at any time on or after June 15, 2019, and prior to the close of business on the second business day immediately preceding the maturity date, into cash or common stock of the Company, or a combination thereof, if any, at the Company’s option. The exchange price as of December 31, 2015 was $8.10 per share.

In 2013, the Company issued $345.0 million of 5.375% exchangeable senior notes (“5.375% Notes”) which were offered in accordance with Rule 144A, of which $17.4 million remains outstanding as of December 31, 2015. The 5.375% Notes may be exchangeable upon the occurrence of specified events, and at any time on or after June 15, 2023, and prior to the close of business on the second business day immediately preceding the maturity date, into cash or common stock of the Company, or a combination thereof, if any, at the Company’s option. The exchange price as of December 31, 2015 was $13.67 per share. In 2015, $14.2 million principal amount of 5.375% Notes were exchanged for 0.8 million shares of common stock, after giving effect to the Reverse Split. In connection with these conversions, the Company recorded a loss of $1.3 million in realized gain (loss) on investments and other in the consolidated statements of operations for the year ended December 31, 2015. In January 2016, $0.6 million principal amount of the 5.375% Notes were exchanged for 0.1 million shares of common stock.

All of the Company’s outstanding exchangeable senior notes contain unconditional guarantees by the Company on an unsecured and unsubordinated basis.

The following table presents the components of outstanding exchangeable senior notes as of December 31, 2015 and 2014 (dollars in thousands):

	December 31, 2015			December 31, 2014		
	Principal Amount	Unamortized Discount(1)	Carrying Value	Principal Amount	Unamortized Discount	Carrying Value
7.25% Notes	$ 12,955	$ —	$ 12,955	$ 12,955	$ —	$ 12,955
8.875% Notes	1,000	(33)	967	1,000	(53)	947
5.375% Notes	17,405	(2,289)	15,116	31,633	(4,527)	27,106
Total	$ 31,360	$ (2,322)	$ 29,038	$ 45,588	$ (4,580)	$ 41,008

(1) The remaining amortization period for the 8.875% Notes and 5.375% Notes is 3.5 years and 7.5 years, respectively.

As of December 31, 2015 and 2014, the aggregate carrying value of the equity components of the exchangeable senior notes is $13.5 million and $23.7 million, respectively, which is recorded as a component of additional paid-in capital. The following table presents the components of interest expense related to outstanding exchangeable senior notes for the years ended December 31, 2015, 2014 and 2013 (dollars in thousands):

	Interest and Amortization Expense		
Years Ended	Interest Expense	Amortization Expense(1)	Total Interest Expense
2015	$ 1,998	$ 275	$ 2,273
2014	15,812	7,542	23,354
2013	32,475	8,416	40,891

(1) The effective interest rate of the 8.875% Notes and 5.375% Notes was 9.8% and 6.5% for the year ended December 31, 2015, respectively.

9. Spin-offs

Spin-off of Asset Management Business

Upon completion of the NSAM Spin-off, the asset management business of the Company is owned and operated by NSAM and the Company is externally managed by an affiliate of NSAM through a management contract with an initial term of 20 years. Subsequent to the NSAM Spin-off, the Company continues to operate its CRE debt origination business. Most of the employees of the Company at the time of the NSAM Spin-off became employees of NSAM and executive officers, employees engaged in the Company's loan origination business at the time of the NSAM Spin-off and certain other employees became co-employees of both the Company and NSAM. In connection with the NSAM Spin-off, the advisory agreements between the Company and each of the NSAM Sponsored Companies were terminated and affiliates of NSAM entered into new advisory agreements with each of the NSAM Sponsored Companies on substantially the same terms as those in effect at the time of the NSAM Spin-off.

Spin-off of European Real Estate Business

On October 31, 2015, the Company completed the NRE Spin-off into a separate publicly-traded REIT, NorthStar Europe, in the form of the NRE Distribution. In connection with the NRE Distribution, each of the Company's common stockholders received shares of NorthStar Europe's common stock on a one-for-six basis, before giving effect to the Reverse Split. The Company contributed to NorthStar Europe approximately $2.6 billion of European real estate, at cost (excluding the Company's European healthcare properties), comprised of 52 properties spanning across some of Europe's top markets and $250 million of cash. NSAM manages NorthStar Europe pursuant to a long-term management agreement, on substantially similar terms as the Company's management agreement with NSAM.

In connection with the NRE Spin-off, $2.8 billion of assets were transferred and $1.9 billion of liabilities were assumed by NRE. Such transaction costs were expensed by NRE upon completion of the spin-off and included legal, accounting, tax and other professional services and relocation and start-up costs. As of December 31, 2014, the carrying value of the assets and liabilities classified as assets and liabilities of discontinued operations related to NorthStar Europe and consisted of the following (dollars in thousands):

Assets		
Operating real estate, net	$	89,288
Investment related deposits		58,647
Other assets		10,598
Total assets	$	158,533
Liabilities		
Mortgage and other notes payable	$	75,562
Other liabilities		3,950
Total liabilities		79,512
Equity		
NorthStar Europe stockholders' equity		77,812
Non-controlling interests		1,209
Total equity		79,021
Total liabilities and equity	$	158,533

Summary

The following table presents a carve-out of revenues and expenses associated with NSAM and NRE and included in discontinued operations in the Company's consolidated statements of operations (dollars in thousands):

	Years Ended December 31,		
NSAM	**2015[1]**	**2014[2]**	**2013[2]**
Total revenues[3]	$ —	$ 56,013	$ 89,938
Total expenses[4]	—	63,216	90,343
NSAM income (loss) in discontinued operations	—	(7,203)	(405)
NorthStar Europe			
Total revenues	89,600	1,647	—
Total expenses[5][6]	205,406	38,050	—
Unrealized gain (loss) on investments and other	(10,812)	—	—
Realized gain (loss) on investments and other	5	(170)	—
Income (loss) before income tax benefit (expense) provision	(126,613)	(36,573)	—
Income tax benefit (expense)	18,070	—	—
NRE income (loss) in discontinued operations	(108,543)	(36,573)	—
Income (loss) from operating real estate in discontinued operations[6]	(11)	(925)	(8,356)
Total income (loss) from discontinued operations	$ (108,554)	$ (44,701)	$ (8,761)

(1) Represents ten months of total revenues and expenses of NorthStar Europe included in discontinued operations prior to the NRE Spin-off on October 31, 2015.
(2) Represents six months of total revenues and expenses of NSAM included in discontinued operations prior to the NSAM Spin-off on June 30, 2014 and a full year of activity for 2013.
(3) Includes asset management and other fee income from NSAM Sponsored Companies earned prior to the NSAM Spin-off and selling commissions and dealer manager fees earned by selling equity in the NSAM Sponsored Companies through NorthStar Securities. Additionally, revenues exclude the effect of any fees that NSAM began earning in connection with the management agreement with the Company upon completion of the NSAM Spin-off.
(4) Includes an allocation of indirect expenses of the Company to NSAM related to managing the NSAM Sponsored Companies and owning NorthStar Securities, including salaries, equity-based compensation and other general and administrative expenses (primarily occupancy and other costs) based on an estimate had the asset management business been run as an independent entity.
(5) Includes $109.5 million and $27.5 million of transaction costs related to acquisitions for the years ended December 31, 2015 and 2014, respectively.
(6) Includes $42.4 million and $0.5 million of depreciation and amortization for the years ended December 31, 2015 and 2014, respectively.
(7) Represents an asset held for sale as of December 31, 2014 which was given back to the lender in 2015.

The following table presents certain data for operating real estate of discontinued operations related to NorthStar Europe and NSAM (dollars in thousands):

	Years Ended December 31,		
	2015[(1)]	2014	2013
Depreciation and amortization	$ 42,431	$ 1,378	$ 1,390
Amortization of equity-based compensation[(1)]	—	13,745	5,177
Unrealized gain (loss) on investments and other	(10,812)	—	—
Realized gain (loss) on investments and other	5	(170)	—
Acquisition of operating real estate	1,873,607	94,169	—
Improvements of operating real estate	1,286	82	—

(1) Represents an allocation to NSAM prior to the NSAM Spin-off for the six months ended June 30, 2014 and a full year for 2013.

10. Related Party Arrangements

NorthStar Asset Management Group

Management Agreement

Upon completion of the NSAM Spin-off, the Company entered into a management agreement with an affiliate of NSAM for an initial term of 20 years, which automatically renew for additional 20-year terms each anniversary thereafter unless earlier terminated. As asset manager, NSAM is responsible for the Company's day-to-day operations, subject to the supervision of the Company's board of directors. Through its global network of subsidiaries and branch offices, NSAM performs services and engages in activities relating to, among other things, investments and financing, portfolio management and other administrative services, such as accounting and investor relations, to the Company and its subsidiaries other than the Company's CRE loan origination business. The management agreement with NSAM provides for a base management fee and incentive fee. The management contract with NSAM commenced on July 1, 2014, and as such, there were no management fees incurred for the six months ended June 30, 2014 and year ended December 31, 2013.

In connection with the NRE Spin-off, NorthStar Europe entered into a management agreement with NSAM with an initial term of 20 years on terms substantially consistent with the terms of the Company's management agreement with NSAM. The Company's management agreement with NSAM was amended and restated in connection with the NRE Spin-off to, among other things, adjust the annual base management fee and incentive fee hurdles for the NRE Spin-off.

Base Management Fee

For the year ended December 31, 2015, the Company incurred $190.0 million related to the base management fee. As of December 31, 2015, $47.4 million is recorded in due to related party on the consolidated balance sheets. For the six months ended December 31, 2014, the Company incurred $79.4 million related to the base management fee. The base management fee to NSAM will increase subsequent to December 31, 2015 by an amount equal to 1.5% per annum of the sum of:

- cumulative net proceeds of all future common equity and preferred equity issued by the Company;
- equity issued by the Company in exchange or conversion of exchangeable notes based on the stock price at the date of issuance;

- any other issuances by the Company of common equity, preferred equity or other forms of equity, including but not limited to LTIP Units in our Operating Partnership(excluding units issued to the Company and equity-based compensation, but including issuances related to an acquisition, investment, joint venture or partnership); and
- cumulative cash available for distribution ("CAD") of the Company in excess of cumulative distributions paid on common stock, LTIP units or other equity awards beginning the first full calendar quarter after the NSAM Spin-off.

Additionally, the Company's equity interest in RXR Realty and Aerium is structured so that NSAM is entitled to the portion of distributable cash flow from each investment in excess of the $10 million minimum annual base amount.

Incentive Fee

For the year ended December 31, 2015 and the six months ended December 31, 2014, the Company incurred $8.7 million and $3.3 million, respectively, related to the incentive fee. The incentive fee is calculated and payable quarterly in arrears in cash, equal to:

- the product of: (a) 15% and (b) the Company's CAD before such incentive fee, divided by the weighted average shares outstanding for the calendar quarter, when such amount is in excess of $0.68 per share and up to $0.78 per share, after giving effect to the Reverse Split and the NRE Spin-off ("15% Hurdle"); plus
- the product of: (a) 25% and (b) the Company's CAD before such incentive fee, divided by the weighted average shares outstanding for the calendar quarter, when such amount is in excess of $0.78 per share, after giving effect to the Reverse Split and the NRE Spin-off ("25% Hurdle");
- multiplied by the Company's weighted average shares outstanding for the calendar quarter.

In addition, NSAM may also earn an incentive fee from the Company's healthcare investments in connection with NSAM's Healthcare Strategic Partnership (refer to below).

Weighted average shares represents the number of shares of the Company's common stock, LTIP Units or other equity-based awards (with some exclusions), outstanding on a daily weighted average basis. With respect to the base management fee, all equity issuances are allocated on a daily weighted average basis during the fiscal quarter of issuance. With respect to the incentive fee, such amounts will be appropriately adjusted from time to time to take into account the effect of any stock split, reverse stock split, stock dividend, reclassification, recapitalization or other similar transaction.

Additional Management Agreement Terms

If the Company were to spin-off any asset or business in the future, such entity would be managed by NSAM on terms substantially similar to those set forth in the management agreement between the Company and NSAM. The management agreement further provides that the aggregate base management fee in place immediately after any future spin-off will not be less than the aggregate base management fee in place at the Company immediately prior to such spin-off.

The Company's management agreement with NSAM provides that in the event of a change of control of NSAM or other event that could be deemed an assignment of the management agreement, the Company will consider such assignment in good faith and not unreasonably withhold, condition or delay our consent. The management agreement further provides that the Company anticipate consent would be granted for an assignment or deemed assignment to a party with expertise in commercial real estate and $10 billion of assets under management. The management agreement also provides that, notwithstanding anything in the agreement to the contrary, to the maximum extent permitted by applicable law, rules and regulations, in connection with any merger, sale of all or substantially all of the assets, change of control, reorganization, consolidation or any similar transaction of us or NSAM, directly or indirectly, the surviving entity will succeed to the terms of the management agreement.

Payment of Costs and Expenses and Expense Allocation

The Company is responsible for all of its direct costs and expenses and will reimburse NSAM for costs and expenses incurred by NSAM on its behalf. In addition, NSAM may allocate indirect costs to the Company related to employees, occupancy and other general and administrative costs and expenses in accordance with the terms of, and subject to the limitations contained in, the Company's management agreement with NSAM (the "G&A Allocation"). The Company's management agreement with NSAM provides that the amount of the G&A Allocation will not exceed the following: (i) 20% of the combined total of: (a) the Company's and NorthStar Europe's (the "NorthStar Listed Companies") general and administrative expenses as reported in their consolidated financial statements excluding (1) equity-based compensation expense, (2) non-recurring items, (3) fees payable to NSAM under the terms of the applicable management agreement and (4) any allocation of expenses to the NorthStar Listed Companies ("NorthStar Listed Companies' G&A"); and (b) NSAM's general and administrative expenses as reported in its consolidated financial statements, excluding equity-based compensation expense and adding back any costs or expenses allocated to any managed company of NSAM; less (ii) the NorthStar Listed Companies' G&A. The G&A Allocation may include the Company's allocable share of NSAM's compensation and benefit costs associated with dedicated or partially dedicated personnel who spend all or a portion of their time managing the Company's affairs, based upon the percentage of time devoted by such personnel to the Company's affairs. The G&A Allocation may also include rental and occupancy, technology, office supplies, travel and entertainment and other general and administrative costs and expenses also allocated based on the percentage of time devoted by personnel to the Company's affairs. In addition, the Company will pay directly or reimburse NSAM for an allocable portion of any severance paid pursuant to any employment, consulting or similar service agreements in effect between NSAM and any of its executives, employees or other service providers.

In connection with the NRE Spin-off and the related agreements, the NorthStar Listed Companies' obligations to reimburse NSAM for the G&A Allocation and any severance are shared among the NorthStar Listed Companies, at NSAM's discretion, and the 20% cap on the G&A Allocation, as described above, applies on an aggregate basis to the NorthStar Listed Companies. NSAM currently determined to allocate these amounts based on assets under management.

For the year ended December 31, 2015 and the six months ended December 31, 2014, NSAM allocated \$10.0 million, of which \$1.4 million is recorded in discontinued operations related to NorthStar Europe, and \$5.2 million, respectively, to the Company. As of December 31, 2015, \$6.5 million is recorded in due to related party on the consolidated balance sheets.

In addition, the Company, together with NorthStar Europe and any company spun-off from the Company or NorthStar Europe, will pay directly or reimburse NSAM for up to 50% of any long-term bonus or other compensation that NSAM's compensation committee determines shall be paid and/or settled in the form of equity and/or equity-based compensation to executives, employees and service providers of NSAM during any year. Subject to this limitation and limitations contained in any applicable management agreement between NSAM and NorthStar Europe or any company spun-off from the Company or NorthStar Europe, the amount paid by the Company, NorthStar Europe and any company spun-off from the Company or NorthStar Europe will be determined by NSAM in its discretion. At the discretion of NSAM's compensation committee, this compensation may be granted in shares of the Company's restricted stock, restricted stock units, LTIP Units or other forms of equity compensation or stock-based awards; provided that if at any time a sufficient number of shares of the Company's common stock are not available for issuance under the Company's equity compensation plan, such compensation shall be paid in the form of RSUs, LTIP Units or other securities that may be settled in cash. The Company's equity compensation for each year may be allocated on an individual-by-individual basis at the discretion of the NSAM compensation committee and, as long as the aggregate amount of the equity compensation for such year does not exceed the limits set forth in the management agreement, the proportion of any particular individual's equity compensation may be greater or less than 50%.

The Company was responsible for paying approximately 50% of the 2014 long-term bonuses earned under the NorthStar Asset Management Group Inc. Executive Incentive Bonus Plan ("NSAM Bonus Plan"). Long-term bonuses were paid to executives in the form of equity-based awards of both the Company and NSAM, subject to performance-based and time-based vesting conditions over the four-year performance period from January 1, 2014 through December 31, 2017. The long-term bonuses paid in the form of equity-based awards of the Company were adjusted for the NRE Spin-off and Reverse Split in the same manner as all other equity-based awards of the Company.

<u>Investment Opportunities</u>

Under the management agreement, the Company agreed to make available to NSAM for the benefit of NSAM and its managed companies, including the Company, all investment opportunities sourced by the Company. NSAM agreed to fairly allocate such opportunities among NSAM's managed companies, including the Company and NSAM in accordance with an investment allocation policy. Pursuant to the management agreement, the Company is entitled to fair and reasonable compensation for its services in connection with any loan origination opportunities sourced by the Company, which may include first mortgage loans, subordinate mortgage interests, mezzanine loans and preferred equity interests, in each case relating to commercial real estate. Inception to date, the Company earned \$3.0 million from NSAM, recorded in other revenue, for services in connection with loan origination opportunities, which represents \$1.4 million for the year ended December 31, 2015 and \$1.6 million for the six months ended December 31, 2014.

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

Credit Agreement

In connection with the NSAM Distribution, the Company entered into a revolving credit agreement with NSAM pursuant to which the Company makes available to NSAM, on an "as available basis," up to $250 million of financing with a maturity of June 30, 2019 at LIBOR plus 3.50%. The revolving credit facility is unsecured. NSAM expects to use the proceeds for general corporate purposes, including potential future acquisitions. In addition, NSAM may use the proceeds to acquire assets on behalf of its managed companies, including the Company, that it intends to allocate to such managed company but for which such managed company may not then have immediately available funds. The terms of the revolving credit facility contain various representations, warranties, covenants and conditions, including the condition that the Company's obligation to advance proceeds to NSAM is dependent upon the Company and its affiliates having at least $100 million of either unrestricted cash and cash equivalents or amounts available under committed lines of credit, after taking into account the amount NSAM seeks to draw under the facility. As of December 31, 2015, the Company has not funded any amounts to NSAM in connection with this agreement.

Healthcare Strategic Joint Venture

In January 2014, NSAM entered into a long-term strategic partnership with James F. Flaherty III, former Chief Executive Officer of HCP, Inc., focused on expanding the Company's healthcare business into a preeminent healthcare platform ("Healthcare Strategic Partnership"). In connection with the partnership, Mr. Flaherty oversees and seeks to grow both the Company's healthcare real estate portfolio and the portfolio of NorthStar Healthcare. In connection with entering into the partnership, the Company granted Mr. Flaherty certain RSUs (refer to Note 11). The Healthcare Strategic Partnership is entitled to incentive fees ranging from 20%to 25% above certain hurdles for new and existing healthcare real estate investments held by the Company. For the years ended December 31, 2015 and 2014, the Company did not incur any incentive fees related to the Healthcare Strategic Partnership.

N-Star CDOs

The Company earns certain collateral management fees from the N-Star CDOs primarily for administrative services. Such fees are recorded in other revenue in the consolidated statements of operations. For the years ended December 31, 2015, 2014 and 2013, the Company earned $5.2 million, $5.9 million and $11.1 million in fee income, respectively, of which $2.3 million, $2.6 million and $10.4 million were eliminated in consolidation. Prior to the third quarter 2013, all amounts were eliminated in consolidation as all of the N-Star CDOs were consolidated by the Company.

Additionally, the Company earns interest income from the N-Star CDO bonds and N-Star CDO equity in deconsolidated N-Star CDOs. For the years ended December 31, 2015, 2014 and 2013, the Company earned $57.5 million, $71.6 million and $11.7 million, respectively, of interest income from such investments in deconsolidated N-Star CDOs. Refer to Note 7 and Note 17 for additional disclosure regarding the N-Star CDOs.

Securitization 2012-1

The Company entered into an agreement with NorthStar Income that provided that both the Company and NorthStar Income receive the economic benefit and bear the economic risk associated with the investments each contributed into Securitization 2012-1, a securitization transaction entered into by the Company and NorthStar Income. In both cases, the respective retained equity interest of the Company and NorthStar Income is subordinate to interests of the investment-grade bondholders of Securitization 2012-1 and the investment-grade bondholders have no recourse to the general credit of the Company or NorthStar Income. In the event that either the Company or NorthStar Income suffer a complete loss of the retained equity interests in Securitization 2012-1, any additional losses would be borne by the remaining retained equity interests held by the Company or NorthStar Income, as the case may be, prior to the investment-grade bondholders. In January 2015, the securitization was repaid in full.

American Healthcare Investors

In December 2014, NSAM acquired a 43% interest in American Healthcare Investors LLC ("AHI") and James F. Flaherty III, a strategic partner of NSAM, acquired a 12% interest in AHI. AHI is a healthcare-focused real estate investment management firm that co-sponsored and advised Griffin-American Healthcare REIT II, Inc. ("Griffin-American"), until Griffin-American was acquired by the Company and NorthStar Healthcare. In connection with this acquisition, AHI provides certain management and related services, including property management, to NSAM, NorthStar Healthcare and the Company assisting NSAM in managing the current and future healthcare assets (excluding any joint venture assets) acquired by the Company and, subject to certain conditions, other NSAM managed companies. For the year ended December 31, 2015 and from acquisition date (December 8, 2014) to December 31, 2014, the Company incurred $1.7 million and $0.2 million, respectively, of property management fees to AHI, which are recorded in real estate properties—operating expenses in the consolidated statements of operations.

Island Hospitality Management

In January 2015, NSAM acquired a 45% interest in Island Hospitality Management Inc. ("Island"). Island is a leading, independent select service hotel management company that currently manages 160 hotel properties, representing $4.1 billion of assets, of which 110 hotel properties are owned by the Company. Island provides certain asset management, property management and other services to the Company to assist in managing the Company's hotel properties. Island receives a base management fee of 2.5% to 3.0% of the monthly revenue of the hotel properties it manages for the Company. For the period from NSAM's acquisition date (January 9, 2015) to December 31, 2015, the Company incurred $16.6 million of base property management and other fees to Island, which are recorded in real estate properties—operating expenses in the consolidated statements of operations.

NSAM purchase of common stock

In 2015, NSAM purchased 2.7 million shares of the Company in the open market for $49.9 million.

Recent Sales or Commitments to Sell to NSAM Sponsored Companies

Subsequent to year end, the Company sold or entered into agreements to sell certain assets to NSAM Sponsored Companies:

- In February 2016, the Company entered into an agreement to sell substantially all of its 70% interest in PE Investment II to the existing owners of the remaining 30% interest, one the Vintage Funds which purchased approximately 80% of the interest sold and the other NorthStar Income which purchased the other approximate 20% of the interest sold. NorthStar Income paid $37.3 million for its respective interest. As part of the transaction, both buyers will assume the deferred purchase price obligation, on a pro rata basis, of the PE Investment II joint venture upon receiving consent from the PE II Seller.
- In February 2016, the Company entered into an agreement to sell its 60% interest in the Senior Housing Portfolio to NorthStar Healthcare, which owns the remaining 40% interest, for $535 million, subject to proration and adjustment. NorthStar Healthcare will assume the Company's portion of the $648 million of mortgage borrowing as part of the transaction. The Company expects to receive approximately $150 million of net proceeds upon completion of the sale in March 2016.
- In February 2016, the Company sold a 49% interest in one loan with a total principal amount of $40.3 million to a third party, at par, with the remaining 51% interest sold to NorthStar Income II, also at par.
- In February 2016, the Company sold one CRE security with a carrying value of $12.5 million to NorthStar Income II.

The board of directors of each NSAM Sponsored Company, including all of the independent directors, approved each of the respective transactions after considering, among other matters, third-party pricing support.

11. Equity-Based Compensation

The Company has issued equity-based awards to directors, officers, employees, consultants and advisors pursuant to the NorthStar Realty Finance Corp. 2004 Omnibus Stock Incentive Plan (the "Stock Plan") and the NorthStar Realty Executive Incentive Bonus Plan, as amended (the "Plan" and collectively the "NorthStar Realty Equity Plans").

Prior to the NSAM Spin-off, the Company conducted substantially all of its operations and made its investments through an operating partnership which issued LTIP Units as equity-based compensation. Additionally, prior to the NSAM Spin-off, the Company completed an internal corporate reorganization whereby the Company collapsed its three tier holding company structure, including such operating partnership, into a single tier (the "Reorganization"). All of the vested and unvested equity-based awards granted by the Company prior to the NSAM Spin-off remain outstanding following the Reorganization and the NSAM Spin-off. Appropriate adjustments were made to all awards to reflect the Reorganization, the Reverse Split and the Spin-offs. Pursuant to the Reorganization, such LTIP Units were converted into an equal number of shares of common stock of the Company (refer to Note 13), which are referred to as restricted stock, and holders of such shares received an equal number of shares of NSAM's common stock in connection with the NSAM Spin-off, all of which generally remain subject to the same vesting and other terms that applied prior to the NSAM Spin-off. In connection with the NSAM Spin-off, equity and equity-based awards relating to the Company's common stock, such as RSUs and Deferred LTIP Units, were adjusted to also relate to an equal number of shares of NSAM's common stock, but otherwise generally remain subject to the same vesting and other terms that applied prior to the NSAM Spin-off. Vesting conditions for outstanding awards have been adjusted to reflect the impact of NSAM in terms of employment for service based on awards and total stockholder return for performance-based awards with respect to periods after the NSAM Spin-off.

In connection with the formation of the Operating Partnership, the Operating Partnership issued LTIP Units to each holder of the Company's outstanding Deferred LTIP Units, which were equity awards representing the right to receive either LTIP units in the Company's successor operating partnership or, if such LTIP units were not available upon settlement of the award, shares of common stock of the Company, in settlement of such Deferred LTIP Units on a one for one basis in accordance with the terms of the outstanding Deferred LTIP Units. Conditioned upon minimum allocations to the capital account of the LTIP Unit for federal income tax purposes, each LTIP Unit will be convertible, at the election of the holder, into one common unit of limited partnership interest in the Operating Partnership ("OP Unit"). Each of the OP Units underlying these LTIP Units will be redeemable at the election of the OP Unit holder for: (i) cash equal to the then fair market value of one share of the Company's common stock; or (ii) at the option of the Company in its capacity as general partner of the Operating Partnership, one share of the Company's common stock. LTIP Units issued remain subject to the same vesting terms as the Deferred LTIP Units.

In connection with the NRE Spin-off, equity and equity-based awards relating to the Company's common stock, such as RSUs, were adjusted to also relate to one share of NorthStar Europe common stock for each six shares of the Company's common stock, but otherwise generally remain subject to the same vesting and other terms that applied prior to the NRE Spin-off. Appropriate adjustments were also made to all awards to reflect the Reverse Split.

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

All of the adjustments made in connection with the Reorganization, the Spin-offs and the Reverse Splits were deemed to be equitable adjustments pursuant to anti-dilution provisions in accordance with the terms of the NorthStar Realty Equity Plans. As a result, there was no incremental value attributed to these adjustments and these adjustments do not impact the amount recorded for equity-based compensation expense for the years ended December 31, 2015, 2014 and 2013.

The following summarizes the equity-based compensation plans and related expenses.

All share amounts and related information disclosed below have been retrospectively adjusted to reflect the Reverse Split.

NorthStar Realty Equity Plans

Omnibus Stock Incentive Plan

In September 2004, the board of directors of the Company adopted the Stock Plan, and such plan, as amended and restated, was further adopted by the board of directors of the Company on April 17, 2013 and approved by the stockholders on May 29, 2013. The Stock Plan provides for the issuance of stock-based incentive awards, including incentive stock options, non-qualified stock options, stock appreciation rights, shares of common stock of the Company, in the form of restricted stock and other equity-based awards such as LTIP Units or any combination of the foregoing. The eligible participants in the Stock Plan include directors, officers, employees, consultants and advisors of the Company.

As of December 31, 2015, 81,377 unvested shares of restricted stock issued under the Stock Plan were outstanding and 1,568,645 shares of common stock remained available for issuance pursuant to the Stock Plan, which includes shares reserved for issuance upon settlement of outstanding LTIP Units and RSUs, after giving effect to the Reverse Split. Holders of shares of restricted stock or LTIP Units are entitled to receive dividends or distributions with respect to the Company's shares of restricted stock and vested and unvested LTIP Units for as long as such shares and LTIP Units remain outstanding.

Incentive Compensation Plan

In July 2009, the Committee approved the material terms of the Plan for the Company's executive officers and other employees. Pursuant to the Plan, an incentive pool was established each calendar year through 2013. The size of the incentive pool was calculated as the sum of: (a) 1.75% of the Company's "adjusted equity capital" for the year; and (b) 25% of the Company's adjusted funds from operations, as adjusted, above a 9% return hurdle on adjusted equity capital. Payout from the incentive pool is or was subject to achievement of additional performance and/or time-based goals summarized below.

The portion of the incentive pool for the executive officers was divided into the following three separate incentive compensation components: (a) an annual cash bonus, tied to annual performance of the Company and paid prior to or shortly after completion of the year-end audit ("Annual Bonus"); (b) a deferred bonus, determined based on the same year's performance, but paid 50%

following the close of each of the first and second years after such incentive pool is determined, subject to the participant's continued employment through each payment date ("Deferred Bonus"); and (c) a long-term incentive in the form of RSUs, LTIP Units and/or Deferred LTIP Units. RSUs are subject to the Company achieving cumulative performance hurdles and/or total stockholder return hurdles established by the Committee for a three- or four-year period, subject to the participant's continued employment through the payment date. Upon the conclusion of the applicable performance period, each executive officer will receive a payout, if any, equal to the value of one share of common stock at the time of such payout, including the dividends paid with respect to a share of common stock following the first year of the applicable performance period, for each RSU actually earned (the "Long-Term Amount Value"). The Long-Term Amount Value, if any, other than the portion related to dividends paid, will be paid in the form of shares of common stock of the Company or LTIP Units in the Operating Partnership, to the extent available under the NorthStar Realty Equity Plans, or in cash to the extent shares of common stock of the Company or LTIP Units in the Operating Partnership are unavailable under the NorthStar Realty Equity Plans, and, pursuant to adjustments made in connection with the NSAM Spin-off and the NRE Spin-off, shares of NSAM's common stock or LTIP Units in NSAM's operating partnership and shares of NorthStar Europe's common stock or LTIP Units in NorthStar Europe's operating partnership (the "Long Term Amount Payout"). These performance-based RSUs were adjusted to refer to combined total stockholder return of the Company and NSAM with respect to periods after the NSAM Spin-off. These performance-based RSUs were again adjusted to refer to combined total stockholder return of the Company, NorthStar Europe and NSAM after the NRE Spin-off. Restricted stock or LTIP Units granted as a portion of the long-term incentive are subject to vesting based on continued employment during the performance period, but are not subject to performance-based vesting hurdles.

Under the Plan, for 2011, the Company issued 381,449 RSUs to executive officers, after giving effect to the Reverse Split, which were subject to vesting based on continued employment and achieving total stockholder return hurdles for the four-year period ended December 31, 2014. The grant date fair value was $4.32 per RSU, after giving effect to the Reverse Split, determined using a risk-free interest rate of 0.42%. As of December 31, 2014, the Company determined the performance hurdle was met which resulted in all of these RSUs vesting. To settle these RSUs, the Company issued 24,575 shares of common stock, net of the minimum statutory tax withholding requirements, on January 1, 2015, after giving effect to the Reverse Split and the Operating Partnership issued 334,871 LTIP Units, after giving effect to the Reverse Split. Under the Plan, for 2011, the Company also granted 381,449 LTIP Units to executive officers, after giving effect to the Reverse Split, which were subject to vesting in four annual installments ending on January 29, 2015, subject to the executive officer's continued employment through the applicable vesting date, and were converted into shares of restricted stock pursuant to the Reorganization. The Company also granted 151,340 shares of restricted stock (net of forfeitures occurring through December 31, 2015), after giving effect to the Reverse Split, to certain non-executive employees, which were subject to vesting quarterly over three years beginning April 2012, subject to continued employment through the applicable vesting date.

Under the Plan, for 2012, the Company issued 352,418 RSUs to executive officers, after giving effect to the Reverse Split, which are subject to vesting based on continued employment and achieving total stockholder return hurdles for the four-year period ending December 31, 2015. The grant date fair value was $9.86 per RSU, after giving effect to the Reverse Split, determined using a risk-free interest rate of 0.44%. As of December 31, 2015, the Company determined the performance hurdle was met which resulted in all of these RSUs vesting. To settle these RSUs, the Company issued 158,191 shares of common stock, net of the minimum statutory tax withholding requirements, on January 4, 2016. Under the Plan, for 2012, the Company also granted 352,418 LTIP Units to executive officers, after giving effect to the Reverse Split, which were subject to vesting in four annual installments beginning on January 29, 2013, subject to the executive officer's continued employment through the applicable vesting date, and were converted into shares of restricted stock pursuant to the Reorganization. The Company also granted 144,883 LTIP Units (net of forfeitures occurring through December 31, 2015), after giving effect to the Reverse Split, to certain non-executive employees which are subject to vesting quarterly over three years beginning April 2013, subject to continued employment through the applicable vesting date, and were converted into shares of restricted stock pursuant to the Reorganization.

Under the Plan, for 2013, the Company issued 250,184 RSUs to executive officers, after giving effect to the Reverse Split, which are subject to vesting based on continued employment and achieving total stockholder return hurdles for the four-year period ending December 31, 2016. The grant date fair value was $21.57 per RSU, after giving effect to the Reverse Split, determined using a risk-free interest rate of 0.63%. Under the Plan, for 2013, the Company also granted 250,184 Deferred LTIP Units to executive officers, after giving effect to the Reverse Split, which are subject to vesting in four annual installments beginning on January 29, 2014, subject to the executive officer's continued employment through the applicable vesting date and 130,787 Deferred LTIP Units, after giving effect to the Reverse Split, which were subject to vesting based on continued employment through December 31, 2015. The Company also granted 137,330 Deferred LTIP Units (net of forfeitures occurring through December 31, 2015), after giving effect to the Reverse Split, to certain non-executive employees which were subject to vesting quarterly over three years beginning April 2014, subject to continued employment through the applicable vesting date.

Such Deferred LTIP Units were subsequently settled as LTIP Units in the Operating Partnership or shares of restricted stock, which remain subject to the same vesting terms that applied to the Deferred LTIP Units.

NSAM Bonus Plan

In connection with the NSAM Bonus Plan, for 2014, approximately 31.65% of the long-term bonus was paid in Deferred LTIP Units and approximately 18.35% of the long-term bonus was paid by the Company by issuing RSUs. In connection with the long-term bonuses to be paid by the Company, in February 2015, the Company granted 519,115 Deferred LTIP Units to executive officers, after giving effect to the Reverse Split, of which 25% were vested upon grant and the remainder was subject to vesting in three equal annual installments beginning on December 31, 2015, subject to the executive officer's continued employment through the applicable vesting dates. The Company also granted 292,438 RSUs to NSAM's executive officers, after giving effect to the Reverse Split, subject to vesting based on continued employment and achieving total stockholder return hurdles for the four-year period ending December 31, 2017. The grant date fair value of such RSUs was $18.64 per RSU, after giving effect to the Reverse Split, determined using a risk-free interest rate of 1.00%. After the NRE Spin-off, these performance-based RSUs were adjusted to refer to combined total stockholder return of the Company and NorthStar Europe. In the first quarter 2015, the Company also granted 341,025 Deferred LTIP Units (net of forfeitures occurring through December 31, 2015), after giving effect to the Reverse Split, to certain of NSAM's non-executive employees, with substantially similar terms to the executive awards subject to time based vesting conditions. Such Deferred LTIP Units were settled as LTIP Units in the Operating Partnership or shares of restricted stock, which remain subject to the same vesting terms that applied to the Deferred LTIP Units.

In connection with the NSAM Bonus Plan, for 2015, a portion of the long-term bonus was paid in restricted shares of common stock and a portion of the long-term bonus was paid by the Company by issuing RSUs. In connection with the 2015 long-term bonuses paid by the Company, in February 2016, the Company granted 1,006,006 restricted shares of common stock to NSAM's executive officers, of which 25% were vested upon grant and the remainder is subject to vesting in equal installments on December 31, 2016, 2017 and 2018, subject to the recipient's continued employment through the applicable vesting dates. In connection with the issuance of these shares, in February 2016, the Company retired 132,654 of the vested shares of common stock to satisfy the minimum statutory withholding requirements. In addition, in February 2016, the Company granted 583,261 RSUs to NSAM's executive officers, which are subject to vesting based on the Company's absolute total stockholder return, CAD and continued employment over the four-year period ending December 31, 2018. Following the determination of the number of these performance-based RSUs that vest, the Company will settle the vested RSUs by issuing an equal number shares of common stock (or, if shares are not then available, paying cash in an amount equal to the value of such shares) and the NSAM executives will be entitled to receive the distributions that would have been paid with respect to a share of common stock (for each RSU that vests) on or after January 1, 2015. In February 2016, the Company also granted 517,055 shares of common stock and/or RSUs to its Chief Executive Officer and certain of the Company's and NSAM's non-executive employees, with substantially similar terms to the executive awards subject to time-based vesting conditions.

Other Issuances

Healthcare Strategic Joint Venture

In connection with entering into the Healthcare Strategic Partnership, the Company granted Mr. Flaherty 250,000 RSUs on January 22, 2014, after giving effect to the Reverse Split, which vest on January 22, 2019, unless certain conditions are met. In connection with the Spin-offs, the RSUs granted to Mr. Flaherty were adjusted to also relate to shares of NSAM's common stock and NorthStar Europe's common stock. The RSUs are entitled to dividend equivalents prior to vesting and may be settled either in shares of common stock of the Company, NSAM and NorthStar Europe or in cash at the option of the Company.

Summary

Equity-based compensation expense for the year ended December 31, 2015 represents the Company's equity-based compensation expense following the NSAM Spin-off. Equity-based compensation expense for the year ended December 31, 2014 represents: (i) the Company's expense for the six months ended December 31, 2014 following the NSAM Spin-off; and (ii) the Company's equity-based compensation expense for the six months ended June 30, 2014 after an allocation to NSAM related to our historical asset management business had it been run as an independent entity. Equity-based compensation expense for the year ended December 31, 2013 is prepared on the same basis as the six months ended June 30, 2014.

The following table presents equity-based compensation expense for the years ended December 31, 2015, 2014 and 2013 (dollars in thousands):

	Time-Based Awards			Performance-Based Awards			Total		
	Years Ended December 31,			Years Ended December 31,			Years Ended December 31,		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
NorthStar Realty(1)	$ 22,000	$ 22,332	$ 8,940	$ 5,693	$ 2,553	$ 2,844	$ 27,693	$ 24,885	$ 11,784
Allocation to NSAM(2)	—	6,800	3,928	—	6,945	1,249	—	13,745	5,177
Total	$ 22,000	$ 29,132	$ 12,868	$ 5,693	$ 9,498	$ 4,093	$ 27,693	$ 38,630 (3)	$ 16,961

(1) Includes equity-based compensation expense related to grants issued subsequent to the NSAM Spin-off by NorthStar Realty to employees of NorthStar Realty and NSAM in connection with NorthStar Realty's obligation under the management agreement (refer to Note 10. Related Party Arrangements). In connection with this obligation, for the year ended December 31, 2015, NorthStar Realty recorded equity-based compensation expense of $12.9 million and $2.0 million of time-based awards and performance-based awards, respectively.

(2) Recorded in discontinued operations. The allocation to NSAM for 2014 is for equity-based compensation expense for the six months ended June 30, 2014 and a full year for 2013.

(3) Represents $28.0 million related to the NorthStar Realty Equity Plans and $10.6 million related to the NSAM Stock Plan.

The following table presents a summary of restricted stock and LTIP Units. The balance as of December 31, 2015 represents unvested shares of restricted stock and LTIP Units that are outstanding, whether vested or not (grants in thousands):

	Year Ended December 31, 2015			
	Restricted Stock(2)	LTIP Units	Total Grants	Weighted Average Grant Price(2)
January 1, 2015	343	593	936	$ 37.20
Granted	7	1,289	1,296	29.71
Converted to common stock	—	(3)	(3)	24.82
Forfeited	(1)	(11)	(12)	28.26
Vesting of restricted stock	(268)	—	(268)	11.45
December 31, 2015(1)	81	1,868	1,949	$ 35.83

(1) Includes 81,377 shares of restricted stock and 1,868,251 LTIP Units as of December 31, 2015, after giving effect to the Reverse Split.

(2) Amounts have been retrospectively adjusted to reflect the Reverse Split.

As of December 31, 2015, equity-based compensation expense to be recognized over the remaining vesting period through August 2019 is $24.7 million, provided there are no forfeitures.

12. Stockholders' Equity

Reverse Split

On November 1, 2015, the Company effected a Reverse Split of its common stock with any fractional shares settled in cash. As a result of the Reverse Split, common stock was reduced by dividing the par value prior to the Reverse Split by two (including retrospective adjustment of prior periods) with a corresponding increase to additional paid-in capital. The par value per share of common stock remained unchanged.

Share and per share amounts disclosed in the Company's consolidated financial statements and the accompanying notes have been retrospectively adjusted to reflect the Reverse Split, including common stock outstanding, earnings per share and shares or units outstanding related to equity-based compensation, where applicable (refer to Note 11).

Common Stock

In February 2015, the Company issued the remaining 3.5 million shares of common stock, after giving effect to the Reverse Split, under the forward sale agreement entered into in 2014, for net proceeds of $122.2 million.

In March 2015, the Company issued 6.0 million shares of its common stock at a public offering price of $37.30 per share, after giving effect to the Reverse Split, and received net proceeds of $217.1 million. In connection with this offering, the Company entered into a forward sale agreement with a financial institution to issue an aggregate of 28.5 million shares of its common stock, after giving effect to the Reverse Split, subject to certain conditions. As of December 31, 2015, the Company issued 28.5 million shares of common stock under this forward sale agreement, after giving effect to the Reverse Split, for net proceeds of $986.9 million.

Preferred Stock

The following table presents classes of cumulative redeemable preferred stock issued in a public offering and outstanding as of December 31, 2015 (dollars in thousands):

	Number of Shares	Amount[1]
Series A 8.75%	2,466,689	$ 59,453
Series B 8.25%	13,998,905	323,757
Series C 8.875%[2]	5,000,000	120,808
Series D 8.50%[2]	8,000,000	193,334
Series E 8.75%[2]	10,000,000	241,766
Total	39,465,594	$ 939,118

(1) 250 million shares have been authorized and all shares have a $0.01 par value. All preferred shares have a $25 per share liquidation preference.
(2) The Series C, D and E shares are currently not callable.

Share Repurchase

In September 2015, the Company's board of directors authorized the repurchase of up to $500 million of its outstanding common stock. The authorization expires in September 2016, unless otherwise extended by the Company's board of directors. As of December 31, 2015, the Company repurchased 6.5 million shares of its common stock, after giving effect to the Reverse Split, for approximately $118.0 million, with $382.0 million remaining under the stock repurchase plan.

Dividend Reinvestment Plan

In April 2007, as amended effective January 1, 2012, the Company implemented a Dividend Reinvestment Plan (the "DRP"), pursuant to which it registered with the SEC and reserved for issuance 3,569,962 shares of its common stock, after giving effect to the Reverse Split. Pursuant to the amended terms of the DRP, stockholders are able to automatically reinvest all or a portion of their dividends for additional shares of the Company's common stock. The Company expects to use the proceeds from the DRP for general corporate purposes. For the year ended December 31, 2015, the Company issued 7,146 shares of its common stock, after giving effect to the Reverse Split, pursuant to the DRP for gross proceeds of $0.2 million.

Dividends

The following table presents dividends declared (on a per share basis) for the years ended December 31, 2015, 2014 and 2013:

Common Stock[1]		Preferred Stock					
			Dividend Per Share				
Declaration Date	Dividend Per Share[2]	Declaration Date	Series A	Series B	Series C	Series D	Series E
2015							
February 25[2]	$ 0.80	January 30	$ 0.54688	$ 0.51563	$ 0.55469	$ 0.53125	$ 0.54688
May 5[2]	$ 0.80	May 5	$ 0.54688	$ 0.51563	$ 0.55469	$ 0.53125	$ 0.54688
August 4	$ 0.80	August 4	$ 0.54688	$ 0.51563	$ 0.55469	$ 0.53125	$ 0.54688
November 3	$ 0.75 [3]	October 28	$ 0.54688	$ 0.51563	$ 0.55469	$ 0.53125	$ 0.54688
2014							
February 26	$ 1.00	January 29	$ 0.54688	$ 0.51563	$ 0.55469	$ 0.53125	N/A
May 7	$ 1.00	May 7	$ 0.54688	$ 0.51563	$ 0.55469	$ 0.53125	N/A
August 6	$ 1.00	August 6	$ 0.54688	$ 0.51563	$ 0.55469	$ 0.53125	$ 0.54688
October 29	$ 0.80 [3]	October 29	$ 0.54688	$ 0.51563	$ 0.55469	$ 0.53125	$ 0.54688
2013							
February 13	$ 0.72	February 1	$ 0.54688	$ 0.51563	$ 0.76424	N/A	N/A
May 1	$ 0.76	May 1	$ 0.54688	$ 0.51563	$ 0.55469	$ 0.20660	N/A
July 31	$ 0.80	July 31	$ 0.54688	$ 0.51563	$ 0.55469	$ 0.53125	N/A
October 30	$ 0.84	October 30	$ 0.54688	$ 0.51563	$ 0.55469	$ 0.53125	N/A

(1) For the year ended December 31, 2015, 99% of distributions paid were a return of capital and 1% of distributions paid were ordinary income. For the year ended December 31, 2014, approximately 17% of distributions paid were ordinary income and 83% was a return of capital. For the year ended December 31, 2013, 100% of distributions paid were a return of capital.
(2) Adjusted for the Reverse Split effected on November 1, 2015.
(3) Represents the first dividend subsequent to the NRE Spin-off.

Earnings Per Share

The following table presents EPS for the years ended December 31, 2015, 2014 and 2013 (dollars and shares in thousands, except per share data):

	Years Ended December 31,		
	2015	2014	2013
Numerator:			
Net income (loss) attributable to NorthStar Realty Finance Corp. common stockholders	$ (327,497)	$ (371,507)	$ (137,453)
Net income (loss) attributable to LTIP Units non-controlling interest	(3,206)	(5,296)	(5,571)
Net income (loss) attributable to common stockholders and LTIP Units[1]	$ (330,703)	$ (376,803)	$ (143,024)
Denominator:[2][3]			
Weighted average shares of common stock	174,873	98,036	52,954
Weighted average LTIP Units[1]	1,472	959	2,291
Weighted average shares of common stock and LTIP Units[2]	176,345	98,995	55,245
Earnings (loss) per share:[3]			
Basic	$ (1.87)	$ (3.79)	$ (2.60)
Diluted	$ (1.87)	$ (3.79)	$ (2.60)

(1) The EPS calculation takes into account LTIP Units, which receive non-forfeitable dividends from the date of grant, share equally in the Company's net income (loss) and convert on a one-for-one basis into common stock.
(2) Excludes the effect of exchangeable senior notes, shares under the forward sale agreement, restricted stock and RSUs outstanding that were not dilutive as of December 31, 2015. These instruments could potentially impact diluted EPS in future periods, depending on changes in the Company's stock price and other factors.
(3) Adjusted for the Reverse Split effected on November 1, 2015.

13. Non-controlling Interests

Operating Partnership

Non-controlling interests include the aggregate LTIP Units held by limited partners (the "Unit Holders") in the Operating Partnership and the Company's former operating partnership prior to the NSAM Spin-off. Net income (loss) attributable to this non-controlling interest is based on the weighted average Unit Holders' ownership percentage of the Operating Partnership for the respective period. The issuance of additional common stock or LTIP Units changes the percentage ownership of both the Unit Holders and the Company. Since an LTIP Unit is generally redeemable for cash or common stock at the option of the Company, it is deemed to be equivalent to common stock. Therefore, such transactions are treated as capital transactions and result in an allocation between stockholders' equity and non-controlling interests on the accompanying consolidated balance sheets to account for the change in the ownership of the underlying equity in the Operating Partnership. On a quarterly basis, the carry value of such non-controlling interest is allocated based on the number of LTIP Units held by Unit Holders in total in proportion to the number of LTIP Units in total plus the number of shares of common stock. In connection with the formation of the Operating Partnership in March 2015, the Company recorded a non-controlling interest of $18.7 million related to LTIP Units. As of December 31, 2015, LTIP Units of 1,868,251 were outstanding, after giving effect to the Reverse Split, representing a 1.0% ownership and non-controlling interest in the Operating Partnership. Net income (loss) attributable to the Operating Partnership non-controlling interest for the year ended December 31, 2015 was a net loss of $3.2 million. Net income (loss) attributable to the Company's former operating partnership non-controlling interest for the six months ended June 30, 2014 was a loss of $5.3 million. Since the Operating Partnership was not formed until March 2015, there was no allocation of net income (loss) attributable to the Operating Partnership non-controlling interest for the six months ended December 31, 2014. Net income (loss) attributable to the Operating Partnership non-controlling interest for the year ended December 31, 2013 was a net loss of $5.6 million.

Other

Other non-controlling interests represent third-party equity interests in ventures that are consolidated with the Company's financial statements. Net income (loss) attributable to the other non-controlling interests for the years ended December 31, 2015, 2014 and 2013 was a net loss of $20.8 million, $17.6 million and $0.4 million, respectively.

The following table presents net income (loss) attributable to the Company's common stockholders for the years ended December 31, 2015, 2014 and 2013 (dollars in thousands):

	Years Ended December 31,		
	2015	2014	2013
Income (loss) from continuing operations	$ (219,780)	$ (327,051)	$ (129,394)
Income (loss) from discontinued operations	(107,717)	(44,456)	(8,059)
Net income (loss) attributable to NorthStar Realty Finance Corp. common stockholders	$ (327,497)	$ (371,507)	$ (137,453)

14. Fair Value

Fair Value Measurement

The fair value of financial instruments is categorized based on the priority of the inputs to the valuation technique and categorized into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

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

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

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

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

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

Assets and Liabilities Measured at Fair Value on a Recurring Basis

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

PE Investments

The Company accounts for PE Investments at fair value which is determined based on a valuation model using assumptions for the timing and amount of expected future cash flow for income and realization events for the underlying assets in the funds and discount rate. This fair value measurement is generally based on unobservable inputs and, as such, is classified as Level 3 of the fair value hierarchy. The Company is not using the NAV (practical expedient) of the underlying funds for purposes of determining fair value.

Investments in Unconsolidated Ventures

The Company accounts for certain investments in unconsolidated ventures at fair value determined based on a valuation model using assumptions for the timing and amount of expected future cash flow for income and realization events for the underlying assets, discount rate and foreign currency exchange rates. Additionally, the Company accounts for certain CRE debt investments made in connection with certain investments in unconsolidated ventures at fair value, which is determined based on comparing the current yield to the estimated yield for newly originated loans with similar credit risk. These fair value measurements are generally based on unobservable inputs and, as such, are classified as Level 3 of the fair value hierarchy.

Real Estate Securities

N-Star CDO Bonds

The fair value of N-Star CDO bonds is determined using quotations from nationally recognized financial institutions that generally acted as underwriter for the transactions. These quotations are not adjusted and are generally based on a valuation model with observable inputs such as interest rate and other unobservable inputs for assumptions related to the timing and amount of expected future cash flow, discount rate, estimated prepayments and projected losses. The fair value of subordinate N-Star CDO bonds is determined using an internal price interpolated based on third-party prices of the more senior N-Star CDO bonds of the respective CDO. All N-Star CDO bonds are classified as Level 3 of the fair value hierarchy.

N-Star CDO Equity

The fair value of N-Star CDO equity is determined based on a valuation model using assumptions for the timing and amount of expected future cash flow for income and realization events for the underlying collateral of these CDOs and discount rate. This fair value measurement is generally based on unobservable inputs and, as such, is classified as Level 3 of the fair value hierarchy.

Other CRE Securities

Other CRE securities are generally valued using a third-party pricing service or broker quotations. These quotations are not adjusted and are based on observable inputs that can be validated, and as such, are classified as Level 2 of the fair value hierarchy. Certain CRE securities may be valued based on a single broker quote or an internal price which may have less observable pricing, and as such, would be classified as Level 3 of the fair value hierarchy. Management determines the prices are representative of fair value through a review of available data, including observable inputs, recent transactions as well as its knowledge of and experience in the market.

Derivative Instruments

Derivative instruments are valued using a third-party pricing service. These quotations are not adjusted and are generally based on valuation models with observable inputs such as interest rates and contractual cash flow, and as such, are classified as Level 2 of the fair value hierarchy. Derivative instruments are also assessed for credit valuation adjustments due to the risk of non-performance by the Company and derivative counterparties. Derivatives held in non-recourse CDO financing structures where, by design, the derivative contracts are senior to all the CDO bonds payable, there is no material impact of a credit valuation adjustment.

CDO Bonds Payable

CDO bonds payable are valued using quotations from nationally recognized financial institutions that generally acted as underwriter for the transactions. These quotations are not adjusted and are generally based on a valuation model with observable inputs such as interest rate and other unobservable inputs for assumptions related to the timing and amount of expected future cash flow, discount rate, estimated prepayments and projected losses. CDO bonds payable are classified as Level 3 of the fair value hierarchy.

Junior Subordinated Notes

Junior subordinated notes may be valued using quotations from nationally recognized financial institutions or an internal model. A quotation from a financial institution is not adjusted. The fair value is generally based on a valuation model with observable inputs such as interest rate and other unobservable inputs for assumptions related to the implied credit spread of the Company's other borrowings and the timing and amount of expected future cash flow. Junior subordinated notes are classified as Level 3 of the fair value hierarchy.

Financial assets and liabilities recorded at fair value on a recurring basis are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The following tables present financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2015 and 2014 by level within the fair value hierarchy (dollars in thousands):

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Assets:				
PE Investments	$ —	$ —	$ 1,101,650	$ 1,101,650
Investments in unconsolidated ventures[1]	—	—	120,392	120,392
Real estate securities, available for sale:				
N-Star CDO bonds	—	—	216,727	216,727
N-Star CDO equity	—	—	44,905	44,905
CMBS and other securities	—	12,318	43,247	55,565
CRE securities in N-Star CDOs				
CMBS	—	261,552	64,959	326,511
Third-party CDO notes	—	—	6,685	6,685
Agency debentures	—	37,316	—	37,316
Unsecured REIT debt	—	8,976	—	8,976
Trust preferred securities	—	—	5,425	5,425
Subtotal CRE securities in N-Star CDOs	—	307,844	77,069	384,913
Subtotal real estate securities, available for sale	—	320,162	381,948	702,110
Derivative assets	—	116	—	116
Total assets	$ —	$ 320,278	$ 1,603,990	$ 1,924,268
Liabilities:				
CDO bonds payable	$ —	$ —	$ 307,601	$ 307,601
Junior subordinated notes	—	—	183,893	183,893
Derivative liabilities	—	7,385	95,908 [2]	103,293
Total liabilities	$ —	$ 7,385	$ 587,402	$ 594,787

(1) Includes certain CRE debt investments made in connection with certain investments in unconsolidated ventures, for which the fair value option was elected.

(2) Represents an interest rate swap entered into in the corporate segment in 2015 and includes a credit valuation adjustment.

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
Assets:				
PE Investments	$ —	$ —	$ 962,038	$ 962,038
Investments in unconsolidated ventures[1]	—	—	276,437	276,437
Real estate securities, available for sale:				
N-Star CDO bonds	—	—	262,309	262,309
N-Star CDO equity	—	—	102,467	102,467
CMBS and other securities	—	17,243	34,680	51,923
CRE securities in N-Star CDOs				
CMBS	—	329,815	53,052	382,867
Third-party CDO notes	—	—	23,218	23,218
Agency debentures	—	40,529	—	40,529
Unsecured REIT debt	—	9,351	—	9,351
Trust preferred securities	—	—	5,850	5,850
Subtotal CRE securities in N-Star CDOs	—	379,695	82,120	461,815
Subtotal real estate securities, available for sale	—	396,938	481,576	878,514
Derivative assets	—	3,247	—	3,247
Total assets	$ —	$ 400,185	$ 1,720,051	$ 2,120,236
Liabilities:				
CDO bonds payable	$ —	$ —	$ 390,068	$ 390,068
Junior subordinated notes	—	—	215,172	215,172
Derivative liabilities	—	17,915	—	17,915
Total liabilities	$ —	$ 17,915	$ 605,240	$ 623,155

(1) Includes certain CRE debt investments made in connection with certain investments in unconsolidated ventures, for which the fair value option was elected.

The following table presents the changes in fair value of financial assets and liabilities which are measured at fair value on a recurring basis using Level 3 inputs to determine fair value for the year ended December 31, 2015 (dollars in thousands):

	Year Ended December 31, 2015				
	PE Investments	Investments in Unconsolidated Ventures[1]	Real Estate Securities	CDO Bonds Payable	Junior Subordinated Notes
January 1, 2015	$ 962,038	$ 276,437	$ 481,576	$ 390,068	$ 215,172
Transfers into Level 3[2]	—	—	24,170	—	—
Transfers out of Level 3[2]	—	—	(3,052)	—	—
Purchases / borrowings / amortization / contributions	614,578	(4,053)	93,477	(25,531)	—
Sales	—	—	(77,230)	—	—
Pay downs / distributions	(639,884)	(125,285)	(124,480)	(90,070)	—
Gains:					
Equity in earnings of unconsolidated ventures	198,159	19,177	—	—	—
Unrealized gains included in earnings	—	—	81,532	—	(31,279)
Realized gains included in earnings	—	—	22,418	—	—
Unrealized gain on real estate securities, available for sale included in OCI	—	—	1,213	—	—
Losses:					
Unrealized gains (losses) included in earnings	(33,241)	(45,884)	(75,523)	29,275	—
Realized gains (losses) included in earnings	—	—	(5,886)	3,859	—
Unrealized losses on real estate securities, available for sale included in OCI	—	—	(36,267)	—	—
December 31, 2015	$ 1,101,650	$ 120,392	$ 381,948	$ 307,601	$ 183,893
Gains (losses) included in earnings attributable to the change in unrealized gains (losses) relating to assets or liabilities still held.	$ (33,241)	$ (45,884)	$ 6,009	$ (29,275)	$ 31,279

(1) Includes certain CRE debt investments made in connection with certain investments in unconsolidated ventures, for which the fair value option was elected.
(2) Transfers between Level 2 and Level 3 represent a fair value measurement from a third-party pricing service or broker quotations that have become more or less observable during the period. Transfers are assumed to occur at the beginning of the year.

The following table presents the changes in fair value of financial assets and liabilities which are measured at fair value on a recurring basis using Level 3 inputs to determine fair value for the year ended December 31, 2014 (dollars in thousands):

	Year Ended December 31, 2014				
	PE Investments	Investments in Unconsolidated Ventures(1)	Real Estate Securities	CDO Bonds Payable	Junior Subordinated Notes
January 1, 2014	$ 586,018	$ 192,419	$ 484,840	$ 384,183	$ 201,203
Transfers into Level 3(2)	—	—	17,513	—	—
Transfers out of Level 3(2)	—	—	—	—	—
Purchases / borrowings / amortization / contributions	548,961	84,206	64,104	(15,320)	—
Sales	—	—	(65,504)	—	—
Pay downs / distributions	(339,598)	(2,507)	(48,511)	(87,859)	—
Gains:					
Equity in earnings of unconsolidated ventures	134,036 (4)	10,494	—	—	—
Unrealized gains included in earnings	32,621	—	44,308	—	—
Realized gains included in earnings	—	—	15,626	—	—
Unrealized gain on real estate securities, available for sale included in OCI	—	—	61,045	—	—
Deconsolidation of N-Star CDOs(3)	—	—	873	(122,486)	—
Losses:					
Unrealized gains (losses) included in earnings	—	(8,175)	(64,977)	217,608	13,969
Realized gains (losses) included in earnings	—	—	(3,152)	13,942	—
Unrealized losses on real estate securities, available for sale included in OCI	—	—	(3,519)	—	—
Deconsolidation of N-Star CDOs(3)	—	—	(21,070)	—	—
December 31, 2014	$ 962,038	$ 276,437	$ 481,576	$ 390,068	$ 215,172
Gains (losses) included in earnings attributable to the change in unrealized gains (losses) relating to assets or liabilities still held.	$ 32,621	$ (8,175)	$ (37,487)	$ (217,608)	$ (13,969)

(1) Includes certain CRE debt investments made in connection with certain investments in unconsolidated ventures, for which the fair value option was elected.
(2) Transfers between Level 2 and Level 3 represent a fair value measurement from a third-party pricing service or broker quotations that have become more or less observable during the period. Transfers are assumed to occur at the beginning of the year.
(3) Represents amounts recorded as a result of the deconsolidation of certain N-Star CDOs. Refer to Note 17 for further disclosure.
(4) The amount for the year ended December 31, 2014 excludes a reclassification between equity in earnings and income tax expense of $16.8 million to conform with the current period presentation.

There were no transfers, other than those identified in the tables above, during the periods ended December 31, 2015 and 2014.

The Company relies on the third-party pricing exception with respect to the requirement to provide quantitative disclosures about significant Level 3 inputs being used to determine fair value measurements related to CRE securities (including N-Star CDO bonds), junior subordinated notes and CDO bonds payable. The Company believes such pricing service or broker quotation for such items may be based on a market transaction of comparable securities, inputs including forecasted market rates, contractual terms, observable discount rates for similar securities and credit (such as credit support and delinquency rates).

For the year ended December 31, 2015, quantitative information about the Company's remaining Level 3 fair value measurements on a recurring basis are as follows (dollars in thousands):

	Fair Value	Valuation Technique	Key Unobservable Inputs(2)	Weighted Average
PE Investments	$ 1,101,650	Discounted Cash Flow Model	Discount Rate	17%
Investments in unconsolidated ventures(1)	$ 120,392	Discounted Cash Flow Model/Credit Spread	Discount Rate/Credit Spread	20%
N-Star CDO equity	$ 44,905	Discounted Cash Flow Model	Discount Rate	18%

(1) Includes certain CRE debt investments made in connection with certain investments in unconsolidated ventures, for which the fair value option was elected.
(2) Includes timing and amount of expected future cash flow.

Significant increases (decreases) in any one of the inputs described above in isolation may result in a significantly different fair value for the financial assets and liabilities using such Level 3 inputs.

Assets and Liabilities Measured at Fair Value on a Non-recurring Basis

Non-financial assets and liabilities measured at fair value in the consolidated financial statements consist of real estate held for sale, which are measured on a non-recurring basis, have been determined to be Level 3 within the valuation hierarchy, where applicable, based on estimated sales price, adjusted for closing costs and expenses, determined by discounted cash flow analysis, direct capitalization analyses or a sales comparison approach if no contracts had been consummated. The discounted cash flow and direct capitalization analyses include all estimated cash inflows and outflows over a specific holding period and, where applicable, any estimated debt premiums. This cash flow is comprised of unobservable inputs which included forecasted rental revenues and expenses based upon existing in-place leases, market conditions and expectations for growth. Capitalization rate and discount rate used in these analyses were based upon observable rates that the Company believed to be within a reasonable range of current market rates for the respective properties.

Valuations were prepared using internally-developed valuation models. These valuations are reviewed and approved, during each reporting period, by management, as deemed necessary, including personnel from the accounting, finance and operations and the valuations are updated as appropriate. In addition, the Company may engage third-party valuation experts to assist with the preparation of certain of its valuations.

All other non-financial assets and liabilities measured at fair value in the financial statements on a non-recurring basis are subject to fair value measurement and disclosure. Non-financial assets and liabilities included on the consolidated balance sheets and measured on a nonrecurring basis consist of goodwill and long-lived assets, including other acquired intangibles.

Fair Value Option

The Company has historically elected to apply the fair value option for the following financial assets and liabilities existing at the time of adoption or at the time the Company recognizes the eligible item for the purpose of consistent accounting application: CRE securities financed in N-Star CDOs; CDO bonds payable; and junior subordinated notes. Given past market volatility the Company had observed that the impact of electing the fair value option would generally result in additional variability to the Company's consolidated statements of operations which management believes is not a useful presentation for such financial assets and liabilities. Therefore, the Company more recently has not elected the fair value option for new investments in CRE securities and securitization financing transactions. The Company may elect the fair value option for certain of its financial assets or liabilities due to the nature of the instrument. In the case of PE Investments, certain investments in unconsolidated ventures (refer to Note 6) and N-Star CDO equity, the Company elected the fair value option because management believes it is a more useful presentation for such investments. The Company determined recording such investments based on the change in fair value of projected future cash flow from one period to another better represents the underlying economics of the respective investment.

The following table presents the fair value of financial instruments for which the fair value option was elected as of December 31, 2015 and 2014 (dollars in thousands):

	December 31, 2015	December 31, 2014
Assets:		
PE Investments	$ 1,101,650	$ 962,038
Investments in unconsolidated ventures[1]	120,392	276,437
Real estate securities, available for sale:[2]		
N-Star CDO equity	44,905	102,467
CMBS and other securities	48,711	42,613
CRE securities in N-Star CDOs		
CMBS	326,511	382,867
Third-party CDO notes	6,685	23,218
Agency debentures	37,316	40,529
Unsecured REIT debt	8,976	9,351
Trust preferred securities	5,425	5,850
Subtotal CRE securities in N-Star CDOs	384,913	461,815
Subtotal real estate securities, available for sale	478,529	606,895
Total assets	$ 1,700,571	$ 1,845,370
Liabilities:		
CDO bonds payable	$ 307,601	$ 390,068
Junior subordinated notes	183,893	215,172
Total liabilities	$ 491,494	$ 605,240

(1) Includes certain CRE debt investments made in connection with certain investments in unconsolidated ventures, for which the fair value option was elected.

(2) December 31, 2015 excludes 28 CRE securities including $216.7 million of N-Star CDO bonds and $6.9 million of CRE securities, for which the fair value option was not elected. December 31, 2014 excludes 34 CRE securities including $262.3 million of N-Star CDO bonds and $9.3 million of CRE securities, for which the fair value option was not elected.

The Company attributes the change in the fair value of floating-rate liabilities to changes in instrument-specific credit spreads. For fixed-rate liabilities, the Company attributes the change in fair value to interest rate-related and instrument-specific credit spread changes.

Change in Fair Value Recorded in the Statements of Operations

The following table presents unrealized gains (losses) on investments and other related to the change in fair value of financial assets and liabilities in the consolidated statements of operations for the years ended December 31, 2015, 2014 and 2013 (dollars in thousands):

	Years Ended December 31, 2015	2014	2013
Assets:			
Real estate securities, available for sale[1]	$ (14,810)	$ (12,324)	$ 94,676
PE Investments[1]	(33,241)	32,621	—
Investments in unconsolidated ventures[1]	(40,437)	—	—
Foreign currency remeasurement[2]	(18,275)	(11,719)	2,300
Liabilities:			
CDO bonds payable[1]	(29,275)	(217,608)	(106,622)
Junior subordinated notes[1]	31,279	(13,969)	(4,030)
Subtotal unrealized gain (loss), excluding derivatives	(104,759)	(222,999)	(13,676)
Derivatives	(87,475)	8,184	33,730
Subtotal unrealized gain (loss)	(192,234)	(214,815)	20,054
Net cash payments on derivatives (refer to Note 15)	(11,878)	(16,882)	(52,731)
Total	$ (204,112)	$ (231,697)	$ (32,677)

(1) Represents financial assets and liabilities for which the fair value option was elected.

(2) Represents foreign currency remeasurement on investments, cash and deposits primarily denominated in Euros.

Fair Value of Financial Instruments

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

The following table presents the principal amount, carrying value and fair value of certain financial assets and liabilities as of December 31, 2015 and 2014 (dollars in thousands):

	December 31, 2015			December 31, 2014		
	Principal / Notional Amount	Carrying Value	Fair Value	Principal / Notional Amount	Carrying Value	Fair Value
Financial assets:[1]						
Real estate debt investments, net	$ 555,354	$ 501,474	$ 594,698	$ 1,187,316	$ 1,067,667	$ 1,066,911
Real estate debt investments, held for sale	225,037	224,677	224,677	—	—	—
Real estate securities, available for sale[2]	1,285,643	702,110	702,110	1,532,891	878,514	878,514
Derivative assets[2][3]	4,173,872	116	116	3,848,859	3,247	3,247
Financial liabilities:[1]						
Mortgage and other notes payable	$ 7,297,081	$ 7,164,576	$ 7,175,374	$ 8,453,625	$ 8,327,509	$ 8,331,170
Credit facilities	662,053	652,704	652,704	732,780	718,759	718,759
CDO bonds payable[2][4]	436,491	307,601	307,601	560,959	390,068	390,068
Securitization bonds payable	—	—	—	41,831	41,746	41,929
Exchangeable senior notes	31,360	29,038	50,121	45,588	41,008	82,443
Junior subordinated notes[2][4]	280,117	183,893	183,893	280,117	215,172	215,172
Derivative liabilities[2][3]	2,225,750	103,293	103,293	318,726	17,915	17,915
Borrowings of properties held for sale	2,214,305	2,195,975	2,200,686	N/A	N/A	N/A

(1) The fair value of other financial instruments not included in this table is estimated to approximate their carrying value.
(2) Refer to "Determination of Fair Value" above for disclosures of methodologies used to determine fair value.
(3) Derivative assets and liabilities exclude timing swaps with an aggregate notional amount of $28.0 million as of December 31, 2015 and 2014.
(4) The fair value option has been elected for these liabilities.

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

<u>Real Estate Debt Investments</u>

For CRE debt investments, fair value was approximated by comparing the current yield to the estimated yield for newly originated loans with similar credit risk or the market yield at which a third party might expect to purchase such investment. Fair value was determined assuming fully-extended maturities regardless of structural or economic tests required to achieve such extended maturities. For any CRE debt investments that are deemed impaired, carrying value approximates fair value. The fair value of CRE debt investments held for sale is determined based on the expected sales price. These fair value measurements of CRE debt are generally based on unobservable inputs and, as such, are classified as Level 3 of the fair value hierarchy.

<u>Mortgage and Other Notes Payable</u>

For mortgage and other notes payable, the Company primarily uses rates currently available with similar terms and remaining maturities to estimate fair value. These measurements are determined using comparable U.S. Treasury rates as of the end of the reporting period or market credit spreads over the rate payable on fixed rate U.S. Treasury of like maturities. These fair value measurements are based on observable inputs, and as such, are classified as Level 3 of the fair value hierarchy. For the borrowings of properties held for sale, the Company uses available market information, which includes quoted market prices or recent transactions, if available, to estimate their fair value and are, therefore, based on observable inputs, and as such, are classified as Level 3 of the fair value hierarchy.

Securitization Bonds Payable

Securitization bonds payable are valued using quotations from nationally recognized financial institutions that generally acted as underwriter for the transactions. These quotations are not adjusted and are generally based on observable inputs that can be validated, and as such, are classified as Level 2 of the fair value hierarchy.

Credit Facilities

As of the reporting date, the Company believes the carrying value of its credit facilities approximates fair value. These fair value measurements are based on observable inputs, and as such, are classified as Level 2 of the fair value hierarchy.

Exchangeable Senior Notes

For the exchangeable senior notes, the Company uses available market information, which includes quoted market prices or recent transactions, if available, to estimate their fair value and are, therefore, based on observable inputs, and as such, are classified as Level 2 of the fair value hierarchy.

15. Risk Management and Derivative Activities

Derivatives

The Company uses derivative instruments primarily to manage interest rate risk and such derivatives are not considered speculative. These derivative instruments are typically in the form of interest rate swap, cap and foreign currency forward agreements and the primary objective is to minimize interest rate risks associated with investment and financing activities. The counterparties of these arrangements are major financial institutions with which the Company may also have other financial relationships. The Company is exposed to credit risk in the event of non-performance by these counterparties and it monitors their financial condition; however, the Company currently does not anticipate that any of the counterparties will fail to meet their obligations.

The following tables present derivative instruments that were not designated as hedges under U.S. GAAP as of December 31, 2015 and 2014 (dollars in thousands):

	Number	Notional Amount(1)	Fair Value Net Asset (Liability)	Range of Fixed LIBOR / Forward Rate	Range of Maturity
As of December 31, 2015:					
Interest rate caps	14	$ 4,173,872	$ 116	2.50% - 5.00%	January 2016 - December 2017
Interest rate swaps - N-Star CDOs	9	222,510	(7,321) (2)	5.02% - 5.25%	January 2017 - July 2018
Interest rate swaps - other	2	2,003,240	(95,972)	3.39% - 4.17%	July 2023 - December 2029
Total	25	$ 6,399,622	$ (103,177)		
As of December 31, 2014:					
Interest rate caps	21	$ 3,808,234	$ 2,131	2.50% - 5.00%	January 2015 - December 2017
Interest rate swaps - N-Star CDOs	10	235,929	(17,707) (2)	5.00% - 5.25%	June 2015 - July 2018
Interest rate swaps - other	2	82,797	(208)	0.62% - 5.00%	January 2016 - July 2023
Total	33	$ 4,126,960	$ (15,784)		

(1) Excludes timing swaps with a notional amount of $28.0 million as of December 31, 2015 and 2014.

(2) Interest rate swaps in consolidated N-Star CDOs are liabilities and are only subject to the credit risks of the respective CDO transaction. As the interest rate swaps are senior to all the liabilities of the respective CDO and the fair value of each of the CDO's investments exceeded the fair value of the CDO's derivative liabilities, a credit valuation adjustment was not recorded.

The change in number and notional amount of derivative instruments from December 31, 2014 relates to derivatives entered into at the corporate level and in connection with new acquisitions, offset by contractual notional amortization and the maturity of a corporate interest rate cap and floor. The Company had no derivative financial instruments that were designated as hedges in qualifying hedging relationships as of December 31, 2015 and 2014.

The following table presents the fair value of derivative instruments, as well as their classification on the consolidated balance sheets, as of December 31, 2015 and 2014 (dollars in thousands):

	Balance Sheet Location	December 31, 2015	December 31, 2014
Interest rate caps	Derivative assets	$ 116	$ 2,131
Interest rate swaps/foreign currency forwards	Derivative liabilities	$ 103,293	$ 17,915

The following table presents the effect of derivative instruments in the consolidated statements of operations for the years ended December 31, 2015, 2014 and 2013 (dollars in thousands):

	Statements of Operations Location	Years Ended December 31, 2015	2014	2013
Amount of gain (loss) recognized in earnings (loss):				
Adjustment to fair value of interest rate swaps and caps	Unrealized gain (loss) on investments and other	$ (87,475)	$ 8,184	$ 33,730
Net cash payment on derivatives	Unrealized gain (loss) on investments and other	$ (11,878)	$ (16,882)	$ (52,731)
Amount of swap gain (loss) reclassified from OCI into earnings	Interest expense—mortgage and corporate borrowings	$ (934)	$ (915)	$ (4,885)
Reclassification of swap gain (loss) into gain (loss) from deconsolidation of N-Star CDOs (refer to Note 17)	Gain (loss) from deconsolidation of N-Star CDOs	$ —	$ —	$ (15,246)
NorthStar Europe				
Amount of gain (loss) recognized in earnings (loss):				
Adjustment to fair value of interest rate swaps and caps	Income (loss) from discontinued operations	$ (8,659)	$ —	$ —
Adjustments to fair value of foreign currency forwards	Income (loss) from discontinued operations	$ (1,933)	$ —	$ —
Net cash payment on derivatives	Income (loss) from discontinued operations	$ (214)	$ —	$ —

The Company's counterparties held no cash margin as collateral against the Company's derivative contracts as of December 31, 2015 and 2014. However, subsequent to year end, the Company posted $74.0 million of collateral related to an interest rate swap.

Risk Management

Concentrations of credit risk arise when a number of tenants, operators or issuers related to the Company's investments are engaged in similar business activities or located in the same geographic region to be similarly affected by changes in economic conditions. The Company monitors its portfolios to identify potential concentrations of credit risks. With respect to the Company's hotel portfolio, for the year ended December 31, 2015, Island and Marriott Hotel Services, Inc. accounted for 72.5% and 27.5%, respectively, of the Company's hotel related income and 27.8% and 10.6%, respectively, of the Company's total revenue. In addition, with respect to the Company's healthcare portfolio, for the year ended December 31, 2015, Senior Lifestyle Holding Company, LLC was the healthcare operator as it related to 73.2% of the Company's resident fee income and 9.7% of the Company's total revenue. Otherwise, the Company has no other tenant or operator that generates 10% or more of its total revenue. The Company believes the remainder of its portfolios are reasonably well diversified and do not contain any unusual concentrations of credit risks.

16. Commitments and Contingencies

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

Guaranty Agreements

In connection with certain hotel acquisitions, the Company entered into guaranty agreements with various hotel franchisors, pursuant to which the Company guaranteed the franchisees' obligations, including payments of franchise fees and marketing fees, for the term of the agreements, which expires from 2029 to 2034. As of December 31, 2015, the aggregate amount remaining under these guarantees is $5.5 million.

In connection with the NRE Spin-off, the NRE Senior Notes are senior unsubordinated and unsecured primary obligations of NorthStar Europe and the Company continues to guarantee payments subsequent to the NRE Spin-off.

Other

Effective January 1, 2005, the Company adopted the NorthStar Realty Limited Partnership 401(k) Retirement Plan (the "401(k) Plan") for its employees. Eligible employees under the 401(k) Plan may begin participation on the first day of the month after they have completed 30 days of employment. The Company's matching contribution is calculated as 100% of the first 3% and 50% of the next 2% of participant's eligible earnings contributed (utilizing earnings that are not in excess of the amount established by the Internal Revenue Service). The Company's aggregate matching contribution for the years ended December 31, 2015, 2014 and 2013 was $0.1 million, $1.0 million and $0.8 million, respectively. The decrease from prior years is due to most of the Company's existing employees at the time of the NSAM Spin-off becoming employees of NSAM.

Obligations Under Ground Leases

The following table presents minimum future rental payments under the Company's contractual ground lease obligations for certain building leaseholds as of December 31, 2015 (dollars in thousands):

Years Ending December 31:	Total[(1)]
2016	$ 4,984
2017	5,034
2018	5,149
2019	5,086
2020	5,139
Thereafter	122,690
Total minimum lease payments	$ 148,082

(1) Represents 55 ground leases of which 20 leases ground rent are paid directly by the tenants/operators.

17. Variable Interest Entities

As of December 31, 2015, the Company has identified certain consolidated and unconsolidated VIEs. Assets of each of the VIEs may only be used to settle obligations of the respective VIE. Creditors of each of the VIEs have no recourse to the general credit of the Company.

Consolidated VIEs

N-Star CDOs

As of December 31, 2015, the Company serves as collateral manager and/or special servicer for N-Star CDOs I and IX which are primarily collateralized by CRE securities. The Company consolidates these entities as the Company has the power to direct the activities that most significantly impact the economic performance of these CDOs, and therefore, continues to be the primary beneficiary.

The Company is not contractually required to provide financial support to any of these consolidated VIEs, however, the Company, in its capacity as collateral manager and/or special servicer, may in its sole discretion provide support such as protective and other advances it deems appropriate. The Company did not provide any other financial support to any of its consolidated VIEs for the years ended December 31, 2015, 2014 and 2013.

Unconsolidated VIEs

N-Star CDOs

The Company delegated the collateral management rights for N-Star CDOs IV, VI and VIII and the CapLease CDO on September 30, 2013 and the CSE CDO on December 31, 2013 to a third-party collateral manager/collateral manager delegate who is entitled to a percentage of the senior and subordinate collateral management fees. The Company continues to receive fees as named collateral manager or collateral manager delegate and retained administrative responsibilities. The Company evaluated the fees paid to the third-party collateral manager/collateral manager delegate and concluded that such fees represented a variable interest in the deconsolidated loan CDOs and that the third party was functioning as a principal. The Company determined that the delegation of the Company's collateral management power in the CDOs was a VIE reconsideration event and concluded that these CDOs were still VIEs as the equity investors do not have the characteristics of a controlling financial interest. The Company then reconsidered if it was the primary beneficiary of such VIEs and determined that it no longer has the power to direct the activities that most significantly impact the economic performance of these CDOs, which includes but is not limited to selling collateral, and therefore is no longer the primary beneficiary of such CDOs. As a result, the Company does not consolidate the assets and liabilities for N-Star CDOs IV, VI and VIII, CSE CDO and the CapLease CDO. In September 2015, N-Star CDO IV was liquidated.

In March 2014, the Company determined it no longer had the power to direct the activities that most significantly impact the economic performance of N-Star CDO V due to the ability of a single party to remove the Company as collateral manager as a result of an existing event of default. The Company was no longer the primary beneficiary of N-Star CDO V, and as a result, in the first quarter 2014, the Company deconsolidated the assets and liabilities of this CDO.

In May 2014, the Company determined it no longer had the power to direct the activities that most significantly impact the economic performance of N-Star CDO III due to the ability of a single party to remove the Company as collateral manager as a result of an existing event of default. The Company was no longer the primary beneficiary of N-Star CDO III, and as a result, in the second quarter 2014, the Company deconsolidated the assets and liabilities of this CDO.

Similar events of default in the future, if they occur, could cause the Company to deconsolidate additional CDO financing transactions.

For the year ended December 31, 2014, the deconsolidation of N-Star CDOs III and V resulted in an aggregate non-cash realized loss on deconsolidation of $31.4 million recorded in the consolidated statement of operations, which was the result of the deconsolidation of an aggregate $192.5 million of assets, $149.0 million of liabilities, net of $8.8 million of fair value of N-Star CDO bonds recorded that no longer eliminated in consolidation and the reclassification of $3.3 million of unrealized gain to loss from deconsolidation.

For the year ended December 31, 2013, the deconsolidation of N-Star CDOs IV, VI, VIII and CapLease CDO resulted in an aggregate non-cash realized loss on deconsolidation of $299.8 million recorded in the consolidated statement of operations, which was the result of the deconsolidation of an aggregate $1.8 billion of assets, $1.4 billion of liabilities, net of $223.7 million of fair value of N-Star CDO bonds and equity recorded that no longer eliminated in consolidation and the reclassification of $3.3 million of unrealized gain and $15.2 million of OCI swap loss to loss from deconsolidation.

Other Unconsolidated VIEs

Based on management's analysis, the Company is not the primary beneficiary of the VIEs summarized below and as such, these VIEs are not consolidated into the Company's financial statements as of December 31, 2015. These unconsolidated VIEs are summarized as follows:

Real Estate Debt Investments

The Company identified three CRE debt investments with an aggregate carrying value of $60.4 million as variable interests in a VIE. The Company determined that it is not the primary beneficiary of such VIEs, and as such, the VIEs are not consolidated in the Company's financial statements. For all other CRE debt investments, the Company determined that these investments are not VIEs and, as such, the Company continues to account for all CRE debt investments as loans.

Real Estate Securities

The Company identified two CRE securities, other than investments in N-Star CDOs, with an aggregate fair value of $46.1 million as variable interests in VIEs. In connection with certain CMBS investments, the Company became the controlling class and/or was named directing certificate holder of a securitization it did not sponsor. For one of these securitizations, an affiliate of NSAM was appointed as special servicer. The special servicing business for certain securitizations was transferred to NSAM in connection with the NSAM Spin-off. The Company determined each securitization was a VIE. However, the Company determined at that time and continues to believe that it does not currently or potentially hold a significant interest in any of these securitizations and, therefore, is not the primary beneficiary.

NorthStar Realty Finance Trusts

The Company owns all of the common stock of the Trusts. The Trusts were formed to issue trust preferred securities. The Company determined that the holders of the trust preferred securities were the primary beneficiaries of the Trusts. As a result, the Company did not consolidate the Trusts and has accounted for the investment in the common stock of the Trusts under the equity method. As of December 31, 2015, the Company's carrying value and maximum exposure to loss related to its investment in the Trusts is $3.7 million and is recorded in investments in unconsolidated ventures on the consolidated balance sheets.

PE Investments

In May 2015, in connection with the Company's investment in PE Investment XIII, the Company determined that two of the underlying funds are VIEs. The Company determined that the funds are a VIE as there is insufficient equity at risk in each limited partnership and the general partner in each fund has the power to direct the activities that most significantly impact the funds' economic performance as the general partner performs such activities. As of December 31, 2015, the Company's investment in both funds is $32.2 million. As of December 31, 2015, the amount of expected future contributions to both funds is $2.5 million.

Summary of Unconsolidated VIEs

The following table presents the classification, carrying value and maximum exposure of unconsolidated VIEs as of December 31, 2015 (dollars in thousands):

	Junior Subordinated Notes, at Fair Value	Real Estate Debt Investments, Net	Real Estate Securities, Available for Sale	PE Investments	Total	Maximum Exposure to Loss[(1)]
Real estate debt investments, net	$ —	$ 60,443	$ —	$ —	$ 60,443	$ 60,443
Investments in unconsolidated ventures	3,742	—	—	—	3,742	3,742
Investments in private equity funds, at fair value	—	—	—	32,249	32,249	32,249
Real estate securities, available for sale:						
N-Star CDO bonds	—	—	216,727	—	216,727	216,727
N-Star CDO equity	—	—	44,905	—	44,905	44,905
CMBS	—	—	46,074	—	46,074	46,074
Subtotal real estate securities, available for sale	—	—	307,706	—	307,706	307,706
Total assets	3,742	60,443	307,706	32,249	404,140	404,140
Junior subordinated notes, at fair value	183,893	—	—	—	183,893	NA
Total liabilities	183,893	—	—	—	183,893	NA
Net	$ (180,151)	$ 60,443	$ 307,706	$ 32,249	$ 220,247	$ 404,140

(1) The Company's maximum exposure to loss as of December 31, 2015 would not exceed the carrying value of its investment.

The Company is not contractually required to provide financial support to any of its unconsolidated VIEs during the years ended December 31, 2015, 2014 and 2013 however, the Company, in its capacity as collateral manager/collateral manager delegate and/or special servicer of the deconsolidated N-Star CDOs, may in its sole discretion provide support such as protective and other advances it deems appropriate. As of December 31, 2015, there were no explicit arrangements or implicit variable interests that could require the Company to provide financial support to any of its unconsolidated VIEs.

18. Quarterly Financial Information (Unaudited)

The following tables presents selected quarterly information, which reflects prior period reclassifications related to discontinued operations, for the years ended December 31, 2015 and 2014 (dollars in thousands):

	Three Months Ended			
	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
Property and other revenues	$ 474,355	$ 486,776	$ 455,728	$ 400,577
Net interest income on debt and securities	38,511	59,105	57,529	63,660
Expenses	594,327	570,040	545,566	500,068
Equity in earnings (losses) of unconsolidated ventures	47,339	60,359	57,736	53,643
Income (loss) from continuing operations	(65,778)	(91,947)	211	(1,199)
Income (loss) from discontinued operations	5,756	(16,760)	(84,464)	(13,086)
Net income (loss)	(60,022)	(108,616)	(84,342)	(14,287)
Net income (loss) attributable to NorthStar Realty Finance Corp. common stockholders	(72,282)	(126,111)	(97,502)	(31,602)
Earnings (loss) per share:(1)(2)				
Basic	$ (0.39)	$ (0.69)	$ (0.56)	$ (0.20) (2)
Diluted	$ (0.39)	$ (0.69)	$ (0.56)	$ (0.20) (2)

(1) The total for the year may differ from the sum of the quarters as a result of weighting.
(2) Adjusted for the Reverse Split effected on November 1, 2015.

	Three Months Ended			
	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
Property and other revenues	$ 295,085	$ 194,149	$ 119,357	$ 70,909
Net interest income on debt and securities	72,046	77,936	72,761	75,396
Expenses	463,494	296,515	191,711	110,567
Equity in earnings (losses) of unconsolidated ventures	55,423	41,694	33,958	33,978
Income (loss) from continuing operations	(81,991)	(17,511)	(59,916)	(116,967)
Income (loss) from discontinued operations	(28,890)	(9,100)	(572)	(6,139)
Net income (loss)	(110,881)	(26,609)	(60,488)	(123,108)
Net income (loss) attributable to NorthStar Realty Finance Corp. common stockholders	(116,453)	(46,527)	(73,566)	(134,961)
Earnings (loss) per share:(1)(2)				
Basic	$ (0.93)	$ (0.46)	$ (0.84)	$ (1.68)
Diluted	$ (0.93)	$ (0.46)	$ (0.84)	$ (1.68)

(1) The total for the year may differ from the sum of the quarters as a result of weighting.
(2) Adjusted for the Reverse Split effected on November 1, 2015.

19. Segment Reporting

The Company currently conducts its business through the following five segments (excluding the asset management business and the European real estate business which the Company spun off on June 30, 2014 and October 31, 2015, respectively, which are no longer separate operating segments), based on how management reviews and manages its business:

- *Real Estate* - The real estate business concentrates on various types of investments in commercial real estate located throughout the United States that includes healthcare, hotel, manufactured housing communities, net lease, multifamily and multi-tenant office properties. In addition, it includes certain healthcare properties located outside of the United States and PE Investments diversified by property type and geography.

- Healthcare - The healthcare properties are comprised of a diverse portfolio of medical office buildings, senior housing, skilled nursing and other healthcare properties. The majority of the healthcare properties are medical office buildings and properties structured under a net lease to healthcare operators. In addition, the Company owns senior operating facilities which include independent living facilities and healthcare properties that operate through management agreements with independent third-party operators, predominantly through RIDEA structures that permit the Company, through a TRS, to have direct exposure to resident fee income and incur customary related operating expenses. In February 2016, the Company entered into an agreement to sell its 60% interest in a $899 million Senior Housing Portfolio for $535 million, subject to proration and adjustment. The Company expects the buyer to assume its portion of the $648 million of related mortgage financing. The Company expects to receive $150 million of net proceeds upon completion of the sale in March 2016. Such asset and related liability is classified as held for sale on the Company's consolidated balance sheet.
- Hotel - The hotel portfolio is a geographically diverse portfolio primarily comprised of extended stay hotels and premium branded select service hotels primarily located in major metropolitan markets with the majority affiliated with top hotel brands.
- Manufactured Housing - The manufactured housing portfolio consists of communities that lease pad rental sites for placement of factory built homes located throughout the United States. In addition, the portfolio includes manufactured homes and receivables related to the financing of homes sold to residents. Currently, the Company is exploring the sale of its manufactured housing portfolio and such assets and related liabilities are classified as held for sale on the Company's consolidated balance sheet.
- Net Lease - The net lease properties are primarily industrial, office and retail properties typically under net leases to corporate tenants.
- Multifamily - The multifamily portfolio primarily focuses on properties located in suburban markets that are well suited to capture the formation of new households. Currently, the Company is exploring the sale of its multifamily portfolio and in February 2016, the Company entered in and is finalizing agreements to sell up to ten multifamily properties for $311 million with $210 million of related mortgage financing expected to be assumed as part of the transaction. The Company expects to receive $91 million of net proceeds and continue to explore the sale of the remaining two properties. Such assets and related liabilities are classified as held for sale on the Company's consolidated balance sheet.
- Multi-tenant Office - The Company pursues the acquisition of multi-tenant office properties currently focused on the western United States.
- PE Investments - The real estate business also includes investments (directly or indirectly in joint ventures) owning PE Investments managed by institutional quality sponsors and diversified by property type and geography. In February 2016, the Company entered into an agreement to sell substantially all of its interest in PE Investment II for $184.1 million of proceeds and is exploring the sale of its remaining PE Investments.

- *Commercial Real Estate Debt* - The CRE debt business is focused on originating, acquiring and asset managing senior and subordinate debt investments secured primarily by commercial real estate and includes first mortgage loans, subordinate mortgage and mezzanine loans and participations in such loans and preferred equity interests. The Company may from time to time take title to collateral in connection with a CRE debt investment as REO which would be included in the CRE debt business. In February 2016, the Company sold or committed to sell seven loans with a total principal amount of $225.0 million at par, with $46.9 million of proceeds used to pay down the Company's loan facility, resulting in $178.2 million of net proceeds.
- *Commercial Real Estate Securities* - The CRE securities business is predominately comprised of N-Star CDO bonds and N-Star CDO equity of deconsolidated N-Star CDOs and includes other securities, mostly CMBS meaning each asset is a pool backed by a large number of commercial real estate loans. The Company also invests in opportunistic CRE securities such as an investment in a "B-piece" CMBS. In February 2016, the Company sold certain CRE securities for $53.9 million of net proceeds.
- *N-Star CDOs* - The Company historically originated or acquired CRE debt and securities investments that were predominantly financed through permanent, non-recourse CDOs. The Company's remaining consolidated CDOs are past the reinvestment period and given the nature of these transactions, these CDOs are amortizing over time as the underlying assets pay down or are sold. The Company has been winding down its legacy CDO business and investing in a broad and diverse range of CRE assets. As a result, this distinct business is a significantly smaller portion of its business today than

in the past. As of December 31, 2015, only N-Star securities CDOs I and IX continue to be consolidated. Refer to Note 17 for further disclosure regarding deconsolidated N-Star CDOs. The Company continues to receive collateral management fees related to administrative responsibilities for deconsolidated N-Star CDO financing transactions, which are recorded in other revenue and included in the N-Star CDOs segment.

- *Corporate* - The corporate segment includes NSAM management fees incurred, corporate level interest income and interest expense and general and administrative expenses.

The Company primarily generates revenue from rental income from its real estate properties, operating income from healthcare and hotel properties permitted by the RIDEA and net interest income on the CRE debt and securities portfolios. Additionally, the Company records equity in earnings of unconsolidated ventures, including from PE Investments. The Company's income is primarily derived through the difference between revenue and the cost at which the Company is able to finance its investments. The Company may also acquire investments which generate attractive returns without any leverage.

Prior to the NSAM Spin-off, the Company generated fee income from asset management activities. The asset management segment represents the consolidated results of operations and balance sheet of such asset management business which was transferred to NSAM in connection with the NSAM Spin-off. Amounts related to the asset management business are reported in discontinued operations and include an allocation of indirect expenses related to managing the NSAM Sponsored Companies and owning NorthStar Securities, including salaries, equity-based compensation and other general and administrative expenses (primarily occupancy and other costs) based on an estimate had the asset management business been run as an independent entity.

Prior to the NRE Spin-off, the Company generated rental and escalation income from its European properties. The European real estate segment represents the consolidated results of operations and balance sheet of such European real estate business which was transferred to NRE in connection with the NRE Spin-off. Amounts related to the European real estate business are reported in discontinued operations.

The following tables present segment reporting for the years ended December 31, 2015, 2014 and 2013 (dollars in thousands):

Statement of Operations:				N-Star CDOs(2)			
Year Ended December 31, 2015	**Real Estate(1)**	**CRE Debt**	**CRE Securities**	**CRE Securities**	**Corporate**	**European Real Estate(3)**	**Consolidated Total**
Rental and escalation income	$ 732,123	$ —	$ —	$ 302	$ —	$ —	$ 732,425
Hotel related income	784,151	—	—	—	—	—	784,151
Resident fee income	271,394	—	—	—	—	—	271,394
Net interest income on debt and securities	10,546 (4)	88,893	62,235	44,393	12,738 (5)	—	218,805
Interest expense—mortgage and corporate borrowings	433,023	—	—	—	53,385	—	486,408
Income (loss) before equity in earnings (losses) and income tax benefit (expense)	(163,974) (6)	86,476	85,618	(15,612)	(355,973) (7)	—	(363,465)
Equity in earnings (losses) of unconsolidated ventures	218,766	—	—	—	311	—	219,077
Income tax benefit (expense)	(13,776)	(555)	6	—	—	—	(14,325)
Income (loss) from continuing operations	41,016	85,921	85,624	(15,612)	(355,662)	—	(158,713)
Income (loss) from discontinued operations	(11)	—	—	—	—	(108,543) (8)	(108,554)
Net income (loss)	41,005	85,921	85,624	(15,612)	(355,662)	(108,543) (8)	(267,267)
Balance Sheet:							
December 31, 2015:							
Investments in private equity funds, at fair value	1,101,650	—	—	—	—	—	1,101,650
Investments in unconsolidated ventures	129,457	8,526	—	—	17,754	—	155,737
Total Assets	13,871,796	66,527	913,402	422,953	128,367	—	15,403,045

(1) Includes $37.6 million of rental and escalation income and $2.3 million of net income from a portfolio of healthcare assets located in the United Kingdom.

(2) Based on CDO financing transactions that were primarily collateralized by CRE securities and may include other types of investments. $5.2 million of collateral management fees were earned from CDO financing transactions for the year ended December 31, 2015, of which $2.3 million was eliminated in consolidation. The eliminated amounts are recorded as other revenue in the Corporate segment and as an expense in the N-Star CDO segment.

(3) Represents the consolidated statements of operations of NRE reported in discontinued operations and includes an allocation of indirect expenses from the Company (refer to Note 9).

(4) Primarily represents interest income earned from notes receivable on manufactured homes and interest income on loans in the Griffin-American portfolio.

(5) Represents income earned from CDO bonds repurchased at a discount, recognized using the effective interest method, that is eliminated in consolidation. The corresponding interest expense is recorded in net interest income in the N-Star CDOs segment.

(6) Primarily relates to depreciation and amortization of $454.8 million.

(7) Includes management fees to NSAM of $198.7 million.

(8) Primarily relates to transaction costs of $109.5 million and depreciation and amortization of $42.4 million.

Statement of Operations:				N-Star CDOs[1]				
Year Ended December 31, 2014	**Real Estate**	**CRE Debt**	**CRE Securities**	**CRE Securities**	**Corporate**	**Asset Management[2]**	**European Real Estate[3]**	**Consolidated Total**
Rental and escalation income	$ 348,666	$ —	$ —	$ 1,285	$ —	$ —	$ —	$ 349,951
Hotel related income	237,039	—	—	—	—	—	—	237,039
Resident fee income	77,516	—	—	—	—	—	—	77,516
Net interest income on debt and securities	5,951 [4]	145,159	82,246	63,216	1,567 [5]	—	—	298,139
Interest expense—mortgage and corporate borrowings	183,042	—	—	—	48,852	—	—	231,894
Income (loss) before equity in earnings (losses) and income tax benefit (expense)	(170,495) [6]	139,581	101,691	(185,730)	(309,879)	—	—	(424,832)
Equity in earnings (losses) of unconsolidated ventures	162,126	2,644	—	—	283	—	—	165,053
Income tax benefit (expense)	(15,904)	(70)	(205)	(352)	(75)	—	—	(16,606)
Income (loss) from continuing operations	(24,273)	142,155	101,486	(186,082)	(309,671)	—	—	(276,385)
Income (loss) from discontinued operations	(925)	—	—	—	—	(7,203)	(36,573) [7]	(44,701)
Net income (loss)	(25,198)	142,155	101,486	(186,082)	(309,671)	(7,203)	(36,573) [7]	(321,086)
Balance Sheet:								
December 31, 2014:								
Investments in private equity funds, at fair value	$ 962,038	$ —	$ —	$ —	$ —	$ —	$ —	$ 962,038
Investments in unconsolidated ventures	184,026	8,526	—	—	15,225	—	—	207,777
Total Assets	12,771,368	1,158,947	417,884	506,616	163,264	—	160,633	15,178,712

(1) Based on CDO financing transactions that were primarily collateralized by CRE securities and may include other types of investments. $5.9 million of collateral management fees were earned from CDO financing transactions for the year ended December 31, 2014, of which $2.6 million was eliminated in consolidation. The eliminated amounts are recorded as other revenue in the Corporate segment and as an expense in the N-Star CDO segment.

(2) Represents the consolidated statements of operations of NSAM reported in discontinued operations and includes an allocation of indirect expenses from the Company (refer to Note 9).

(3) Represents the consolidated statements of operations of NRE reported in discontinued operations and includes an allocation of indirect expenses from the Company (refer to Note 9).

(4) Primarily represents interest income earned from notes receivable on manufactured homes.

(5) Represents income earned from CDO bonds repurchased at a discount, recognized using the effective interest method, that is eliminated in consolidation. The corresponding interest expense is recorded in net interest income in the N-Star CDOs segment.

(6) Includes depreciation and amortization of $182.1 million.

(7) Primarily relates to transaction costs of $27.5 million.

Statement of Operations:				N-Star CDOs[1]				
Year Ended December 31, 2013	Real Estate	CRE Debt	CRE Securities	CRE Debt	CRE Securities	Corporate	Asset Management[2]	Consolidated Total
Rental and escalation income	$ 202,765	$ 260	$ —	$ 30,947	$ 1,152	$ —	$ —	$ 235,124
Net interest income on debt and securities	833 [2]	48,594	38,160	50,669	84,600	43,501 [4]	—	266,357
Interest expense—mortgage and corporate borrowings	76,388	—	—	9,876	—	54,763	—	141,027
Income (loss) before equity in earnings (losses) and income tax benefit (expense)	(5,186) [5]	50,632	85,236	(312,148)	96,380	(78,540)	—	(163,626)
Equity in earnings (losses) of unconsolidated ventures	88,949	3,594	—	(817)	—	—	—	91,726
Income tax benefit (expense)	(7,249)	—	—	—	—	—	—	(7,249)
Income (loss) from continuing operations	76,514	54,226	85,236	(312,965)	96,380	(78,540)	—	(79,149)
Income (loss) from discontinued operations	(8,356)	—	—	—	—	—	(405)	(8,761)
Net income (loss)	68,158	54,226	85,236	(312,965)	96,380	(78,540)	(405)	(87,910)
Balance Sheet:								
December 31, 2013:								
Investments in private equity funds, at fair value	$ 586,018	$ —	$ —	$ —	$ —	$ —	$ —	$ 586,018
Investments in unconsolidated ventures	113,735	14,222	—	—	—	14,383	—	142,340
Total Assets	3,343,402	1,211,079	413,184	—	733,528	627,148	31,709	6,360,050

(1) Based on CDO financing transactions that were primarily collateralized by CRE securities and may include other types of investments. $11.1 million of collateral management fees were earned from CDO financing transactions for the year ended December 31, 2013, of which $10.4 million was eliminated in consolidation. The eliminated amounts are recorded as other revenue in the Corporate segment and as an expense in the N-Star CDO segment.
(2) Represents the consolidated statements of operations of NSAM reported in discontinued operations and includes an allocation of indirect expenses from the Company (refer to Note 9).
(3) Primarily represents interest income earned from notes receivable on manufactured homes and interest income on loans in the Griffin-American portfolio.
(4) Represents income earned from CDO bonds repurchased at a discount, recognized using the effective interest method, that is eliminated in consolidation. The corresponding interest expense is recorded in net interest income in the N-Star CDOs segment.
(5) Includes depreciation and amortization of $75.8 million.

20. Supplemental Disclosures of Non-cash Investing and Financing Activities

The following table presents non-cash investing and financing activities for the years ended December 31, 2015, 2014 and 2013 (dollars in thousands):

	Years Ended December 31,		
	2015	2014	2013
Reclassification of operating real estate, net to asset held for sale	$ 2,627,551	$ 22,323	$ 30,063
Reclassification of mortgage note payable to liabilities held for sale	2,195,975	—	28,962
Net assets distributed in spin-off of European real estate business (refer to Note 9)	539,491	—	—
Assumption of mortgage notes payable upon acquisition of operating real estate	273,023	870,871	—
Reclassification of operating real estate to intangible assets	247,602	160,511	25,497
Reclassification of CRE debt investment to held for sale	224,677	15,223	—
Reclassification of other assets to asset held for sale	57,323	—	—
Reclassification of CRE debt investment and secured borrowing (refer to Note 10)	54,056	—	—
Acquired assets and liabilities in connection with European real estate acquisitions	49,942	—	—
Reclassification of intangible assets to asset held for sale	49,530	—	—
Reclassification of deferred financing costs to mortgage notes and other payables	49,050	—	—
Deferred purchase price for PE Investment XIV (refer to Note 5)	47,808	—	—
Escrow deposit payable related to CRE debt investments	47,303	34,521	57,226
Reclassification of other liabilities to intangible liabilities	37,836	—	—
Reduction of assets and liabilities held for sale via taking title	28,962	—	—
Reclassification of other assets to operating real estate	25,577	—	—
Conversion of Deferred LTIP Units to LTIP Units (refer to Note 13)	18,730	—	—
Reclassification of escrow deposit payable to other liabilities	17,377	—	—
Non-controlling interests—reallocation of interest in Operating Partnership (refer to Note 13)	14,548	—	—
Conversion of exchangeable senior notes	13,590	320,304	74,778
Reclassification of deferred financing costs to credit facilities	9,525	—	—
Dividends payable related to RSUs	3,548	—	2,128
Retirement of shares of common stock	2,001	—	—
Contribution from non-controlling interest	1,461	75,428	—
Reclassification of deferred financing costs to exchangeable senior notes	384	—	—
Non-cash related to PE Investments	218	15,581	17,473
Issuance of common stock in connection with the merger of Griffin-American	—	1,075,930	—
Acquired assets in connection with the merger of Griffin-American	—	503,784	—
Exchangeable senior notes exchanged for Senior Notes (refer to Note 8)	—	296,382	—
Acquired liabilities in connection with the merger of Griffin-American	—	229,015	—
Reclassification of operating real estate to other assets	—	67,655	89,219
CRE debt investment payoff due from servicer	—	64,092	—
Net assets distributed in spin-off of asset management business (refer to Note 9)	—	39,709	—
Conversion of Old LTIP Units (refer to Note 11)	—	18,611	10,129
Common stock related to transactions	—	6,801	17,712
Real estate acquisition(1)	—	—	135,361
Reduction of CRE debt investments(1)	—	—	135,361
Assignment of mortgage note payable via sale	—	—	7,813
Increase in restricted cash(1)	—	—	2,730
Deferred purchase price for PE Investment III (refer to Note 5)	—	—	39,759
Reclassification of real estate debt investment to other assets	—	—	8,952
Equity component of exchangeable senior notes	—	—	45,740

(1) Non-cash activity occurred in connection with taking title to collateral.

Cash Paid for Interest and Income Taxes

For the years ended December 31, 2015, 2014, and 2013, cash paid for interest on outstanding borrowings was $429.0 million, $223.0 million and $158.9 million, respectively. The difference between interest expense on the consolidated statements of operations and cash paid for interest is primarily due to reclassification of losses related to derivative instruments from OCI into earnings and non-cash interest expense recorded on amortization of deferred financing costs related to borrowings. For the years ended December 31, 2015 and 2014, cash paid for income taxes was $26.5 million and $3.4 million, respectively. There was an immaterial amount of cash paid for income taxes for the year ended December 31, 2013.

21. Subsequent Events

Dividends

On February 25, 2016, the Company declared a dividend of $0.40 per share of common stock, after giving effect to the Reverse Split. The common stock dividend will be paid on March 11, 2016 to stockholders of record as of the close of business on March 7, 2016. On January 28, 2016, the Company declared a dividend of $0.54688 per share of Series A preferred stock, $0.51563 per share of Series B preferred stock, $0.55469 per share of Series C preferred stock, $0.53125 per share of Series D Preferred Stock and $0.54688 per share of Series E Preferred Stock. Dividends were paid on all series of preferred stock on February 16, 2016 to stockholders of record as of the close of business on February 8, 2016.

Strategic Initiatives

On February 25, 2016, the Company announced that its board of directors formed a special committee and the special committee retained UBS Investment Bank as its financial advisor to explore a potential recombination transaction with NSAM. The special committee will be comprised solely of independent directors that are not on the board of directors of NSAM, including the new independent director appointed to the board of directors effective March 1, 2016. There can be no assurance that the exploration of corporate strategic initiatives will result in the identification or consummation of any strategic transaction or initiative.

NORTHSTAR REALTY FINANCE CORP. AND SUBSIDIARIES

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

(Dollars in Thousands)

	Beginning Balance	Charged to Costs and Expenses	Other Charges	Deductions	Ending Balance
For the Year Ended December 31, 2015					
Loan loss reserves	$ 5,599	2,240 [1][2]	—	—	$ 7,839
Allowance for doubtful accounts	2,020	6,678	—	(4,380)	4,318
Allowance for unbilled rent receivable	4,037	—	—	(3,921)	116
	$ 11,656	$ 8,918	$ —	$ (8,301)	$ 12,273
For the Year Ended December 31, 2014					
Loan loss reserves	$ 2,880	$ 2,719 [1]	$ —	$ —	$ 5,599
Allowance for doubtful accounts	1,151	3,220	—	(2,351)	2,020
Allowance for unbilled rent receivable	307	7,638	—	(3,908)	4,037
	$ 4,338	$ 13,577	$ —	$ (6,259)	$ 11,656
For the Year Ended December 31, 2013					
Loan loss reserves	$ 156,699	$ (8,786)	$ —	$ (145,033)	$ 2,880
Allowance for doubtful accounts	1,526	784	—	(1,159)	1,151
Allowance for unbilled rent receivable	—	354	—	(47)	307
	$ 158,225	$ (7,648)	$ —	$ (146,239)	$ 4,338

(1) Excludes $0.8 million of provision for loan losses relating to manufactured housing notes receivables recorded in assets of properties held for sale for the year ended December 31, 2015 and $1.0 million recorded in other assets for the year ended December 31, 2014, respectively.

(2) Includes $1.2 million of provision for loan losses relating to loans held for sale for the year ended December 31, 2015.

NORTHSTAR REALTY FINANCE CORP. AND SUBSIDIARIES

SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION

As of December 31, 2015

(Dollars in Thousands)

Column A	Column B	Column C Initial Cost		Column D Capitalized Subsequent to Acquisition	Column E Gross Amount Carried at Close of Period			Column F		Column G	Column H
Location City, State	Encumbrances	Land	Building & Improvements	Land, Buildings & Improvements	Land	Building & Improvements	Total (5)(6)	Accumulated Depreciation	Total	Date Acquired	Life on Which Depreciation is Computed
Healthcare											
Medical Office Building											
Abilene, TX	$ 11,430	$ 986	$ 18,279	$ 57	$ 986	$ 18,336	$ 19,322	$ 635	$ 18,687	Dec-14	39 years
Alice, TX (3)	6,199	—	6,847	21	—	6,868	6,868	324	6,544	Dec-14	39 years
Amarillo, TX	17,435	2,867	10,462	34	2,867	10,496	13,363	474	12,889	Dec-14	39 years
Austell, GA	7,362	2,464	10,346	53	2,464	10,399	12,863	435	12,428	Dec-14	39 years
Avon, IN	5,231	704	7,123	67	704	7,190	7,894	185	7,709	Dec-14	39 years
Batavia, OH (3)	9,589	—	19,664	61	—	19,725	19,725	763	18,962	Dec-14	39 years
Beachwood, OH	12,108	2,384	23,035	549	2,384	23,584	25,968	1,047	24,921	Dec-14	39 years
Benton, AR (3)	9,378	—	20,150	251	—	20,401	20,401	712	19,689	Dec-14	39 years
Bessemer, AL (3)	25,208	—	49,025	169	—	49,194	49,194	1,736	47,458	Dec-14	39 years
Bloomington, IN	5,812	634	8,310	258	634	8,568	9,202	377	8,825	Dec-14	39 years
Boynton Beach, FL (3)	—	—	10,326	288	—	10,614	10,614	402	10,212	Dec-14	39 years
Bradenton, FL (3)	12,723	—	16,855	2,391	—	19,246	19,246	636	18,610	Dec-14	39 years
Brentwood, CA	16,292	2,273	20,262	63	2,273	20,325	22,598	807	21,791	Dec-14	39 years
Brownsburg, IN	17,629	1,358	15,981	73	1,358	16,054	17,412	573	16,839	Dec-14	39 years
Bryant, AR	5,570	573	8,977	28	573	9,005	9,578	311	9,267	Dec-14	39 years
Carlsbad, NM (3)	6,800	—	7,156	22	—	7,178	7,178	328	6,850	Dec-14	39 years
Carmel, IN	22,472	1,106	42,707	275	1,106	42,982	44,088	1,473	42,615	Dec-14	39 years
Carson City, NV	19,179	1,277	26,454	118	1,277	26,572	27,849	1,085	26,764	Dec-14	39 years
Champaign, IL	4,688	1,106	7,203	22	1,106	7,225	8,331	362	7,969	Dec-14	39 years
Chillicothe, OH	—	955	24,895	78	955	24,973	25,928	1,070	24,858	Dec-14	39 years
Chula Vista, CA	22,543	5,179	27,263	971	5,179	28,234	33,413	1,011	32,402	Dec-14	39 years
Cleveland, OH	6,635	1,740	13,336	218	1,740	13,554	15,294	516	14,778	Dec-14	39 years
Columbia, SC	3,874	744	10,679	160	744	10,839	11,583	407	11,176	Dec-14	39 years
Decatur, GA	14,231	2,963	21,538	110	2,963	21,648	24,611	970	23,641	Dec-14/Jan-15	39 years
Des Plaines, IL	9,880	1,840	9,039	136	1,840	9,175	11,015	405	10,610	Dec-14	39 years
DeSoto, TX	9,414	976	9,216	29	976	9,245	10,221	406	9,815	Dec-14	39 years
East Arlington, TX	3,102	3,619	901	63	3,619	964	4,583	196	4,387	May-07	40 years
El Paso, TX (3)	9,996	—	18,462	69	—	18,531	18,531	748	17,783	Dec-14	39 years
Ennis, TX	7,265	573	7,850	25	573	7,875	8,448	258	8,190	Dec-14	39 years
Escanaba, MI (3)	13,437	—	12,462	39	—	12,501	12,501	437	12,064	Dec-14	39 years
Evansville, IN (3)	34,515	—	34,450	108	—	34,558	34,558	1,358	33,200	Dec-14	39 years
Frisco, TX	16,902	2,645	11,225	40	2,645	11,265	13,910	472	13,438	Dec-14	39 years
Greeley, CO	36,636	8,005	40,791	290	8,005	41,081	49,086	1,782	47,304	Dec-14	39 years
Hendersonville, TN	7,846	1,488	9,000	28	1,488	9,028	10,516	434	10,082	Dec-14	39 years

NORTHSTAR REALTY FINANCE CORP. AND SUBSIDIARIES

SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION

As of December 31, 2015

(Dollars in Thousands)

Column A	Column B	Column C Initial Cost		Column D Capitalized Subsequent to Acquisition	Column E Gross Amount Carried at Close of Period			Column F		Column G	Column H
Location City, State	Encumbrances	Land	Building & Improvements	Land, Buildings & Improvements	Land	Building & Improvements	Total [(5)(6)]	Accumulated Depreciation	Total	Date Acquired	Life on Which Depreciation is Computed
Highlands Ranch, CO	$ 8,495	$ 2,062	$ 4,890	$ 484	$ 2,062	$ 5,374	$ 7,436	$ 253	$ 7,183	Dec-14	39 years
Hilo, HI	8,814	443	9,115	28	443	9,143	9,586	379	9,207	Dec-14	39 years
Hinsdale, IL	37,001	4,948	29,775	1,760	4,948	31,535	36,483	1,323	35,160	Dec-14	39 years
Hobbs, NM [(3)]	4,262	—	3,924	12	—	3,936	3,936	186	3,750	Dec-14	39 years
Hope, AR [(3)]	533	—	2,038	6	—	2,044	2,044	107	1,937	Dec-14	39 years
Houston, TX [(3)]	4,097	—	5,647	77	—	5,724	5,724	312	5,412	Dec-14	39 years
Humble, TX	11,594	332	14,996	47	332	15,043	15,375	496	14,879	Dec-14	39 years
Huntsville, AL [(3)]	8,718	—	13,126	78	—	13,204	13,204	572	12,632	Dec-14	39 years
Indianapolis, IN	82,160	9,334	112,857	1,641	9,334	114,498	123,832	4,674	119,158	Dec-14	39 years
Jasper, GA	14,505	2,565	14,652	70	2,565	14,722	17,287	671	16,616	Dec-14	39 years
Jersey City, NJ [(3)]	31,771	—	39,450	137	—	39,587	39,587	1,417	38,170	Dec-14	39 years
Johns Creek, GA	19,469	4,526	24,739	381	4,526	25,120	29,646	1,044	28,602	Dec-14	39 years
Killeen, TX	1,744	292	1,918	6	292	1,924	2,216	77	2,139	Dec-14	39 years
Knoxville, TN	58,785	3,942	75,172	235	3,942	75,407	79,349	2,583	76,766	Dec-14	39 years
Lacombe, LA	11,381	965	17,654	55	965	17,709	18,674	675	17,999	Dec-14	39 years
Lafayette, IN	36,129	3,198	43,616	143	3,198	43,759	46,957	1,703	45,254	Dec-14	39 years
Lake Charles, LA [(3)]	3,429	—	2,969	9	—	2,978	2,978	160	2,818	Dec-14	39 years
Las Vegas, NM [(3)]	4,843	—	3,534	11	—	3,545	3,545	168	3,377	Dec-14	39 years
Lawton, OK [(3)]	11,944	—	11,536	36	—	11,572	11,572	483	11,089	Dec-14	39 years
Lemont, IL	6,683	553	9,013	141	553	9,154	9,707	367	9,340	Dec-14	39 years
Livingston, TX [(3)]	6,296	—	6,139	19	—	6,158	6,158	259	5,899	Dec-14	39 years
Lufkin, TX [(3)]	3,962	—	3,603	11	—	3,614	3,614	185	3,429	Dec-14	39 years
Marrietta, GA	13,561	2,062	14,615	73	2,062	14,688	16,750	583	16,167	Dec-14	39 years
Memphis, TN	5,134	412	8,570	42	412	8,612	9,024	369	8,655	Dec-14	39 years
Middletown, NY	119,033	4,998	114,970	359	4,998	115,329	120,327	3,687	116,640	Dec-14	39 years
Muncie, IN	8,136	1,116	8,564	74	1,116	8,638	9,754	405	9,349	Dec-14	39 years
Munster, IN	28,126	2,967	38,565	209	2,967	38,774	41,741	1,274	40,467	Dec-14	39 years
Naperville, IL	9,938	724	8,882	32	724	8,914	9,638	360	9,278	Dec-14	39 years
New Port Richey, FL	3,681	1,126	6,805	21	1,126	6,826	7,952	292	7,660	Dec-14	39 years
Noblesville, IN	15,315	2,011	18,383	387	2,011	18,770	20,781	840	19,941	Dec-14	39 years
Novi, MI	11,623	2,011	16,418	91	2,011	16,509	18,520	684	17,836	Dec-14	39 years
Okatie, SC [(3)]	6,563	—	9,848	50	—	9,898	9,898	396	9,502	Dec-14	39 years
Pocatello, ID [(3)]	24,215	—	27,207	90	—	27,297	27,297	936	26,361	Dec-14	39 years
Raleigh, NC [(3)]	23,317	—	29,549	604	—	30,153	30,153	863	29,290	Dec-14	39 years
Rockhill, NY	35,049	3,007	33,526	105	3,007	33,631	36,638	977	35,661	Dec-14	39 years
Rockwall, TX	30,681	3,238	28,182	169	3,238	28,351	31,589	1,260	30,329	Dec-14	39 years

NORTHSTAR REALTY FINANCE CORP. AND SUBSIDIARIES

SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION

As of December 31, 2015

(Dollars in Thousands)

Column A	Column B	Column C Initial Cost		Column D Capitalized Subsequent to Acquisition	Column E Gross Amount Carried at Close of Period			Column F		Column G	Column H
Location City, State	Encumbrances	Land	Building & Improvements	Land, Buildings & Improvements	Land	Building & Improvements	Total (5)(6)	Accumulated Depreciation	Total	Date Acquired	Life on Which Depreciation is Computed
Rowlett, TX	$ 3,487	$ 563	$ 3,753	$ 12	$ 563	$ 3,765	$ 4,328	$ 184	$ 4,144	Dec-14	39 years
Ruston, LA	20,583	1,277	24,565	77	1,277	24,642	25,919	1,022	24,897	Dec-14	39 years
San Angelo, TX (3)	8,282	—	12,350	55	—	12,405	12,405	576	11,829	Dec-14	39 years
San Antonio, TX	37,993	1,850	68,017	525	1,850	68,542	70,392	2,419	67,973	Dec-14	39 years
Santa Rosa, CA	19,082	5,149	21,284	91	5,149	21,375	26,524	1,045	25,479	Dec-14	39 years
Sarasota, FL	8,718	795	15,009	108	795	15,117	15,912	577	15,335	Dec-14	39 years
Sartell, MN	7,362	1,106	8,954	32	1,106	8,986	10,092	410	9,682	Dec-14	39 years
Schertz, TX	4,049	483	4,396	40	483	4,436	4,919	176	4,743	Dec-14	39 years
Shelbyville, TN (3)	7,095	—	7,981	35	—	8,016	8,016	376	7,640	Dec-14	39 years
Shenandoah, TX	12,301	1,458	17,510	481	1,458	17,991	19,449	765	18,684	Dec-14	39 years
Spokane, WA	22,548	1,297	64,127	206	1,297	64,333	65,630	2,026	63,604	Dec-14	39 years
St. John, IN	3,487	412	5,208	24	412	5,232	5,644	173	5,471	Dec-14	39 years
St. Petersburg, FL (3)	9,682	—	18,253	229	—	18,482	18,482	697	17,785	Dec-14	39 years
Stockbridge, GA	11,817	1,096	13,818	50	1,096	13,868	14,964	565	14,399	Dec-14	39 years
Sylva, NC (3)	13,561	—	11,673	36	—	11,709	11,709	433	11,276	Dec-14	39 years
Tempe, AZ (3)	8,088	—	14,597	130	—	14,727	14,727	591	14,136	Dec-14	39 years
Temple, TX	7,652	634	10,644	33	634	10,677	11,311	415	10,896	Dec-14	39 years
Texarkana, TX	7,362	583	8,829	28	583	8,857	9,440	346	9,094	Dec-14	39 years
Urbana, IL (3)	12,205	—	15,746	71	—	15,817	15,817	573	15,244	Dec-14	39 years
Vicksburg, MS (3)	11,500	—	14,528	45	—	14,573	14,573	328	14,245	Jun-15	39 years
Victoria, TX (3)	7,546	—	9,347	29	—	9,376	9,376	435	8,941	Dec-14	39 years
Warsaw, IN (3)	6,170	—	5,568	17	—	5,585	5,585	253	5,332	Dec-14	39 years
West Bloomfield, MI	8,911	1,478	7,059	412	1,478	7,471	8,949	296	8,653	Dec-14	39 years
Westminster, CO	17,445	613	23,155	106	613	23,261	23,874	1,002	22,872	Dec-14	39 years
Wharton, TX (3)	5,405	—	4,257	13	—	4,270	4,270	203	4,067	Dec-14	39 years
Total Medical Office Building	1,404,699	124,085	1,805,344	17,742	124,085	1,823,086	1,947,171	70,041	1,877,130		
Skilled Nursing Facilities											
Abingdon, VA	7,151	541	6,751	—	541	6,751	7,292	425	6,867	May-14	40 years
Annandale, VA	7,032	2,520	11,824	—	2,520	11,824	14,344	695	13,649	May-14	40 years
Atlanta, GA	29,446	3,359	29,943	93	3,359	30,036	33,395	928	32,467	Dec-14	39 years
Aurora, IL	12,780	1,382	20,711	120	1,382	20,831	22,213	1,070	21,143	May-14	40 years
Baltimore, MD	7,235	1,761	9,299	—	1,761	9,299	11,060	532	10,528	May-14	40 years
Bastian, VA	3,644	282	3,207	10	282	3,217	3,499	110	3,389	Dec-14	39 years
Belvidere, IL	11,302	597	22,630	823	597	23,453	24,050	1,258	22,792	May-14	40 years
Bend, OR	10,955	1,368	13,238	41	1,368	13,279	14,647	409	14,238	Dec-14	39 years

NORTHSTAR REALTY FINANCE CORP. AND SUBSIDIARIES

SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION

As of December 31, 2015

(Dollars in Thousands)

Column A	Column B	Column C Initial Cost		Column D Capitalized Subsequent to Acquisition	Column E Gross Amount Carried at Close of Period			Column F		Column G	Column H
Location City, State	Encumbrances	Land	Building & Improvements	Land, Buildings & Improvements	Land	Building & Improvements	Total [(5)(6)]	Accumulated Depreciation	Total	Date Acquired	Life on Which Depreciation is Computed
Black Mountain, NC	$ 6,023	$ 468	$ 5,786	$ 861	$ 468	$ 6,647	$ 7,115	$ 1,452	$ 5,663	Jul-06	40 years
Blountstown, FL	5,111	378	5,069	908	378	5,977	6,355	1,285	5,070	Jul-06	40 years
Boetourt, VA	4,699	342	7,447	23	342	7,470	7,812	232	7,580	Dec-14	39 years
Castleton, IN	7,453	677	8,077	—	677	8,077	8,754	1,725	7,029	Jun-07	40 years
Chesterfield, IN	4,282	815	4,204	—	815	4,204	5,019	898	4,121	Jun-07	39 years
Clemmons, NC	2,860	337	4,541	33	337	4,574	4,911	932	3,979	Apr-07	40 years
Columbia City, IN	8,339	1,034	6,390	—	1,034	6,390	7,424	1,364	6,060	Jun-07	40 years
Conyers, GA	20,147	1,850	26,868	84	1,850	26,952	28,802	791	28,011	Dec-14	39 years
Covington, GA	21,019	1,478	21,611	67	1,478	21,678	23,156	660	22,496	Dec-14	39 years
Crestwood, IL	15,002	1,600	24,785	353	1,600	25,138	26,738	1,262	25,476	May-14	40 years
Dalton, MA	7,050	1,820	3,022	9	1,820	3,031	4,851	77	4,774	Dec-14	39 years
Daly City, CA	22,205	3,298	1,872	12,323	3,298	14,195	17,493	7,701	9,792	Aug-07	40 years
Decatur, IL	14,098	1,959	23,365	496	1,959	23,861	25,820	1,402	24,418	May-14	40 years
Dunkirk, IN	2,164	310	2,299	—	310	2,299	2,609	491	2,118	Jun-07	40 years
Eustis, FL	14,692	821	4,629	—	821	4,629	5,450	301	5,149	May-14	40 years
Fort Lauderdale, FL	5,470	583	5,592	—	583	5,592	6,175	297	5,878	May-14	40 years
Fort Myers, FL	4,738	1,060	12,343	19	1,060	12,362	13,422	635	12,787	May-14	40 years
Fort Wayne, IN	5,048	1,478	4,409	—	1,478	4,409	5,887	942	4,945	Jun-07	40 years
Gainesville, FL	12,409	1,099	22,002	351	1,099	22,353	23,452	1,075	22,377	May-14	40 years
Gainesville, GA	14,432	1,167	17,273	54	1,167	17,327	18,494	521	17,973	Dec-14	39 years
Grants Pass, OR	10,200	1,247	11,425	36	1,247	11,461	12,708	362	12,346	Dec-14	39 years
Hartford City, IN	721	199	1,782	—	199	1,782	1,981	380	1,601	Jun-07	40 years
Hobart, IN	5,860	1,835	5,019	—	1,835	5,019	6,854	1,072	5,782	Jun-07	40 years
Hot Springs, VA	2,973	292	3,167	10	292	3,177	3,469	109	3,360	Dec-14	39 years
Huntington, IN	5,094	646	5,037	—	646	5,037	5,683	1,075	4,608	Jun-07	40 years
Hyde Park, MA	2,092	1,130	568	2	1,130	570	1,700	11	1,689	Dec-14	39 years
Jacksonville, FL	16,778	2,640	28,470	49	2,640	28,519	31,159	1,609	29,550	May-14	40 years
Joliet, IL	16,833	1,113	24,696	449	1,113	25,145	26,258	1,215	25,043	May-14	40 years
Kissimmee, FL	5,628	1,122	16,503	—	1,122	16,503	17,625	851	16,774	May-14	40 years
LaGrange, IN	4,829	446	5,494	—	446	5,494	5,940	1,173	4,767	Jun-07	40 years
Lakeland, FL	14,595	1,477	18,811	—	1,477	18,811	20,288	1,026	19,262	May-14	40 years
Largo, FL	18,770	2,277	30,507	44	2,277	30,551	32,828	1,662	31,166	May-14	40 years
Lebanon, VA	4,507	352	4,710	15	352	4,725	5,077	153	4,924	Dec-14	39 years
Lincoln, IL	2,913	904	2,865	127	904	2,992	3,896	337	3,559	May-14	40 years
Longwood, FL	6,230	973	8,557	—	973	8,557	9,530	479	9,051	May-14	40 years
Low Moor, VA	8,918	734	10,021	31	734	10,052	10,786	319	10,467	Dec-14	39 years

NORTHSTAR REALTY FINANCE CORP. AND SUBSIDIARIES

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Column A	Column B	Column C Initial Cost		Column D Capitalized Subsequent to Acquisition	Column E Gross Amount Carried at Close of Period			Column F		Column G	Column H
Location City, State	Encumbrances	Land	Building & Improvements	Land, Buildings & Improvements	Land	Building & Improvements	Total (5)(6)	Accumulated Depreciation	Total	Date Acquired	Life on Which Depreciation is Computed
McMinnville, TN	$ 5,141	$ 1,078	$ 7,235	$ —	$ 1,078	$ 7,235	$ 8,313	$ 470	$ 7,843	May-14	40 years
Memphis, TN	14,723	1,539	15,274	48	1,539	15,322	16,861	469	16,392	Dec-14	39 years
Middletown, IN	3,831	184	4,750	—	184	4,750	4,934	1,014	3,920	Jun-07	40 years
Midlothian, VA	14,747	1,770	18,788	59	1,770	18,847	20,617	570	20,047	Dec-14	39 years
Millington, TN	15,207	503	16,324	51	503	16,375	16,878	492	16,386	Dec-14	39 years
Milton, PA	9,685	1,418	9,954	38	1,418	9,992	11,410	326	11,084	Dec-14	39 years
Mobile, AL	9,783	382	9,577	30	382	9,607	9,989	310	9,679	Dec-14	39 years
Morris, IL	3,833	568	9,103	(2,682)	568	6,421	6,989	1,637	5,352	May-06	40 years
Mt. Sterling, KY	9,430	996	12,561	373	996	12,934	13,930	2,699	11,231	Feb-07	40 years
Niles, MI	4,572	498	6,667	—	498	6,667	7,165	449	6,716	May-14	40 years
North Bend, WA	2,267	734	833	3	734	836	1,570	45	1,525	Dec-14	39 years
Olympia, WA	2,550	362	2,152	7	362	2,159	2,521	70	2,451	Dec-14	39 years
Ormond Beach, FL	11,743	2,072	15,817	—	2,072	15,817	17,889	990	16,899	May-14	40 years
Palm Harbor, FL	14,465	1,011	13,994	63	1,011	14,057	15,068	764	14,304	May-14	40 years
Peru, IN	4,507	502	7,135	—	502	7,135	7,637	1,523	6,114	Jun-07	40 years
Philadelphia, PA	147,260	4,939	165,954	519	4,939	166,473	171,412	5,005	166,407	Dec-14	39 years
Pittsfield, MA	9,343	2,620	4,278	13	2,620	4,291	6,911	112	6,799	Dec-14	39 years
Prineville, OR	944	563	1,406	4	563	1,410	1,973	58	1,915	Dec-14	39 years
Redmond, OR	6,139	543	6,790	21	543	6,811	7,354	212	7,142	Dec-14	39 years
Rockport, IN	2,119	619	2,092	—	619	2,092	2,711	446	2,265	Jun-07	40 years
Royersford, PA	41,002	20,164	23,921	75	20,164	23,996	44,160	838	43,322	Dec-14	39 years
Rushville, IN	5,401	310	5,858	—	310	5,858	6,168	1,251	4,917	Jun-07	40 years
Sarasota, FL	9,355	1,406	15,946	8	1,406	15,954	17,360	883	16,477	May-14	40 years
Shreveport, LA	20,341	945	23,371	73	945	23,444	24,389	737	23,652	Dec-14	39 years
Snellville, GA	22,956	2,876	25,527	80	2,876	25,607	28,483	766	27,717	Dec-14	39 years
Soddy Daisy, TN	8,587	947	9,956	—	947	9,956	10,903	629	10,274	May-14	40 years
St. Petersburg, FL	12,290	1,489	11,266	—	1,489	11,266	12,755	701	12,054	May-14	40 years
Sterling, IL	5,232	129	6,229	(1,145)	129	5,084	5,213	1,399	3,814	May-06	40 years
Sullivan, IN	5,344	1,794	4,469	—	1,794	4,469	6,263	953	5,310	Jun-07	40 years
Syracuse, IN	4,733	125	4,564	—	125	4,564	4,689	975	3,714	Jun-07	40 years
Tacoma, WA	10,200	1,901	10,763	34	1,901	10,797	12,698	362	12,336	Dec-14	39 years
Tampa, FL	11,270	1,892	20,724	—	1,892	20,724	22,616	1,163	21,453	May-14	40 years
Three Rivers, MI	4,004	590	5,354	—	590	5,354	5,944	416	5,528	May-14	40 years
Tipton, IN	9,944	1,102	10,836	(26)	1,102	10,810	11,912	2,129	9,783	Jun-07	40 years
Vero Beach, FL	6,555	672	7,531	—	672	7,531	8,203	407	7,796	Jun-07	40 years
Wabash, IN	6,311	2,511	5,024	—	2,511	5,024	7,535	1,072	6,463	Jun-07	40 years

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Wakarusa, IN	$ 9,316	$ 289	$ 13,420	$ —	$ 289	$ 13,420	$ 13,709	$ 2,866	$ 10,843	Jun-07	40 years
Watsontown, PA	5,479	684	4,626	63	684	4,689	5,373	170	5,203	Dec-14	39 years
West Melbourne, FL	10,696	1,659	10,792	—	1,659	10,792	12,451	701	11,750	May-14	40 years
Yuma, AZ	11,623	875	17,617	55	875	17,672	18,547	542	18,005	Dec-14	39 years
Total Skilled Nursing Facilities	926,655	117,032	1,075,297	15,195	117,032	1,090,492	1,207,524	77,924	1,129,600		
Assisted Living Facilities - RIDEA											
Albany, OR	10,400	510	13,149	24	510	13,173	13,683	617	13,066	May-14	40 years
Baker City, OR	4,697	510	8,195	207	510	8,402	8,912	464	8,448	May-14	40 years
Battle Ground, WA	9,525	740	12,503	32	740	12,535	13,275	634	12,641	May-14	40 years
Bremerton, WA	4,562	964	8,171	874	964	9,045	10,009	2,064	7,945	Jan-07	40 years
Carrollton, GA	6,911	816	4,220	3,325	816	7,545	8,361	1,426	6,935	May-14	40 years
Casa Grande, AZ	8,998	420	11,907	383	420	12,290	12,710	698	12,012	May-14	40 years
Cedar Park, TX	6,140	1,230	3,318	112	1,230	3,430	4,660	230	4,430	Jan-07	40 years
Charleston, IL	3,939	485	6,211	752	485	6,963	7,448	1,570	5,878	Jan-07/Dec-14	40 years
Cincinnati, OH	179,005	14,623	166,505	1,358	14,623	167,863	182,486	8,260	174,226	Jan-07	40 years
Clinton, OK	691	225	3,513	627	225	4,140	4,365	1,153	3,212	May-14	40 years
College Place, WA	7,575	580	9,823	154	580	9,977	10,557	478	10,079	Dec-14	39 years
Colorado Springs, CO	80,783	9,451	62,289	194	9,451	62,483	71,934	1,731	70,203	May-14	40 years
Corpus Christi, TX	15,150	2,269	17,396	365	2,269	17,761	20,030	954	19,076	Dec-14	39 years
Dalton, MA	10,674	1,210	10,988	268	1,210	11,256	12,466	306	12,160	May-07	40 years
Effingham, IL	9,135	811	9,684	410	811	10,094	10,905	1,579	9,326	Jan-07/Dec-14	40 years
Elk City, OK	4,700	143	6,721	1,062	143	7,783	7,926	1,828	6,098	Jan-07	40 years
Eugene, OR	12,640	840	14,813	148	840	14,961	15,801	745	15,056	May-14	40 years
Fairfield, IL	4,976	153	7,898	101	153	7,999	8,152	1,809	6,343	Jan-07	40 years
Fullerton, CA	7,464	5,422	9,436	456	5,422	9,892	15,314	2,305	13,009	Jan-07	40 years
Garden Grove, CA	6,704	6,975	5,927	286	6,975	6,213	13,188	1,483	11,705	Jan-07	40 years
Grants Pass, OR	7,520	490	6,900	31	490	6,931	7,421	410	7,011	May-14	40 years
Greenville, IL	8,420	220	9,387	29	220	9,416	9,636	258	9,378	Dec-14	39 years
Grove City, OH	4,890	613	6,882	1,259	613	8,141	8,754	1,628	7,126	Jun-07	40 years
Harrisburg, IL	2,808	191	5,059	73	191	5,132	5,323	1,138	4,185	Jun-07	40 years
Hood River, OR	9,360	390	11,113	79	390	11,192	11,582	590	10,992	May-14	40 years
Junction City, OR	4,531	840	5,984	230	840	6,214	7,054	366	6,688	May-14	40 years
Kingfisher, OK	1,106	128	5,497	309	128	5,806	5,934	1,456	4,478	Jan-07	40 years
La Grande, OR	7,272	430	9,635	306	430	9,941	10,371	531	9,840	May-14	40 years
La Vista, NE	2,558	562	4,966	434	562	5,400	5,962	1,254	4,708	Jan-07	40 years

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Lake Wylie, SC	$ 16,183	$ 1,210	$ 19,856	$ 719	$ 1,210	$ 20,575	$ 21,785	$ 1,012	$ 20,773	May-14	40 years
Lancaster, OH	8,429	1,014	11,874	1,654	1,014	13,528	14,542	2,373	12,169	Jun-07/Jan-12	40 years
League City, TX	16,607	2,539	20,426	231	2,539	20,657	23,196	1,064	22,132	May-14	40 years
Lincolnwood, IL	72,879	4,970	78,805	246	4,970	79,051	84,021	2,186	81,835	Dec-14	39 years
Mahomet, IL	7,177	290	6,779	21	290	6,800	7,090	187	6,903	Dec-14	39 years
Marysville, OH	4,501	2,218	5,015	495	2,218	5,510	7,728	1,309	6,419	Jun-07	40 years
Mattoon, IL	9,261	437	14,405	695	437	15,100	15,537	3,368	12,169	Jan-07	40 years
McMinnville, OR	10,715	650	11,686	188	650	11,874	12,524	649	11,875	May-14	40 years
Memphis, TN	15,712	5,791	19,902	1,241	5,791	21,143	26,934	3,910	23,024	Jan 07/Dec 14	40 years
Mobile, AL	4,540	510	6,848	(4,764)	510	2,084	2,594	388	2,206	May-14	40 years
Mt. Zion, IL	5,187	290	2,305	7	290	2,312	2,602	61	2,541	Dec-14	39 years
Northglenn, CO	29,120	1,530	28,245	265	1,530	28,510	30,040	1,396	28,644	May-14	40 years
Oklahoma City, OK	1,451	757	5,184	364	757	5,548	6,305	1,445	4,860	Jan-07	40 years
Olney, IL	8,086	166	8,316	480	166	8,796	8,962	1,992	6,970	Jan-07	40 years
Paris, IL	6,082	187	6,797	81	187	6,878	7,065	1,538	5,527	Jan-07	40 years
Port Orchard, WA	6,539	790	8,763	183	790	8,946	9,736	426	9,310	May-14	40 years
Raleigh, NC	11,132	1,000	16,416	146	1,000	16,562	17,562	832	16,730	May-14	40 years
Rantoul, IL	6,289	151	5,377	374	151	5,751	5,902	1,291	4,611	Jan-07	40 years
Robinson, IL	4,285	219	4,746	118	219	4,864	5,083	1,133	3,950	Jan-07	40 years
Rockford, IL	4,907	1,101	4,814	98	1,101	4,912	6,013	1,128	4,885	Jan-07	40 years
Rogue River, OR	4,373	590	5,310	116	590	5,426	6,016	303	5,713	May-14	40 years
Roseburg, OR	25,142	2,160	23,626	219	2,160	23,845	26,005	1,146	24,859	May-14	40 years
Round Rock, TX	22,578	2,570	28,717	168	2,570	28,885	31,455	1,418	30,037	May-14	40 years
Sacramento, CA	11,474	1,570	18,259	18	1,570	18,277	19,847	893	18,954	May-14	40 years
Santa Ana, CA	3,525	2,281	7,046	238	2,281	7,284	9,565	1,722	7,843	Jan-07	40 years
Seaside, OR	605	720	3,526	215	720	3,741	4,461	261	4,200	May-14	40 years
Staunton, IL	9,248	180	8,433	26	180	8,459	8,639	231	8,408	Dec-14	39 years
Stephenville, TX	2,972	507	6,459	420	507	6,879	7,386	1,612	5,774	Jan-07	40 years
Sugar Land, TX	29,693	2,240	31,010	284	2,240	31,294	33,534	1,503	32,031	May-14	40 years
Sycamore, IL	8,155	816	9,897	182	816	10,079	10,895	2,274	8,621	Jan-07	40 years
Temple, TX	15,564	2,260	20,149	1,369	2,260	21,518	23,778	1,072	22,706	May-14	40 years
Tuscola, IL	4,460	237	4,616	293	237	4,909	5,146	1,158	3,988	Jan-07	40 years
Tyler, TX	10,333	2,020	12,719	202	2,020	12,921	14,941	747	14,194	May-14	40 years
Ukiah, CA	4,942	990	7,637	76	990	7,713	8,703	417	8,286	May-14	40 years
Vandalia, IL	6,566	82	7,969	91	82	8,060	8,142	1,804	6,338	Jan-07	40 years
Washington Court House, OH	4,390	341	5,169	1,666	341	6,835	7,176	1,301	5,875	Jun-07	40 years

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Weatherford, OK	$ 1,521	$ 229	$ 5,600	$ 398	$ 229	$ 5,998	$ 6,227	$ 1,540	$ 4,687	Jan-07	40 years
Wenatchee, WA	15,600	1,340	17,486	115	1,340	17,601	18,941	891	18,050	May-14	40 years
Wichita, KS	5,322	2,282	10,478	425	2,282	10,903	13,185	2,153	11,032	Dec-07	40 years
Woodburn, OR	4,023	310	6,619	163	310	6,782	7,092	340	6,752	May-14	40 years
Total Assisted Living Facilities - RIDEA	882,702	101,786	985,374	23,414	101,786	1,008,788	1,110,574	88,439	1,022,135		
Assisted Living Facilities[1]											
Alexandria, MN	1,653	260	2,200	—	260	2,200	2,460	168	2,292	Jun-13	40 years
Ascot, UK	16,341	2,286	19,289	—	2,286	19,289	21,575	537	21,038	Dec-14	39 years
Auchtermuchty, UK	2,580	333	3,074	—	333	3,074	3,407	86	3,321	Dec-14	39 years
Baxter, MN	1,868	220	2,786	77	220	2,863	3,083	211	2,872	Jun-13	40 years
Bend, OR	26,569	2,676	36,595	14	2,676	36,609	39,285	1,792	37,493	Dec-14	39 years
Bishops Hull, UK	5,451	1,262	5,935	—	1,262	5,935	7,197	165	7,032	Dec-14	39 years
Braintree, UK	1,953	554	2,024	—	554	2,024	2,578	57	2,521	Dec-14	39 years
Bromley, UK	4,059	1,247	4,112	—	1,247	4,112	5,359	115	5,244	Dec-14	39 years
Camberely, UK	2,902	2,663	1,168	—	2,663	1,168	3,831	33	3,798	Dec-14	39 years
Chippenham, UK	5,478	1,778	5,454	—	1,778	5,454	7,232	152	7,080	Dec-14	39 years
Chipping Campden, UK	10,058	1,732	11,548	—	1,732	11,548	13,280	321	12,959	Dec-14	39 years
Chobham, UK	14,325	2,309	16,604	—	2,309	16,604	18,913	462	18,451	Dec-14	39 years
Cloquet, MN	2,587	170	4,021	62	170	4,083	4,253	289	3,964	Jun-13	40 years
Corvallis, OR	6,800	744	6,338	20	744	6,358	7,102	198	6,904	Dec-14	39 years
Cranleigh, UK	9,599	2,694	9,979	—	2,694	9,979	12,673	278	12,395	Dec-14	39 years
Denham, UK	8,555	1,801	7,761	1,732	1,801	9,493	11,294	232	11,062	Dec-14	39 years
Detroit Lakes, MN	4,528	290	4,174	144	290	4,318	4,608	334	4,274	Jun-13	40 years
Dorking, UK	5,946	1,478	6,372	—	1,478	6,372	7,850	178	7,672	Dec-14	39 years
Duluth, MN	15,450	1,300	16,791	—	1,300	16,791	18,091	1,172	16,919	Jun-13	40 years
Durham, NC	20,728	2,434	23,631	74	2,434	23,705	26,139	692	25,447	Dec-14	39 years
Eustis, FL [3]	412	—	—	—	—	—	—	—	—	May-14	40 years
Farleigh Common, UK	15,889	2,328	18,651	—	2,328	18,651	20,979	519	20,460	Dec-14	39 years
Farmoor, UK	15,898	1,778	15,700	3,512	1,778	19,212	20,990	437	20,553	Dec-14	39 years
Fayetteville, NC	11,527	1,187	9,598	30	1,187	9,628	10,815	297	10,518	Dec-14	39 years
Fishcross, UK	8,069	2,155	8,499	—	2,155	8,499	10,654	237	10,417	Dec-14	39 years
Fuguay-Varina, NC	16,079	1,126	19,556	61	1,126	19,617	20,743	576	20,167	Dec-14	39 years
Grand Rapids, MN	1,509	160	3,849	71	160	3,920	4,080	278	3,802	Jun-13	40 years
Haywards Heath, UK	9,350	1,455	10,890	—	1,455	10,890	12,345	303	12,042	Dec-14	39 years
Hulcott, UK	5,344	1,559	4,481	1,016	1,559	5,497	7,056	137	6,919	Dec-14	39 years

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Indianapolis, IN	$ 2,463	$ 210	$ 2,511	$ —	$ 210	$ 2,511	$ 2,721	$ 536	$ 2,185	Jun-07	40 years
Kincardine, UK	3,483	748	3,850	—	748	3,850	4,598	108	4,490	Dec-14	39 years
Kingston upon Thames, UK	24,504	3,502	28,850	—	3,502	28,850	32,352	802	31,550	Dec-14	39 years
Kissimmee, FL	343	337	213	—	337	213	550	14	536	May-14	40 years
Knightdale, NC	15,304	2,223	16,717	52	2,223	16,769	18,992	496	18,496	Dec-14	39 years
La Grande, OR	9,642	1,420	10,968	—	1,420	10,968	12,388	647	11,741	May-14	40 years
LaGrange, IN	490	47	584	—	47	584	631	125	506	Jun-07	40 years
Lebanon, OR	11,043	1,358	14,557	—	1,358	14,557	15,915	765	15,150	May-14	40 years
Leven, UK	3,324	499	3,890	—	499	3,890	4,389	109	4,280	Dec-14	39 years
Lewes, UK	4,444	1,085	4,099	684	1,085	4,783	5,868	121	5,747	Dec-14	39 years
Lightwater, UK	3,639	1,578	3,227	—	1,578	3,227	4,805	90	4,715	Dec-14	39 years
Lincolnton, NC	16,079	1,076	21,591	67	1,076	21,658	22,734	633	22,101	Dec-14	39 years
Liss, UK	4,691	1,501	4,693	—	1,501	4,693	6,194	132	6,062	Dec-14	39 years
Merstham, UK	10,086	2,001	11,315	—	2,001	11,315	13,316	315	13,001	Dec-14	39 years
Monroe, NC	15,788	1,348	23,521	73	1,348	23,594	24,942	689	24,253	Dec-14	39 years
Mooresville, IN	4,282	631	4,187	—	631	4,187	4,818	894	3,924	Jun-07	40 years
Mountain Iron, MN	2,803	175	3,651	70	175	3,721	3,896	266	3,630	Jun-13	40 years
Nuffield, UK	4,636	1,617	4,504	—	1,617	4,504	6,121	126	5,995	Dec-14	39 years
Nuneaton, UK	5,089	1,801	4,918	—	1,801	4,918	6,719	137	6,582	Dec-14	39 years
Oregon City, OR	12,507	1,633	16,058	—	1,633	16,058	17,691	817	16,874	May-14	40 years
Park Rapids, MN	1,725	50	2,683	142	50	2,825	2,875	209	2,666	Jun-13	40 years
Plymouth, IN	3,471	128	5,538	—	128	5,538	5,666	1,182	4,484	Jun-07	40 years
Portage, IN	4,958	1,438	7,988	—	1,438	7,988	9,426	1,706	7,720	Jun-07	40 years
Prineville, OR	4,816	231	4,901	15	231	4,916	5,147	158	4,989	Dec-14	39 years
Proctor, MN	5,677	300	7,920	—	300	7,920	8,220	537	7,683	Jun-13	40 years
Redmond, OR	3,589	241	2,208	7	241	2,215	2,456	82	2,374	Dec-14	39 years
Rendlesham, UK	12,035	3,344	12,545	—	3,344	12,545	15,889	353	15,536	Dec-14	39 years
Rushville, IN	729	62	1,177	—	62	1,177	1,239	251	988	Jun-07	40 years
Salem, OR	3,589	503	3,480	11	503	3,491	3,994	113	3,881	Dec-14	39 years
Sauchie, UK	7,512	1,584	8,333	—	1,584	8,333	9,917	233	9,684	Dec-14	39 years
Scarning, UK	5,036	1,872	4,777	—	1,872	4,777	6,649	134	6,515	Dec-14	39 years
Sevenoaks, UK	6,200	1,458	6,728	—	1,458	6,728	8,186	188	7,998	Dec-14	39 years
Shipton-Under-Wychwood, UK	11,799	2,309	13,269	—	2,309	13,269	15,578	370	15,208	Dec-14	39 years
Sompting, UK	2,635	1,261	2,218	—	1,261	2,218	3,479	62	3,417	Dec-14	39 years
Sonning Common, UK	17,811	2,479	21,037	—	2,479	21,037	23,516	585	22,931	Dec-14	39 years
St George, UK	5,649	2,771	4,687	—	2,771	4,687	7,458	131	7,327	Dec-14	39 years

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Location City, State	Encumbrances	Land	Building & Improvements	Land, Buildings & Improvements	Land	Building & Improvements	Total [5][6]	Accumulated Depreciation	Total	Date Acquired	Life on Which Depreciation is Computed
St Peter, UK	$ 12,254	$ 3,502	$ 12,676	$ —	$ 3,502	$ 12,676	$ 16,178	$ 354	$ 15,824	Dec-14	39 years
Sullivan, IN	966	596	441	—	596	441	1,037	95	942	Jun-07	39 years
Swansea, IL	6,043	527	5,737	58	527	5,795	6,322	430	5,892	May-14	40 years
Teddington, UK	16,998	539	21,904	—	539	21,904	22,443	610	21,833	Dec-14	39 years
Tunbridge Wells, UK	5,460	1,455	5,754	—	1,455	5,754	7,209	160	7,049	Dec-14	39 years
Wakarusa, IN	5,996	153	7,111	—	153	7,111	7,264	1,518	5,746	Jun-07	40 years
Warsaw, IN	2,479	396	3,722	—	396	3,722	4,118	795	3,323	Jun-07	40 years
Wimborne, UK	5,798	2,251	5,404	—	2,251	5,404	7,655	152	7,503	Dec-14	39 years
Winshill, UK	6,942	1,617	7,550	—	1,617	7,550	9,167	210	8,957	Dec-14	39 years
Wootton Bassett, UK	5,141	2,166	4,621	—	2,166	4,621	6,787	129	6,658	Dec-14	39 years
Yelverton, UK	927	231	993	—	231	993	1,224	28	1,196	Dec-14	39 years
Total Assisted Living Facilities	572,382	98,233	650,386	7,992	98,233	658,378	756,611	28,853	727,758		
Hospitals											
Athens, GA	14,626	1,830	17,307	54	1,830	17,361	19,191	500	18,691	Dec-14	39 years
Cape Girardeau, MO	9,783	674	12,034	38	674	12,072	12,746	349	12,397	Dec-14	39 years
Columbia, MO	12,979	1,328	10,921	34	1,328	10,955	12,283	302	11,981	Dec-14	39 years
Gardena, CA	55,387	5,824	55,652	175	5,824	55,827	61,651	1,664	59,987	Dec-14	39 years
Houston, TX	23,649	2,253	18,972	257	2,253	19,229	21,482	558	20,924	Dec-14	39 years
Humble, TX	14,327	613	12,137	38	613	12,175	12,788	377	12,411	Dec-14	39 years
Joplin, MO	10,945	1,056	8,692	27	1,056	8,719	9,775	244	9,531	Dec-14	39 years
Lafayette, LA	12,931	1,408	9,940	31	1,408	9,971	11,379	277	11,102	Dec-14	39 years
Los Angeles, CA	29,275	4,636	28,008	87	4,636	28,095	32,731	852	31,879	Dec-14	39 years
Murray, UT	15,595	1,720	13,181	41	1,720	13,222	14,942	374	14,568	Dec-14	39 years
Muskogee, OK	12,398	483	19,809	62	483	19,871	20,354	559	19,795	Dec-14	39 years
Norwalk, CA	27,436	4,083	10,932	34	4,083	10,966	15,049	364	14,685	Dec-14	39 years
Total Hospitals	239,331	25,908	217,585	878	25,908	218,463	244,371	6,420	237,951		
Total Healthcare[2]	4,025,769	467,044	4,733,986	65,221	467,044	4,799,207	5,266,251	271,677	4,994,574		
Hotels											
Addison, TX	29,900	3,927	28,185	1,424	3,927	29,609	33,536	2,245	31,291	Jun-14	40 years
Albany, NY	27,324	4,918	25,824	198	4,918	26,022	30,940	1,034	29,906	Nov-14	40 years
Albuquerque, NM	19,582	1,753	23,792	1,829	1,753	25,621	27,374	923	26,451	Nov-14	40 years
Altamonte Springs, FL	8,000	2,352	5,776	932	2,352	6,708	9,060	875	8,185	Jun-14	15 years
Ann Arbor, MI	28,782	4,088	26,376	344	4,088	26,720	30,808	1,075	29,733	Nov-14	40 years
Annapolis Junction, MD	15,028	1,613	13,343	844	1,613	14,187	15,800	565	15,235	Nov-14	40 years

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Ardmore, OK	$ 7,377	$ 409	$ 6,558	$ 214	$ 409	$ 6,772	$ 7,181	$ 444	$ 6,737	Aug-14	40 years
Arlington, TX	29,301	3,280	32,111	385	3,280	32,496	35,776	2,112	33,664	Jun-14/Sep-14	40 years
Atlanta, GA	33,802	7,445	38,990	4,415	7,445	43,405	50,850	2,819	48,031	Jun-14/Sep-14	40 years
Atlantic City, NJ	16,670	2,792	13,327	2,718	2,792	16,045	18,837	1,017	17,820	Jun-14	40 years
Augusta, GA	15,103	2,080	16,711	128	2,080	16,839	18,919	1,016	17,903	Sep-14	40 years
Baton Rouge, LA	11,476	1,574	12,953	568	1,574	13,521	15,095	572	14,523	Nov-14	40 years
Bellevue, WA	28,100	6,460	24,885	35	6,460	24,920	31,380	3,023	28,357	Jun-14	15 years
Belmont, CA	45,200	10,555	39,920	2,562	10,555	42,482	53,037	2,682	50,355	Jun-14	40 years
Binghamton, NY	7,060	1,408	7,423	278	1,408	7,701	9,109	682	8,427	Jun-14	15 years
Blue Ash, OH	14,139	2,311	20,168	134	2,311	20,302	22,613	1,195	21,418	Sep-14	40 years
Bothell, WA	20,620	4,058	20,025	21	4,058	20,046	24,104	2,488	21,616	Jun-14	15 years
Brentwood, TN	17,915	2,656	20,147	174	2,656	20,321	22,977	1,176	21,801	Sep-14	40 years
Brownsville, TX	10,474	624	10,969	700	624	11,669	12,293	482	11,811	Nov-14	40 years
Buena Park, CA	19,763	9,187	13,026	101	9,187	13,127	22,314	760	21,554	Sep-14	40 years
Campbell, CA	20,450	5,531	16,547	122	5,531	16,669	22,200	1,752	20,448	Jun-14	40 years
Cary, NC	18,398	1,552	22,537	2,159	1,552	24,696	26,248	975	25,273	Nov-14	40 years
Chapel Hill, NC	19,491	1,508	18,756	81	1,508	18,837	20,345	694	19,651	Nov-14	40 years
Charlotte, NC	11,649	1,107	18,512	188	1,107	18,700	19,807	1,080	18,727	Sep-14	40 years
Cherry Hill, NJ	12,560	2,665	10,380	994	2,665	11,374	14,039	1,628	12,411	Jun-14	15 years
Colorado Springs, CO	27,688	2,835	27,865	3,739	2,835	31,604	34,439	1,232	33,207	Nov-14	40 years
Columbia, MD	5,800	1,191	6,134	290	1,191	6,424	7,615	444	7,171	Jun-14	40 years
Columbus, GA	4,745	1,396	7,470	219	1,396	7,689	9,085	545	8,540	Sep-14	40 years
Columbus, OH	10,604	1,805	12,684	180	1,805	12,864	14,669	775	13,894	Sep-14	40 years
Cotulla, TX	6,762	365	8,344	670	365	9,014	9,379	580	8,799	Aug-14	40 years
Cranbury, NJ	14,573	1,836	16,831	418	1,836	17,249	19,085	683	18,402	Nov-14	40 years
Dallas, TX	12,660	1,030	12,187	1,554	1,030	13,741	14,771	570	14,201	Nov-14	40 years
Danbury, CT	8,015	1,231	9,601	65	1,231	9,666	10,897	425	10,472	Nov-14	40 years
Dearborn, MI	13,496	1,856	15,297	141	1,856	15,438	17,294	992	16,302	Sep-14	40 years
Denton, TX	6,148	1,176	6,638	1,925	1,176	8,563	9,739	528	9,211	Aug-14	40 years
Denver, CO	47,400	9,258	41,619	442	9,258	42,061	51,319	5,225	46,094	Jun-14	15 years
Doral, FL	17,754	4,024	21,217	197	4,024	21,414	25,438	1,254	24,184	Sep-14	40 years
Dublin, OH	9,721	2,492	10,419	221	2,492	10,640	13,132	712	12,420	Sep-14	40 years
Duluth, GA	10,110	1,024	11,109	662	1,024	11,771	12,795	497	12,298	Nov-14	40 years
El Paso, TX	20,492	2,063	18,740	1,172	2,063	19,912	21,975	1,192	20,783	Aug-14	40 years
El Segundo, CA	27,050	5,041	24,161	2,578	5,041	26,739	31,780	1,687	30,093	Jun-14	40 years
Elizabeth, NJ	43,719	3,242	47,287	1,544	3,242	48,831	52,073	1,910	50,163	Nov-14	40 years

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Elmsford, NY	$ 21,860	$ 2,855	$ 17,619	$ 415	$ 2,855	$ 18,034	$ 20,889	$ 712	$ 20,177	Nov-14	40 years
Fairfax, VA	9,801	3,982	7,745	865	3,982	8,610	12,592	391	12,201	Sep-14	40 years
Federal Way, WA	26,231	1,633	24,493	365	1,633	24,858	26,491	898	25,593	Nov-14	40 years
Fort Lauderdale, FL (3)	9,450	—	10,537	542	—	11,079	11,079	731	10,348	Jun-14	40 years
Fort Walton Beach, FL	30,550	6,414	24,996	1,626	6,414	26,622	33,036	2,202	30,834	Jun-14	40 years
Fort Worth, TX	6,011	675	5,907	92	675	5,999	6,674	282	6,392	Nov-14	40 years
Foxborough, MA	18,566	2,103	17,843	6	2,103	17,849	19,952	401	19,551	Jun-15	40 years
Franklin, MA	15,905	1,967	17,873	—	1,967	17,873	19,840	421	19,419	Jun-15	40 years
Fremont, CA	35,608	9,347	26,948	174	9,347	27,122	36,469	2,443	34,026	Jun-14/Sep-14	15-40 years
Gaithersburg, MD	20,800	2,708	19,670	2,373	2,708	22,043	24,751	1,824	22,927	Jun-14	40 years
Hampton, VA	2,720	910	6,279	132	910	6,411	7,321	386	6,935	Sep-14	40 years
Harlingen, TX	14,846	3,291	12,868	1,633	3,291	14,501	17,792	593	17,199	Nov-14	40 years
Harrisburg, PA	14,700	2,429	13,025	396	2,429	13,421	15,850	1,674	14,176	Jun-14	15 years
Hauppauge, NY	13,662	911	14,855	657	911	15,512	16,423	610	15,813	Nov-14	40 years
Herndon, VA	14,380	2,849	12,626	66	2,849	12,692	15,541	807	14,734	Sep-14	40 years
Homewood, AL	16,850	971	16,808	362	971	17,170	18,141	611	17,530	Nov-14	40 years
Horsham, PA	6,770	1,359	5,766	1,608	1,359	7,374	8,733	673	8,060	Jun-14	40 years
Houma, LA	23,361	1,591	22,599	532	1,591	23,131	24,722	1,647	23,075	Aug-14	40 years
Houston, TX	59,112	10,474	55,814	1,096	10,474	56,910	67,384	2,418	64,966	Nov-14	40 years
Hunt Valley, MD	13,577	3,000	11,291	153	3,000	11,444	14,444	644	13,800	Sep-14	40 years
Irving, TX	27,823	3,348	31,182	1,225	3,348	32,407	35,755	1,704	34,051	Sep-14/ Nov-14	40 years
Islandia, NY	15,450	3,387	13,672	1,109	3,387	14,781	18,168	1,106	17,062	Jun-14	40 years
Keene, NH	12,314	1,560	12,429	7	1,560	12,436	13,996	257	13,739	Jun-15	40 years
Lafayette, LA	7,787	563	6,883	940	563	7,823	8,386	395	7,991	Aug-14	40 years
Lancaster, CA	22,131	2,508	21,683	2,813	2,508	24,496	27,004	1,200	25,804	Aug-14	40 years
Landover, MD	6,431	1,918	10,342	106	1,918	10,448	12,366	604	11,762	Sep-14	40 years
Laredo, TX	10,656	583	10,786	190	583	10,976	11,559	526	11,033	Aug-14	40 years
Las Colinas, TX	18,250	2,589	16,592	3,537	2,589	20,129	22,718	1,469	21,249	Jun-14	40 years
Lebanon, NJ	18,216	2,486	17,993	68	2,486	18,061	20,547	693	19,854	Nov-14	40 years
Lexington, KY	8,080	1,299	6,328	513	1,299	6,841	8,140	855	7,285	Jun-14	15 years
Livonia, MI	16,240	2,075	14,668	79	2,075	14,747	16,822	1,063	15,759	Jun-14	40 years
Los Alamitos, CA	25,503	4,279	29,207	436	4,279	29,643	33,922	1,083	32,839	Nov-14	40 years
Louisville, KY	44,675	7,259	39,904	777	7,259	40,681	47,940	3,102	44,838	Jun-14	15-40 years
Lubbock, TX	9,016	1,135	7,235	702	1,135	7,937	9,072	427	8,645	Aug-14	40 years
Lynnwood, WA	19,600	1,877	20,301	172	1,877	20,473	22,350	2,488	19,862	Jun-14	15 years

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Manchester, NH	$ 49,356	$ 8,081	$ 57,724	$ 90	$ 8,081	$ 57,814	$ 65,895	$ 1,368	$ 64,527	Jun-15	40 years
Mansfield, TX	13,935	2,132	13,098	1,129	2,132	14,227	16,359	869	15,490	Aug-14	40 years
Medford, MA	29,055	2,632	28,588	1,533	2,632	30,121	32,753	1,058	31,695	Nov-14	40 years
Memphis, TN	11,327	2,291	10,423	383	2,291	10,806	13,097	727	12,370	Sep-14	40 years
Miami, FL [3]	115,500	—	142,500	138	—	142,638	142,638	2,502	140,136	Jul-15	40 years
Montvale, NJ	34,075	8,247	27,879	210	8,247	28,089	36,336	1,866	34,470	Jun-14	40 years
Morristown, NJ	31,160	13,471	25,665	448	13,471	26,113	39,584	2,020	37,564	Jun-14	40 years
Morrisville, NC	21,768	4,024	21,790	1,288	4,024	23,078	27,102	890	26,212	Nov-14	40 years
Mount Laurel, NJ	7,680	2,304	8,734	3,472	2,304	12,206	14,510	749	13,761	Jun-14	40 years
Naperville, IL	9,319	2,276	14,876	340	2,276	15,216	17,492	885	16,607	Sep-14	40 years
Naples, FL	11,500	2,301	9,842	375	2,301	10,217	12,518	753	11,765	Jun-14	40 years
Nashville, TN	21,677	3,518	25,965	262	3,518	26,227	29,745	1,038	28,707	Nov-14	40 years
Norcross, GA	10,600	1,740	10,603	522	1,740	11,125	12,865	930	11,935	Jun-14	40 years
Ontario, CA	22,850	5,419	31,910	267	5,419	32,177	37,596	3,981	33,615	Jun-14	15 years
Palmdale, CA	6,557	918	7,790	1,106	918	8,896	9,814	648	9,166	Aug-14	40 years
Phoenix, AZ	13,657	4,531	13,213	112	4,531	13,325	17,856	853	17,003	Sep-14	40 years
Pismo Beach, CA	14,549	6,221	9,986	357	6,221	10,343	16,564	727	15,837	Aug-14	40 years
Pleasanton, CA	24,503	5,837	15,656	79	5,837	15,735	21,572	924	20,648	Sep-14	40 years
Portland, ME	10,000	1,344	9,595	75	1,344	9,670	11,014	768	10,246	Jun-14	40 years
Portsmouth, NH	17,418	2,530	20,629	46	2,530	20,675	23,205	503	22,702	Jun-15	40 years
Poughkeepsie, NY	20,038	1,326	24,698	126	1,326	24,824	26,150	921	25,229	Nov-14	40 years
Princeton, NJ	18,216	2,457	21,727	1,548	2,457	23,275	25,732	873	24,859	Nov-14	40 years
Raleigh, NC	10,926	2,476	13,294	106	2,476	13,400	15,876	837	15,039	Sep-14	40 years
Rancho Cordova, CA	10,122	3,381	9,373	141	3,381	9,514	12,895	546	12,349	Sep-14	40 years
Richmond, VA	40,543	5,212	35,592	2,731	5,212	38,323	43,535	2,837	40,698	Jun-14/ Nov-14	15-40 years
Roanoke, VA	27,324	7,543	28,174	297	7,543	28,471	36,014	1,127	34,887	Nov-14	40 years
Rockville, MD	19,944	4,286	17,387	566	4,286	17,953	22,239	1,111	21,128	Jun-14/Sep-14	40 years
Rosemont, IL	22,520	3,755	22,336	4,001	3,755	26,337	30,092	1,996	28,096	Jun-14	40 years
Saddle River, NJ	30,000	5,069	26,842	132	5,069	26,974	32,043	1,937	30,106	Jun-14	40 years
San Angelo, TX	26,645	844	17,308	2,798	844	20,106	20,950	1,150	19,800	Aug-14	40 years
San Antonio, TX	44,809	8,199	49,087	3,899	8,199	52,986	61,185	3,617	57,568	Aug-14	40 years
San Bruno, CA [3]	32,134	—	36,355	122	—	36,477	36,477	1,708	34,769	Sep-14	40 years
San Jose, CA	32,250	7,955	30,077	5	7,955	30,082	38,037	1,992	36,045	Jun-14	15 years
Santa Ana, CA	21,530	5,253	15,253	97	5,253	15,350	20,603	910	19,693	Sep-14	40 years
Savannah, GA	9,319	2,058	11,839	378	2,058	12,217	14,275	808	13,467	Sep-14	40 years

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As of December 31, 2015

(Dollars in Thousands)

Column A	Column B	Column C Initial Cost		Column D Capitalized Subsequent to Acquisition	Column E Gross Amount Carried at Close of Period			Column F		Column G	Column H
Location City, State	Encumbrances	Land	Building & Improvements	Land, Buildings & Improvements	Land	Building & Improvements	Total (5)(6)	Accumulated Depreciation	Total	Date Acquired	Life on Which Depreciation is Computed
Shelton, CT	$ 7,240	$ 1,424	$ 6,002	$ 1,120	$ 1,424	$ 7,122	$ 8,546	$ 888	$ 7,658	Jun-14	15 years
Solon, OH	8,835	495	11,007	1,852	495	12,859	13,354	484	12,870	Nov-14	40 years
Somerset, NJ	16,395	1,757	15,867	368	1,757	16,235	17,992	639	17,353	Nov-14	40 years
Tallahassee, FL	16,630	2,326	18,870	103	2,326	18,973	21,299	1,165	20,134	Sep-14	40 years
Tampa, FL	13,935	2,111	14,207	331	2,111	14,538	16,649	540	16,109	Nov-14	40 years
Tarrytown, NY	12,854	5,167	10,604	266	5,167	10,870	16,037	676	15,361	Sep-14	40 years
Troy, MI	21,453	2,936	25,469	1,107	2,936	26,576	29,512	2,401	27,111	Jun-14/Sep-14	15-40 years
Tucson, AZ	24,319	3,245	27,132	1,865	3,245	28,997	32,242	1,176	31,066	Nov-14	40 years
Tukwila, WA	28,600	5,750	26,863	117	5,750	26,980	32,730	3,275	29,455	Jun-14	15 years
Twentynine Palms, CA	7,992	632	9,044	593	632	9,637	10,269	548	9,721	Aug-14	40 years
Vienna, VA	31,241	3,295	28,045	142	3,295	28,187	31,482	1,141	30,341	Nov-14	40 years
Virginia Beach, VA	5,099	1,862	6,017	76	1,862	6,093	7,955	386	7,569	Sep-14	40 years
Warren, MI	10,363	1,510	12,387	189	1,510	12,576	14,086	813	13,273	Sep-14	40 years
Wayne, PA	19,763	3,811	20,444	149	3,811	20,593	24,404	1,159	23,245	Sep-14	40 years
West Homestead, PA	11,021	797	11,695	138	797	11,833	12,630	463	12,167	Nov-14	40 years
West Melbourne, FL	8,034	2,052	8,688	359	2,052	9,047	11,099	572	10,527	Sep-14	40 years
West Palm Beach, FL	8,926	1,021	9,030	1,984	1,021	11,014	12,035	455	11,580	Nov-14	40 years
Westbury, NY	27,324	10,196	30,132	633	10,196	30,765	40,961	1,109	39,852	Nov-14	40 years
Willow Grove, PA	15,450	2,658	13,599	1,316	2,658	14,915	17,573	1,067	16,506	Jun-14	40 years
Wilmington, NC	25,412	2,238	25,907	1,155	2,238	27,062	29,300	1,141	28,159	Nov-14	40 years
Windsor, CT	34,215	5,946	38,944	1,173	5,946	40,117	46,063	2,741	43,322	Jun-14/ Nov-14	15-40 years
Worcester, MA	18,691	2,502	23,347	9	2,502	23,356	25,858	540	25,318	Jun-15	40 years
Total Hotels	2,628,431	427,415	2,648,719	107,556	427,415	2,756,275	3,183,690	159,713	3,023,977		
Net Lease											
Industrial											
Arvada, CO	4,951	879	6,990	—	879	6,990	7,869	264	7,605	Aug-14	40 years
Aurora & Twinsburg, OH	5,360	1,139	6,665	—	1,139	6,665	7,804	253	7,551	Aug-14	40 years
Bedford Park, IL	6,552	2,459	7,438	—	2,459	7,438	9,897	281	9,616	Aug-14	40 years
Charleston, SC	4,421	665	5,332	—	665	5,332	5,997	205	5,792	Aug-14	40 years
Chicago, IL	17,882	8,745	20,798	—	8,745	20,798	29,543	796	28,747	Aug-14	40 years

NORTHSTAR REALTY FINANCE CORP. AND SUBSIDIARIES

SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION

As of December 31, 2015

(Dollars in Thousands)

Column A	Column B	Column C Initial Cost		Column D Capitalized Subsequent to Acquisition	Column E Gross Amount Carried at Close of Period			Column F		Column G	Column H
Location City, State	Encumbrances	Land	Building & Improvements	Land, Buildings & Improvements	Land	Building & Improvements	Total (5)(6)	Accumulated Depreciation	Total	Date Acquired	Life on Which Depreciation is Computed
Cleveland, OH	$ 5,819	$ 503	$ 7,390	$ —	$ 503	$ 7,390	$ 7,893	$ 262	$ 7,631	Aug-14	40 years
Compton, CA	19,182	12,623	18,510	—	12,623	18,510	31,133	657	30,476	Aug-14	40 years
Corpus Christi, TX	600	274	639	—	274	639	913	32	881	Aug-14	40 years
Decatur, GA	7,933	1,123	11,414	—	1,123	11,414	12,537	437	12,100	Aug-14	40 years
Easley, SC	5,842	744	7,699	—	744	7,699	8,443	340	8,103	Aug-14	40 years
Eden Prairie, MN	3,950	1,542	4,574	—	1,542	4,574	6,116	204	5,912	Aug-14	40 years
Ferndale, MI	1,940	182	2,464	—	182	2,464	2,646	93	2,553	Aug-14	40 years
Fraser, MI	2,812	563	3,245	—	563	3,245	3,808	144	3,664	Aug-14	40 years
Gladewater, TX	1,222	221	1,446	—	221	1,446	1,667	62	1,605	Aug-14	40 years
Louisville, KY	5,202	1,300	5,484	—	1,300	5,484	6,784	224	6,560	Aug-14	40 years
Mayfield, KY	2,251	124	3,142	—	124	3,142	3,266	136	3,130	Aug-14	40 years
New Boston, MI	9,064	1,175	9,767	1,657	1,175	11,424	12,599	382	12,217	Aug-14	40 years
Norcross, GA	5,852	1,945	7,198	—	1,945	7,198	9,143	363	8,780	Aug-14	40 years
North Richland Hills, TX	4,080	987	5,175	—	987	5,175	6,162	192	5,970	Aug-14	40 years
North Vernon, IN	2,076	253	2,588	—	253	2,588	2,841	125	2,716	Aug-14	40 years
Phoenix, AZ	13,520	2,713	18,743	—	2,713	18,743	21,456	681	20,775	Aug-14	40 years
Plant City, FL	2,205	1,210	2,359	—	1,210	2,359	3,569	113	3,456	Aug-14	40 years
Rochester, NY	5,381	651	5,488	—	651	5,488	6,139	234	5,905	Aug-14	40 years
Schiller Park, IL	2,146	2,654	3,452	—	2,654	3,452	6,106	148	5,958	Aug-14	40 years
South Holland, IL	7,673	2,503	10,716	—	2,503	10,716	13,219	441	12,778	Aug-14	40 years
St. Louis, MO	2,471	938	2,771	—	938	2,771	3,709	103	3,606	Aug-14	40 years
Stone Mountain, GA	6,633	867	8,966	—	867	8,966	9,833	340	9,493	Aug-14	40 years
Strongsville, OH	2,456	313	3,011	—	313	3,011	3,324	114	3,210	Aug-14	40 years
Tallahassee, FL	1,088	199	1,330	—	199	1,330	1,529	58	1,471	Aug-14	40 years
Thorofare, NJ	3,300	1,034	4,919	—	1,034	4,919	5,953	177	5,776	Aug-14	40 years
Vernon, CA	28,830	29,906	19,332	—	29,906	19,332	49,238	707	48,531	Aug-14	40 years
Warren, MI	4,808	661	4,351	—	661	4,351	5,012	180	4,832	Aug-14	40 years
Winston-Salem, NC	8,323	1,641	6,798	—	1,641	6,798	8,439	257	8,182	Aug-14	40 years
Subtotal Industrial	205,825	82,736	230,194	1,657	82,736	231,851	314,587	9,005	305,582		
Office											
Aurora, CO	30,174	2,650	35,786	23	2,650	35,809	38,459	9,092	29,367	Jul-06	40 years
Columbus, OH	—	4,375	29,184	—	4,375	29,184	33,559	7,144	26,415	Nov-07	40 years
Fort Mill, SC	28,363	3,300	31,554	—	3,300	31,554	34,854	7,894	26,960	Mar-07	40 years
Indianapolis, IN	25,674	1,670	32,307	—	1,670	32,307	33,977	9,340	24,637	Mar-06	40 years
Milpitas, CA	18,827	16,799	8,847	—	16,799	8,847	25,646	3,164	22,482	Feb-07	40 years

NORTHSTAR REALTY FINANCE CORP. AND SUBSIDIARIES

SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION

As of December 31, 2015

(Dollars in Thousands)

Column A	Column B	Column C Initial Cost		Column D Capitalized Subsequent to Acquisition	Column E Gross Amount Carried at Close of Period			Column F		Column G	Column H
Location City, State	Encumbrances	Land	Building & Improvements	Land, Buildings & Improvements	Land	Building & Improvements	Total [(5)(6)]	Accumulated Depreciation	Total	Date Acquired	Life on Which Depreciation is Computed
Ocala, FL	$ 1,627	$ 565	$ 2,868	$ —	$ 565	$ 2,868	$ 3,433	$ 143	$ 3,290	Aug-14	40 years
Pensacola, FL	2,682	1,132	2,691	—	1,132	2,691	3,823	131	3,692	Aug-14	40 years
Rockaway, NJ	15,486	6,118	15,664	613	6,118	16,277	22,395	4,753	17,642	Mar-06	40 years
Salt Lake City, UT	12,646	672	19,740	425	672	20,165	20,837	6,590	14,247	Aug-05	40 years
Savannah, GA	4,070	509	5,522	—	509	5,522	6,031	226	5,805	Aug-14	40 years
West Sacramento, CA	6,921	1,115	10,433	—	1,115	10,433	11,548	443	11,105	Aug-14	40 years
Subtotal Office	146,470	38,905	194,596	1,061	38,905	195,657	234,562	48,920	185,642		
Retail											
Bloomingdale, IL [(3)]	5,122	—	5,810	—	—	5,810	5,810	1,637	4,173	Sep-06	40 years
Concord, NH	7,483	2,145	9,216	—	2,145	9,216	11,361	2,641	8,720	Sep-06	40 years
Fort Wayne, IN [(3)]	—	—	3,642	—	—	3,642	3,642	1,103	2,539	Sep-06	40 years
Keene, NH	—	3,033	5,920	—	3,033	5,920	8,953	1,648	7,305	Sep-06	40 years
Melville, NY [(3)]	3,973	—	3,187	—	—	3,187	3,187	1,008	2,179	Sep-06	40 years
Millbury, MA [(3)]	4,223	—	5,994	—	—	5,994	5,994	1,507	4,487	Sep-06	40 years
North Attleboro, MA [(3)]	4,207	—	5,445	—	—	5,445	5,445	1,529	3,916	Sep-06	40 years
South Portland, ME [(3)]	3,240	—	6,687	—	—	6,687	6,687	2,705	3,982	Sep-06	40 years
Wichita, KS	5,475	1,325	5,584	—	1,325	5,584	6,909	1,511	5,398	Sep-06	40 years
Subtotal Retail	33,723	6,503	51,485	—	6,503	51,485	57,988	15,289	42,699		
Total Net Lease	386,018	128,144	476,275	2,718	128,144	478,993	607,137	73,214	533,923		
Multi-tenant Office											
Austin, TX	11,906	1,808	16,268	502	1,808	16,770	18,578	817	17,761	Oct-14	40 years
Boulder, CO	11,591	3,155	13,331	2,931	3,155	16,262	19,417	1,884	17,533	Sep-14	40 years
Broomfield, CO	3,721	1,122	3,036	41	1,122	3,077	4,199	298	3,901	Feb-15	40 years
Denver, CO	13,503	1,113	16,851	1,960	1,113	18,811	19,924	163	19,761	Sep-14	40 years
Englewood, CO	21,833	3,317	23,286	581	3,317	23,867	27,184	869	26,315	Feb-15	40 years
Greenwood Village, CO	7,724	1,742	8,749	222	1,742	8,971	10,713	495	10,218	Feb-15	40 years
Lakewood, CO	4,372	686	4,814	275	686	5,089	5,775	222	5,553	Feb-15	40 years
Louisville, CO	8,051	1,027	6,957	97	1,027	7,054	8,081	370	7,711	Feb-15	40 years
San Diego, CA	8,584	1,751	10,047	66	1,751	10,113	11,864	600	11,264	Nov-14	40 years
Thousand Oaks, CA	21,703	9,296	21,079	184	9,296	21,263	30,559	791	29,768	Mar-15	40 years
Total Multi-tenant Office	112,988	25,017	124,418	6,859	25,017	131,277	156,294	6,509	149,785		
Grand Total	$ 7,153,206	$ 1,047,620	$ 7,983,398	$ 182,354	$ 1,047,620	$ 8,165,752	$ 9,213,372	$ 511,113	$ 8,702,259		

NORTHSTAR REALTY FINANCE CORP. AND SUBSIDIARIES

SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION

As of December 31, 2015

(Dollars in Thousands)

Column A	Column B	Column C Initial Cost		Column D Capitalized Subsequent to Acquisition	Column E Gross Amount Carried at Close of Period			Column F		Column G	Column H
Location City, State	Encumbrances	Land	Building & Improvements	Land, Buildings & Improvements	Land	Building & Improvements	Total (5)(6)	Accumulated Depreciation	Total	Date Acquired	Life on Which Depreciation is Computed
Assets Held for Sale											
Manufactured Housing	$ 1,274,643	$ 427,833	$ 1,128,594	$ 38,240	$ 427,833	$ 1,166,834	$ 1,594,667	$ 161,707	$ 1,432,960	Dec-12/Oct-15	10-30 years
Senior Housing Portfolio	648,211	87,380	751,700	3,328	87,380	755,028	842,408	14,175	828,233	May-15	40 years
Multifamily	249,709	45,089	267,769	15,409	45,089	283,178	328,267	24,095	304,172	Apr-13/Jun-13	10-30 years
Other (4)	56,561	14,999	71,391	260	14,999	71,651	86,650	16,234	70,416	Sept-05/Dec-14	40 years
Total Assets Held for Sale	$ 2,229,124	$ 575,301	$ 2,219,454	$ 57,237	$ 575,301	$ 2,276,691	$ 2,851,992	$ 216,211	$ 2,635,781		

(1) Initial cost for U.K. properties includes foreign currency translation as of December 31, 2015.
(2) Excludes portfolio level financing of $75 million.
(3) Represents a leasehold interest in the property. All other properties are fee interest.
(4) Includes borrowings of $15 million related to properties held for sale in the Griffin American portfolio,
(5) Aggregate cost for federal income tax purposes is $12.4 billion as of December 31, 2015.
(6) The grand total includes an allowance for operating real estate impairment of $4.9 million.

NORTHSTAR REALTY FINANCE CORP. AND SUBSIDIARIES

SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION (Continued)

As of December 31, 2015

(Dollars in Thousands)

The following table presents changes in the Company's operating real estate portfolio for the years ended December 31, 2015, 2014 and 2013 (dollars in thousands):

	2015	2014	2013
Beginning balance	$ 10,561,057	$ 2,561,180	$ 1,538,489
Property acquisitions	3,459,006	8,057,261	1,598,837
Transfers to held for sale	(2,843,762)	—	(29,097)
Improvements	150,197	37,955	11,706
Retirements and disposals	(24,179)	(5,531)	—
Deconsolidation of N-Star CDOs	—	—	(558,755)
NRE Spin-off	(2,073,357)	(89,808)	—
Foreign currency translation	(10,687)	—	—
Allowance for impairment	(4,903)	—	—
Ending balance	$ 9,213,372	$ 10,561,057	$ 2,561,180

The following table presents changes in accumulated depreciation for the years ended December 31, 2015, 2014 and 2013 (dollars in thousands):

	2015	2014	2013
Beginning balance	$ 349,053	$ 190,997	$ 147,943
Depreciation expense	408,825	164,924	76,127
Assets held for sale	(216,212)	—	(7,387)
Retirements and disposals	(489)	(6,347)	(1,370)
Deconsolidation of N-Star CDOs	—	—	(24,316)
NRE Spin-off	(26,420)	(521)	—
Foreign currency translation	(3,644)	—	—
Ending balance	$ 511,113	$ 349,053	$ 190,997

NORTHSTAR REALTY FINANCE CORP. AND SUBSIDIARIES

SCHEDULE IV - MORTGAGE LOANS ON REAL ESTATE

December 31, 2015

(Dollars in Thousands)

Asset Type [10]	Location / Description[1]	Number	Interest Rate Floating[2]	Interest Rate Fixed	Maturity Date[3]	Periodic Payment Terms[4]	Prior Liens[5]	Principal Amount	Carrying Value[6][7][8]	Principal Amount of Loans Subject to Delinquent Principal or Interest[9]
First mortgage loans:										
First Mortgage - A	Texas / Multifamily	1	—	15.00%	15-Oct	I/O	$ —	$ 53,500	$ 53,500	$ 53,500
First Mortgage - B	California / Office	1	6.90%	—	16-Oct	I/O	—	38,750	38,882	—
First Mortgage - C	Miami / Land	1	15.00%	—	15-Jun	I/O	—	38,190	38,763	38,190
First Mortgage - D	UK / Healthcare	1	—	7.50%	22-Mar	I/O	—	49,415	49,415	—
First Mortgage - E	NY, NJ, CT / Multifamily	1	4.00%	—	16-Jan	I/O	—	28,920	28,920	—
Other first mortgage loans	Various / Various	8	0.00% to 6.00%	0.00% to 7.25%	15-Mar - 16-Dec	—	—	104,810	60,078	4,180
Subtotal first mortgage loans:		13					—	313,585	269,558	95,870
Mezzanine loans:										
Other mezzanine loans	Various / Various	7	0.19% to 4.00%	0.00% to 13.00%	16-Jun - 23-Feb	—	1,141,689	33,361	29,305	—
Subtotal mezzanine loans		7					1,141,689	33,361	29,305	—
Subordinate interests										
Subordinate interests - A	New York / Hotel	1	—	13.11%	23-May	I/O	—	61,750	60,926	—
Subordinate interests - B	New York / Hotel	1	6.00%	—	23-May	I/O	—	100,986	100,559	—
Other subordinate interests	Various / Various	2	2.00%	8.65% to 11.50%	16-Feb - 23-May	—	—	8,308	8,296	—
Subtotal subordinate interests		4					—	171,044	169,781	—
Corporate loans										
Other term loans	Various / Various	10	—	6.36% to 13.00%	16-Jun - 29-Sept	—	—	37,364	32,830	—
Subtotal corporate loans		10					—	37,364	32,830	—
Subtotal CRE debt							1,141,689	555,354	501,474	95,870
Held for sale loans										
Held for sale - A	Pennsylvania / Office	1	7.25%	—	16-Sept	I/O	—	61,500	61,263	—
Held for sale - B	New York / Industrial	1	12.22%	—	17-Jun	I/O	45,906	27,000	27,000	—
Held for sale - C	Various / Hotel	1	—	13.20%	16-Jul	I/O	62,117	54,350	54,350	—
Held for sale - D	New York / Land	1	—	14.00%	17-Oct	I/O	148,550	40,250	40,250	—
Other held for sale loans	Various / Various	3	4.00% to 5.50%	14.50%	16-Jul - 21-Apr	—	23,204	41,937	41,814	—
Subtotal CRE debt held for sale		7					279,777	225,037	224,677	—
Total		41					$ 1,421,466	$ 780,391	$ 726,151	$ 95,870

(1) Description of property types include condo, hotel, industrial, land, multifamily, office, retail and other.
(2) Certain floating rate loans are subject to LIBOR floors ranging from 0.25% to 1.25%. Includes one first mortgage loan with a principal amount of $5.8 million with a spread over prime rate. All other floating rate loans are based on one-month LIBOR.
(3) Represents initial maturity.
(4) I/O = interest only.
(5) The first mortgage loans on these properties are not held by the Company. Accordingly, the amounts of the prior liens at December 31, 2015 are estimated.
(6) Individual loans each have a carrying value greater than 3% of total loans. All other loans each have a carrying value less than 3%of total loans.
(7) There is a $2.2 million of loan loss reserve on two first mortgage loans and $1.2 million of provision for loan losses primarily related to exit fees on loans held for sale. Excludes $0.8 million of provision for loan losses relating to manufactured housing notes receivables recorded in assets of properties held for sale.
(8) For Federal income tax purposes, the aggregate cost of investments in mortgage loans on real estate is the carrying amount, as disclosed in the schedule.
(9) There are three loans that have principal or interest delinquencies greater than 90 days.
(10) Includes certain loans financed in consolidated N-Star CDOs.

NORTHSTAR REALTY FINANCE CORP. AND SUBSIDIARIES

SCHEDULE IV - MORTGAGE LOANS ON REAL ESTATE (Continued)

December 31, 2015

(Dollars in Thousands)

Reconciliation of Carrying Value of CRE Debt:

	Years Ended December 31,		
	2015	2014	2013
Beginning balance	$ 1,067,667	$ 1,031,078	$ 1,832,231
Additions:			
Principal amount of new loans and additional funding on existing loans	199,602	323,215	806,138
Interest accretion	13,775	21,103	1,284
Acquisition cost (fees) on new loans	—	(600)	(4,032)
Premium (discount) on new loans	—	(7,078)	16,116
Amortization of acquisition costs, fees, premiums and discounts	(13,780)	11,193	28,480
Deductions:			
Collection of principal	534,478	279,272	274,354
Deconsolidation of CDOs (refer to Note 17)	—	9,709	1,134,713
Provision for (reversal of) loan losses, net	3,435	2,719	(8,786)
Transfers to affiliates	—	—	115,797
Taking title to collateral	—	—	135,361
Transfer to held for sale	224,677	15,223	—
Unrealized (gain) loss on foreign currency remeasurement	2,442	2,084	(2,300)
Realized loss on foreign currency remeasurement	758	2,237	—
Ending balance	$ 501,474	$ 1,067,667	$ 1,031,078

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Corporate Directory

Board of Directors

David T. Hamamoto
Chairman; Executive Chairman of NorthStar Asset Management Group Inc. (NSAM)

Judith A. Hannaway
Former Managing Director of Scudder Investments

Wesley D. Minami
Principal of Billy Casper Golf LLC
Lead Non-Management Director
Chairperson, Nominating & Corporate Governance Committee

Louis J. Paglia
Former Executive Vice President & Chief Financial Officer of UIL Holdings Corporation
Founding Member of Oakstone Capital LLC
Chairperson, Audit Committee

Gregory Z. Rush
Managing Member of Rush Capital Partners LLC

Charles W. Schoenherr
Managing Director of Waypoint Residential
Chairperson, Compensation Committee

Albert Tylis
Chief Executive Officer & President of NSAM

Officers

David T. Hamamoto
Chairman; Executive Chairman of NSAM

Albert Tylis
Chief Executive Officer & President of NSAM

Daniel R. Gilbert
Chief Investment & Operating Officer of NorthStar Asset Management Group, Ltd

Jonathan A. Langer
Chief Executive Officer & President

Debra A. Hess
Chief Financial Officer

Ronald J. Lieberman
Executive Vice President, General Counsel & Secretary

NorthStar Realty Finance Corp.

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Stock Listing

Symbol: NRF
The New York Stock Exchange

Transfer Agent & Registrar

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