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Colony Capital, Inc.
Form 10-Q/A
August 14, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A
(Amendment No. 1)

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

For the quarterly period ended June 30, 2015

OR

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

Commission file number 001-34456

COLONY CAPITAL, INC.

(Exact Name of Registrant as Specified in Its Charter)

Maryland

(State or Other Jurisdiction of
Incorporation or Organization)

27-0419483

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

515 South Flower Street, 44th Floor

Los Angeles, California 90071

(Address of Principal Executive Offices, Including Zip Code)

(310) 282-8820

(Registrant's Telephone Number, Including Area Code)

2450 Broadway, 6th Floor

Santa Monica, California 90404

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

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

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

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

Large Accelerated Filer ✓

Accelerated Filer

“

Non-Accelerated Filer “

(Do not check if a smaller reporting company)

Smaller Reporting Company

“

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

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As of August 6, 2015, 111,695,851 shares of the Registrant's Class A common stock and 563,987 shares of Class B common stock were outstanding.

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EXPLANATORY NOTE

This Amendment No. 1 to the Quarterly Report on Form 10-Q/A (the “Amended Filing”) is being filed to correct the debt covenant levels as of and for the three months ended June 30, 2015 in Part I, Item 2 “—Liquidity and Capital Resources” and to furnish the Interactive Data files as Exhibit 101, in accordance with Rule 405 of Regulation S-T. No other changes have been made to the Form 10-Q, as originally filed on August 10, 2015 (the “Original Filing”), but, for the convenience of the reader, this Amended Filing sets forth in its entirety, as amended, the Original Filing. This Amended Filing continues to describe the conditions as of the date of the Original Filing and, except as contained herein, we have not updated or modified the disclosures contained in the Original Filing.

In accordance with applicable SEC rules, this Amended Filing includes new certifications required by Rule 13a-14 under the Securities and Exchange Act of 1934 from our Chief Executive Officer and Chief Financial Officer dated as of the date of filing of this Amended Filing.

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PART I—FINANCIAL INFORMATION

ITEM 1. Financial Statements.

COLONY CAPITAL, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)

	June 30, 2015 (Unaudited)	December 31, 2014
ASSETS		
Cash	\$ 195,989	\$ 141,936
Loans receivable, net	4,045,627	2,131,134
Real estate assets, net		
Held for investment	2,679,857	1,643,997
Held for sale	410,755	—
Investments in unconsolidated joint ventures	1,126,873	1,646,977
Goodwill	685,068	20,000
Intangible assets, net	290,203	106,060
Due from affiliates	18,811	—
Other assets	406,877	181,744
Total assets	\$9,860,060	\$5,871,848
LIABILITIES AND EQUITY		
Liabilities:		
Line of credit	\$495,400	\$ 164,000
Accrued and other liabilities	332,497	128,119
Due to affiliates	70,640	12,236
Dividends payable	61,791	47,537
Debt	2,669,222	1,979,665
Convertible senior notes	604,349	604,498
Total liabilities	4,233,899	2,936,055
Commitments and contingencies (Note 20)		
Equity:		
Stockholders' equity:		
Preferred stock, \$0.01 par value per share; \$625,750 and \$338,250 liquidation preference; 50,000 shares authorized; 25,030 and 13,530 shares issued and outstanding	250	135
Common stock, \$0.01 par value per share		
Class A, 449,000 shares authorized; 111,697 and 109,634 shares issued and outstanding	1,117	1,096
Class B, 1,000 shares authorized; 564 and 0 shares issued and outstanding	6	—
Additional paid-in capital	2,991,178	2,512,743
Distributions in excess of earnings	(99,671)	(68,003)
Accumulated other comprehensive loss	(27,436)	(28,491)
Total stockholders' equity	2,865,444	2,417,480
Noncontrolling interests in investment entities	2,326,808	518,313
Noncontrolling interests in Operating Company	433,909	—
Total equity	5,626,161	2,935,793
Total liabilities and equity	\$9,860,060	\$5,871,848

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

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COLONY CAPITAL, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)

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

	June 30, 2015 (Unaudited)	December 31, 2014
Assets		
Loans receivable, net	\$766,148	\$807,761
Other assets	51,173	50,074
Total assets	\$817,321	\$857,835
Liabilities		
Debt	\$501,251	\$537,268
Accrued and other liabilities	42,557	38,443
Total liabilities	\$543,808	\$575,711

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

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COLONY CAPITAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

	Three Months Ended June 30, 2015	2014	Six Months Ended June 30, 2015	2014
Income				
Interest income	\$101,270	\$53,963	\$147,407	87,065
Rental income and tenant reimbursements	61,143	3,255	104,936	6,496
Hotel operating income	22,087	—	22,087	—
Equity in income of unconsolidated joint ventures	10,956	21,114	37,305	43,753
Fee income (including \$21,559, \$0, \$21,559 and \$0 from affiliates, respectively)	21,928	—	21,998	—
Other income (including \$1,934, \$231, \$1,997 and \$456 from affiliates, respectively)	3,520	231	3,783	456
Total income	220,904	78,563	337,516	137,770
Expenses				
Management fees (including \$0, \$1,910, \$5,897 and \$5,981 of share-based payments, respectively)	101	9,937	15,062	20,650
Investment and servicing expenses (including \$0, \$603, \$366 and \$1,349 reimbursable to affiliates, respectively)	6,326	1,368	8,579	2,629
Transaction costs	3,708	1,033	17,898	5,583
Interest expense	30,924	10,700	57,517	19,649
Property operating expenses	29,335	843	43,346	1,691
Hotel operating expenses	6,570	—	6,570	—
Depreciation and amortization	36,645	1,253	58,953	2,505
Provision for loan losses	4,078	—	4,442	—
Impairment of real estate assets	—	—	450	—
Compensation expense	28,644	501	29,259	985
Administrative expenses (including \$0, \$743, \$1,922, and \$1,410 reimbursable to affiliates, respectively)	11,411	2,146	15,577	4,181
Total expenses	157,742	27,781	257,653	57,873
Gain on sale of real estate assets, net	740	—	740	—
Gain on remeasurement of consolidated investment entities, net	41,486	—	41,486	—
Other (loss) gain, net	(1,955)) 221	(1,791)) 1,201
Income before income taxes	103,433	51,003	120,298	81,098
Income tax expense	349	1	999	246
Net income	103,084	51,002	119,299	80,852
Net income attributable to noncontrolling interests:				
Investment entities	34,630	13,353	40,316	21,473
Operating Company	9,138	—	9,138	—
Net income attributable to Colony Capital, Inc.	59,316	37,649	69,845	59,379
Preferred dividends	11,410	5,571	18,382	10,926
Net income attributable to common stockholders	\$47,906	\$32,078	\$51,463	\$48,453
Net income per common share:				
Basic	\$0.43	\$0.35	\$0.46	\$0.56
Diluted	\$0.40	\$0.34	\$0.46	\$0.56

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Weighted average number of common shares
outstanding:

Basic	111,394	91,673	110,410	86,342
Diluted	136,434	110,430	110,410	86,352
Dividends declared per common share	\$0.37	\$0.36	\$0.74	\$0.71

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

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COLONY CAPITAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income	\$103,084	\$51,002	\$119,299	\$80,852
Other comprehensive income (loss), net of tax:				
Equity in other comprehensive loss of unconsolidated joint ventures, net	—	—	(451)	(3,621)
Unrealized loss on beneficial interests in debt securities	—	(300)	—	(327)
Net change in fair value of cash flow hedges	(74)	(13)	(344)	(8)
Foreign currency translation adjustments:				
Foreign currency translation adjustment gain	101,964	6,285	50,633	6,549
Change in fair value of net investment hedges	(57,355)	(4,890)	(26,772)	(4,562)
Net foreign currency translation adjustments	44,609	1,395	23,861	1,987
Other comprehensive income (loss)	44,535	1,082	23,066	(1,969)
Comprehensive income	147,619	52,084	142,365	78,883
Comprehensive income attributable to noncontrolling interests:				
Investment entities	56,621	13,706	58,717	21,890
Operating Company	12,748	—	12,748	—
Comprehensive income attributable to stockholders	\$78,250	\$38,378	\$70,900	\$56,993

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

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COLONY CAPITAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(In thousands)

(Unaudited)

	Preferred Stock		Common Stock		Additional	Distributions	Accumulated	Total	Noncontrolling	Noncontrolling	
	Shares	Amount	Shares	Amount	Paid-in Capital	in Excess of Earnings	Other Comprehensive Income (Loss)	Stockholders' Equity	Interests in Investment Entities	Interests in Operating Company	Total
Balance at December 31, 2013	10,080	\$ 101	76,492	\$ 765	\$ 1,701,274	\$(20,423)	\$ 2,593	\$ 1,684,310	\$ 269,917	\$—	\$ 1,954,227
Net income	—	—	—	—	—	59,379	—	59,379	21,473	—	80,852
Other comprehensive (loss) income	—	—	—	—	—	—	(2,386)	(2,386)	417	—	(1,969)
Issuance of 7.5% Series B Cumulative Redeemable Perpetual Preferred Stock	3,450	34	—	—	86,216	—	—	86,250	—	—	86,250
Issuance of common stock	—	—	15,356	154	335,802	—	—	335,956	—	—	335,956
Underwriter discount and offering costs	—	—	—	—	(3,182)	—	—	(3,182)	—	—	(3,182)
Share-based compensation	—	—	511	5	6,166	—	—	6,171	—	—	6,171
Contributions from noncontrolling interests	—	—	—	—	—	—	—	—	81,750	—	81,750
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	(46,879)	—	(46,879)
Preferred stock dividends	—	—	—	—	—	(10,710)	—	(10,710)	—	—	(10,710)
Common stock dividends declared (\$0.71 per share)	—	—	—	—	—	(65,575)	—	(65,575)	—	—	(65,575)
Balance at June 30, 2014	13,530	\$ 135	92,359	\$ 924	\$ 2,126,276	\$(37,329)	\$ 207	\$ 2,090,213	326,678	\$—	\$ 2,416,891
Balance at December 31, 2014	13,530	\$ 135	109,634	\$ 1,096	\$ 2,512,743	\$(68,003)	\$(28,491)	\$ 2,417,480	\$ 518,313	\$—	\$ 2,935,793

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Net income	—	—	—	—	—	69,845	—	69,845	40,316	9,138	119,000
Other comprehensive loss	—	—	—	—	—	—	1,055	1,055	18,401	3,610	23,066
Issuance of 7.125% Series C Cumulative Redeemable Perpetual Preferred Stock	11,500	115	—	—	287,385	—	—	287,500	—	—	287,615
Issuance of Class A common stock	—	—	1,428	14	37,375	—	—	37,389	—	—	37,417
Issuance of Class B common stock	—	—	564	6	14,765	—	—	14,771	—	—	14,781
Issuance of units in Operating Company	—	—	—	—	—	—	—	—	—	568,794	568,794
Offering costs	—	—	—	—	(9,404)	—	—	(9,404)	—	—	(9,404)
Share-based compensation	—	—	635	7	8,728	—	—	8,735	—	—	8,772
Consolidation of investment entities	—	—	—	—	—	—	—	—	1,700,114	—	1,700,114
Contributions from noncontrolling interests	—	—	—	—	—	—	—	—	190,563	—	190,563
Distributions to noncontrolling interests	—	—	—	—	—	—	—	—	(140,899)	(8,047)	(148,946)
Preferred stock dividends	—	—	—	—	—	(19,179)	—	(19,179)	—	—	(19,179)
Common stock dividends declared (\$0.74 per share)	—	—	—	—	—	(82,334)	—	(82,334)	—	—	(82,334)
Reallocation of equity of Operating Company (Note 15)	—	—	—	—	139,586	—	—	139,586	—	(139,586)	—
Balance at June 30, 2015	25,030	\$250	112,261	\$1,123	\$2,991,178	\$(99,671)	\$(27,436)	\$2,865,444	\$2,326,808	\$433,909	\$5,629,722

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

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COLONY CAPITAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Six Months Ended June 30,	
	2015	2014
Cash Flows from Operating Activities		
Net income	\$ 119,299	\$ 80,852
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of discount and net origination fees on purchased and originated loans	(13,617)	(38,330)
Paid-in-kind interest added to loan principal	(14,141)	(416)
Straight-line rents	(5,928)	187
Amortization of net above-market lease values	2,011	—
Amortization of deferred financing costs	8,546	2,494
Equity in income of unconsolidated joint ventures	(37,305)	(43,753)
Distributions of income from unconsolidated joint ventures	37,137	47,275
Provision for loan losses	4,442	—
Impairment of real estate assets	450	—
Depreciation and amortization	58,953	2,505
Share-based compensation	8,735	6,171
Net gain on remeasurement of net assets of consolidated investment entities	(41,486)	—
Change in fair value of contingent consideration	1,140	—
Realized gain on sales of real estate assets	(740)	—
Changes in operating assets and liabilities:		
Decrease in due from affiliates	1,455	—
Increase in other assets	(14,750)	(3,963)
Increase in accrued and other liabilities	26,770	14,910
(Decrease) increase in due to affiliates	(12,236)	1,197
Other adjustments, net	(739)	217
Net cash provided by operating activities	127,996	69,346
Cash Flows from Investing Activities		
Contributions to unconsolidated joint ventures	(301,222)	(67,338)
Distributions from unconsolidated joint ventures	109,293	77,286
Investments in purchased loans receivable, net of seller financing	—	(319,747)
Net disbursements on originated loans	(474,562)	(762,689)
Repayments of loans receivable	199,535	182,129
Cash receipts in excess of accretion on purchased credit impaired loans	116,867	—
Disbursements on acquisition of real estate assets, related intangibles and leasing commissions	(720,944)	(15,675)
Proceeds from sales of real estate assets	40,070	—
Acquisition of investment management business, net of cash acquired	(55,885)	—
Increase in restricted cash	—	(47,991)
Other investing activities, net	5,076	(1,051)
Net cash used in investing activities	\$(1,081,772)	\$(955,076)

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COLONY CAPITAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(In thousands)

	Six Months Ended June 30,	
	2015	2014
Cash Flows from Financing Activities		
Proceeds from issuance of preferred stock, net	\$277,945	\$83,533
Proceeds from issuance of common stock, net	—	335,956
Dividends paid to preferred stockholders	(13,944)	(10,710)
Dividends paid to common stockholders	(81,363)	(59,098)
Line of credit borrowings	739,400	794,000
Line of credit repayments	(408,000)	(723,500)
Proceeds from secured financing	530,428	126,181
Secured financing repayments	(151,749)	(87,544)
Net proceeds from issuance of convertible senior notes	—	394,582
Payment of deferred financing costs	(6,260)	(6,893)
Payment of offering costs	—	(465)
Contributions from noncontrolling interests	190,563	81,750
Distributions to noncontrolling interests	(140,899)	(46,879)
Other financing activities, net	(4,968)	(640)
Net cash provided by financing activities	931,153	880,273
Cash held by investment entities consolidated	75,412	—
Effect of exchange rates on cash	1,264	704
Net increase (decrease) in cash	54,053	(4,753)
Cash, beginning of period	141,936	43,167
Cash, end of period	\$195,989	