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**UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA**

, Individually and on

**Case No.**

Plaintiff,

**CLASS ACTION COMPLAINT  
FOR VIOLATIONS OF THE  
FEDERAL SECURITIES LAWS**

v.

**JURY TRIAL DEMANDED**

COLONY NORTHSTAR, INC.,  
RICHARD B. SALTZMAN, DARREN  
J. TANGEN, NEALE REDINGTON, and  
DAVID T. HAMAMOTO,

Defendants.

Plaintiff (“Plaintiff”), individually and on behalf of all other persons simila’s undersigned attorneys, for Plaintiff’s complaint against Defendants (defined below), alleges the following based upon personal knowledge as to Plaintiff and Plaintiff’s own acts, and information and belief as to all other matters, based upon, *inter alia*, the investigation conducted by and through Plaintiff’s attorneys, which included, among other things, a review of the Defendants’ public documents, conference calls and announcements made by

1 Defendants, United States Securities and Exchange Commission (“SEC”) filings,  
2 wire and press releases published by and regarding Colony NorthStar, Inc.  
3 (“Colony NorthStar” or the “Company”), analysts’ reports and advisories about  
4 the Company, and information readily obtainable on the Internet. Plaintiff believes  
5 that substantial evidentiary support will exist for the allegations set forth herein  
6 after a reasonable opportunity for discovery.

### 7 **NATURE OF THE ACTION**

8 1. This is a federal securities class action on behalf of a class consisting  
9 of all persons and entities other than Defendants who purchased or otherwise  
10 acquired the publicly traded securities of Colony NorthStar from February 28,  
11 2017 through March 1, 2018, both dates inclusive (the “Class Period”). Plaintiff  
12 seeks to recover compensable damages caused by Defendants’ violations of the  
13 federal securities laws and to pursue remedies under Sections 10(b) and 20(a) of  
14 the Securities Exchange Act of 1934 (the “Exchange Act”) and Rule 10b-5  
15 promulgated thereunder.

### 16 **JURISDICTION AND VENUE**

17 2. The claims asserted herein arise under and pursuant to §§10(b) and  
18 20(a) of the Exchange Act (15 U.S.C. §§78j(b) and §78t(a)) and Rule 10b-5  
19 promulgated thereunder by the SEC (17 C.F.R. §240.10b-5).

20 3. This Court has jurisdiction over the subject matter of this action  
21 under 28 U.S.C. §1331 and §27 of the Exchange Act.

22 4. Venue is proper in this judicial district pursuant to §27 of the  
23 Exchange Act (15 U.S.C. §78aa) and 28 U.S.C. §1391(b) as the Company has  
24 principal executive offices and conducts business within this judicial district.

25 5. In connection with the acts, conduct and other wrongs alleged in this  
26 Complaint, Defendants, directly or indirectly, used the means and  
27 instrumentalities of interstate commerce, including but not limited to, the United  
28

1 States mail, interstate telephone communications and the facilities of the national  
2 securities exchange.

3 **PARTIES**

4 6. Plaintiff, as set forth in the accompanying Certification, purchased  
5 the Company's securities at artificially inflated prices during the Class Period and  
6 was damaged upon the revelation of the alleged corrective disclosure.

7 7. Defendant Colony NorthStar is a global real estate and investment  
8 management firm incorporated in Maryland and maintaining principal executive  
9 offices at 515 S. Flower Street, 44th Floor, Los Angeles, California 90071. The  
10 Company's securities are traded on New York Stock Exchange ("NYSE") under  
11 the ticker symbol "CLNS."

12 8. Defendant Richard B. Saltzman ("Saltzman") served as the  
13 Company's President and Chief Executive Officer ("CEO") during the Class  
14 Period and is a member of the Company's Board of Directors ("Board").

15 9. Defendant Darren J. Tangen ("Tangen") served as the Company's  
16 Chief Financial Officer ("CFO"), Executive Vice President and Treasurer during  
17 the Class Period and is also a member of the Company's Board.

18 10. Defendant Neale Redington ("Redington") served as the Company's  
19 Chief Accounting Officer ("CAO") during the Class Period.

20 11. Defendant David T. Hamamoto ("Hamamoto") served as the  
21 Company's Executive Vice Chairman until his resignation effective January 11,  
22 2018. He was previously Chairman and CEO of NorthStar Asset Management  
23 Group Inc. (pre-merger Colony NorthStar entity) from January 2014 until August  
24 2015, later becoming its Executive Chairman in August 2015. Hamamoto was  
25 also Chairman of the Board of NorthStar Realty Finance Corp. (pre-merger  
26 Colony NorthStar entity) from October 2007 until January 2017, having served as  
27 one of its directors since October 2003. Hamamoto also served as NorthStar  
28 Realty Finance's CEO from October 2004 until August 2015. Hamamoto further

1 served as Chairman of NorthStar Healthcare Income, Inc. from January 2013 until  
2 January 2014. He served as Co-Chairman of NorthStar/RXR New York Metro  
3 Real Estate Inc. from March 2014 until August 2015. He co-founded NorthStar  
4 Capital Investment Corp., the predecessor to NorthStar Realty Finance Corp., for  
5 which he served as Co-CEO until October 2004.

6 12. Defendants Saltzman, Tangen, Redington, and Hamamoto are  
7 sometimes referred to herein as the “Individual Defendants.”

8 13. Each of the Individual Defendants:

- 9 (a) directly participated in the management of the Company;  
10 (b) was directly involved in the day-to-day operations of the Company at  
11 the highest levels;  
12 (c) was privy to confidential proprietary information concerning the  
13 Company and its business and operations;  
14 (d) was directly or indirectly involved in drafting, producing, reviewing  
15 and/or disseminating the false and misleading statements and  
16 information alleged herein;  
17 (e) was directly or indirectly involved in the oversight or  
18 implementation of the Company’s internal controls;  
19 (f) was aware of or recklessly disregarded the fact that the false and  
20 misleading statements were being issued concerning the Company;  
21 and/or  
22 (g) approved or ratified these statements in violation of the federal  
23 securities laws.

24 14. The Company is liable for the acts of the Individual Defendants and  
25 its employees under the doctrine of *respondeat superior* and common law  
26 principles of agency because all of the wrongful acts complained of herein were  
27 carried out within the scope of their employment.  
28

1 15. The scienter of the Individual Defendants and other employees and  
2 agents of the Company is similarly imputed to the Company under *respondeat*  
3 *superior* and agency principles.

4 16. The Company and the Individual Defendants are referred to herein,  
5 collectively, as the “Defendants.”

## 6 SUBSTANTIVE ALLEGATIONS

### 7 Background

8 17. On or around January 10, 2017, Colony NorthStar was formed  
9 through a tri-party merger of Colony Capital, Inc., NorthStar Asset Management  
10 Group Inc. and NorthStar Realty Finance Corp. (collectively, the “Pre-Merger  
11 Entities”).

12 18. That day, the Company issued a press release announcing the  
13 completion of the merger. In the release, Defendant Hamamoto stated the merger  
14 would benefit Colony NorthStar’s combined stockholders “with an even stronger  
15 value proposition through enhanced relationships, substantial synergies and  
16 greater scale in established, durable real estate and investment management  
17 business with broad-based capital access and investment opportunities.”

### 18 Materially False and Misleading Statements

19 19. On February 28, 2017, the Company issued a press release entitled,  
20 “Colony NorthStar Announces Fourth Quarter 2016 Financial Results and Post-  
21 Merger Update,” cutting “Core [funds from operations] guidance for the year  
22 ending 2017 to a range of \$1.40 to \$1.58 per share” and announcing it did “not  
23 intend to provide updates to Core [funds from operations] guidance going  
24 forward.”

25 20. The Company expected lower earnings due to: “1) less third party  
26 capital raising; 2) less cash available to deploy into investments resulting from the  
27 increase of the [NorthStar Asset Management Group Inc.] special dividend  
28 among other reasons; and 3) accelerating the replacement of higher-yielding, non-

1 core investments with lower-yielding investments that better fit the strategic  
2 direction of the Company.”

3 21. That same day, the Company filed its annual report for the fiscal  
4 year ended December 31, 2016 on Form 10-K (the “2016 10-K”) with the SEC,  
5 which provided the Company’s annual financial results and position. The 2016  
6 10-K was signed by Defendants Saltzman, Tangen, Redington and Hamamoto.  
7 The 2016 10-K also contained signed certifications pursuant to the Sarbanes-  
8 Oxley Act of 2002 (“SOX”) by Defendants Saltzman and Tangen attesting to the  
9 accuracy of financial reporting, the disclosure of any material changes to the  
10 Company’s internal controls over financial reporting, and the disclosure of all  
11 fraud.

12 22. The 2016 10-K discussed the Company’s five core strategic real  
13 estate segments, including its Healthcare and Investment Management segments:

14 Colony NorthStar segments

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

- 18 • *Healthcare* - Our healthcare properties are comprised of a diverse  
19 portfolio of medical office buildings, senior housing, skilled  
20 nursing and other healthcare properties. Over half of our healthcare  
21 properties are medical office buildings and properties structured  
22 under a net lease to healthcare operators. Substantially all of our  
23 net leases include annual escalating rent provisions. In addition,  
24 our portfolio consists of senior housing operating facilities which  
25 include healthcare properties that operate through management  
26 agreements with independent third-party operators, predominantly  
27 through structures permitted by the REIT Investment  
28 Diversification and Empowerment Act of 2007, or RIDEA,  
structures that permit us, through a taxable REIT subsidiary, or  
TRS, to have direct exposure to resident fee income and incur  
customary related operating expenses. Our medical office  
buildings are a combination of single tenant and multi-tenant  
properties typically structured with long-term leases with the

1 tenants.

2 \* \* \*

- 3 • *Investment Management* - Our investment management business is  
4 expected to generate fee income through investment management  
5 services, sponsoring numerous investment products across a  
6 diverse set of institutional and retail investors.

7 23. On May 10, 2017, the Company filed a Form 10-Q for the quarter  
8 ended March 31, 2017 (the “1Q 2017 10-Q”) with the SEC, which provided the  
9 Company’s first quarter 2017 financial results and position. The 1Q 2017 10-Q  
10 was signed by Defendants Saltzman, Tangen and Redington.

11 24. The 1Q 2017 10-Q contained signed SOX certifications by  
12 Defendants Saltzman and Tangen attesting to the accuracy of financial reporting,  
13 the disclosure of any material changes to the Company’s internal controls over  
14 financial reporting, and the disclosure of all fraud.

15 25. The 1Q 2017 10-Q discussed the Company’s five reportable  
16 segments, including Healthcare and Investment Management, stating in relevant  
17 part:

- 18 • Healthcare—The Company’s healthcare segment is composed of a  
19 diverse portfolio of medical office buildings, senior housing,  
20 skilled nursing and other healthcare properties. The Company  
21 earns rental income from medical office buildings and properties  
22 structured under net leases to healthcare operators, and resident fee  
23 income from senior housing operating facilities that operate  
24 through management agreements with independent third-party  
25 operators.

26 \* \* \*

- 27 • Investment Management—The Company generates fee income  
28 through investment management services, sponsoring numerous  
investment products across a diverse set of institutional and retail  
investors.

29 26. The Company further described its Healthcare segment interests in  
the 1Q 2017 10-Q, stating in relevant part:

***Healthcare***

\* \* \*

In connection with our on-going sales initiative, subsequent to the Merger, we closed on the sale of an 18.7% noncontrolling interest in our healthcare real estate portfolio through a newly formed joint venture for \$350 million (including \$20 million of certain pre-funded capital items). Our healthcare joint venture in turn owns approximately 87.7% of our healthcare portfolio, with the remaining 12.3% owned by existing minority interest holders. We act as the manager of our healthcare joint venture and are responsible for the day-to-day business and affairs of our healthcare portfolio.

At March 31, 2017, our interest in our healthcare segment was approximately 71.3%.

Our healthcare portfolio is located across 33 states domestically and 10% of our portfolio (based on facility count) is in the United Kingdom.

The following table presents selected operating metrics of our healthcare segment at March 31, 2017:

| Type                                 | Number of Properties / Facilities | Capacity                 | Average Occupancy <sup>(1)</sup> | Average Remaining Lease Term (Years) | NOI for the Three Months Ended March 31, 2017 (in thousands) |
|--------------------------------------|-----------------------------------|--------------------------|----------------------------------|--------------------------------------|--|
| Medical office buildings             | 113                               | 4.02 square million feet | 85.1%                            | 5.1                                  | \$ 11,974  |
| Senior housing—operating             | 109                               | 6,436 units              | 86.8%                            | NA                                   | 16,314   |
| Net lease—senior housing             | 82                                | 4,065 units              | 85.7%                            | 11.5                                 | 12,461   |
| Net lease—skilled nursing facilities | 107                               | 12,794 beds              | 84.2%                            | 7.6                                  | 25,384   |
| Net lease—hospitals                  | 14                                | 817 beds                 | 60.9%                            | 12.0                                 | 4,995  |
| Total                                | <u>425</u>                        |                          | 83.6%                            | 9.5                                  | <u>\$ 71,128</u>   |

\* \* \*



1 Subsequent to the Merger, we sold one medical office building  
 2 for net proceeds of \$3.1 million. At March 31, 2017, we had one  
 3 portfolio and two skilled nursing facilities held for sale, with an  
 4 aggregate real estate carrying value of \$228.6 million and  
 5 corresponding debt carrying value of \$150.7 million. These activities  
 6 reflect our continued asset monetization initiatives.

7 27. The Company further described in its 1Q 2017 10-Q its Investment  
 8 Management segment and the extent to which NorthStar Asset Management  
 9 Group Inc. contributed to this segment, stating in relevant part:

10 ***Investment Management***

11 We manage capital on behalf of third party institutional and retail  
 12 investors through private funds, traded and non-traded REITs and  
 13 investment companies, which provide a stable stream of management  
 14 fee income. We also have an embedded broker-dealer platform which  
 15 raises capital in the retail market.

16 Our investment management platform allows us to raise private  
 17 third party capital in partnership with our own balance sheet to further  
 18 scale our core real estate segments and also allows us to pursue a  
 19 balance sheet light tactical strategy.

20 For the three months ended March 31, 2017, we closed on  
 21 approximately \$980 million of third party capital commitments, with  
 22 \$940 million from institutional clients and \$40 million from retail  
 23 clients.

24 Total third party assets under management (“AUM”) were as  
 25 follows:

| (In billions)                  | March 31, 2017 | December 31, 2016 |
|--------------------------------|----------------|-------------------|
| Third party AUM <sup>(1)</sup> | \$40.7         | \$10.7            |

26 The acquisition of NSAM’s [NorthStar Asset Management  
 27 Group Inc.’s] investment management business contributed \$30.9  
 28 billion of our third party AUM at March 31, 2017. In the first quarter  
 of 2017, Colony’s third party AUM decreased approximately \$0.9  
 billion, due to continued realization of investments by liquidating  
 funds, including the sale of shares in Colony Starwood Homes held by  
 our managed funds, partially offset by new capital raised during this  
 period.

Our third party AUM at March 31, 2017 by type is summarized below:

| Type                                  | Products   | Description  | AUM<br>(in<br>billions) |
|---------------------------------------|--|--|-------------------------|
| <b>Institutional Funds</b>            | Credit funds, opportunistic funds, value-add funds, Colony industrial open end fund, other co-investment vehicles and special accounts   | Earns base and asset management fees, potential for incentives on sponsored funds  | \$ 10.2                 |
| <b>Retail Companies</b>               | NorthStar Income I,<br>NorthStar Income II<br><br>NorthStar Healthcare<br><br>NorthStar/RXR NY Metro <sup>(1)</sup><br>NorthStar Capital Fund<br>NorthStar/Townsend <sup>(2)</sup> | Public non-traded REITs and investment companies<br><br>Broker-dealer subsidiary acts as dealer-manager for all retail product offerings<br><br>Earns base management fees from all Retail Companies, acquisition and disposition fees from non-traded REITs (except for NorthStar/RXR NY Metro), and potential for performance fees (except for NorthStar/Townsend) | 7.0                     |
| <b>Public Companies</b>               | NorthStar Realty Europe Corp.  | NYSE-listed European equity REIT<br><br>Earns base management fees, potential for incentives   | 2.0                     |
| <b>Townsend</b>                       | Commingled funds, segregated mandates, advisory services   | 84% interest in Townsend group<br><br>Manage fund-of-funds and custom portfolios primarily invested in direct real estate funds<br><br>Source co-investments and joint ventures alongside GPs<br><br>Earns base management fees, performance fees, advisory fees   | 14.5                    |
| <b>Pro Rata Corporate Investments</b> | Joint venture investments  | Earns share of earnings from unconsolidated ventures<br><br>Includes investments in RXR Realty (27%), real estate owner, developer and asset manager with AUM over \$12 billion; and (ii) AHI (43%), healthcare asset manager and sponsor of non-traded vehicles with AUM of \$2.5 billion   | 7.0                     |

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\$ 40.7

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28. On August 9, 2017, the Company filed a Form 10-Q for the quarter ended June 30, 2017 (the “2Q 2017 10-Q”) with the SEC, which provided the Company’s second quarter 2017 financial results and position. The 2Q 2017 10-Q was signed by Defendants Saltzman, Tangen and Redington.

29. The 2Q 2017 10-Q contained signed SOX certifications by Defendants Saltzman and Tangen attesting to the accuracy of financial reporting, the disclosure of any material changes to the Company’s internal controls over financial reporting, and the disclosure of all fraud.

30. The 2Q 2017 10-Q discussed the Company’s desire to sell certain Healthcare segment assets, stating in relevant part:

***Healthcare***

\* \* \*

In connection with our on-going sales initiative, subsequent to the Merger, we closed on the sale of an 18.7% noncontrolling interest in our healthcare real estate portfolio through a newly formed joint venture for \$350 million (including \$20 million of certain pre-funded capital items). Our healthcare joint venture in turn owns approximately 87.7% of our healthcare portfolio, with the remaining 12.3% owned by existing minority interest holders. We act as the manager of our healthcare joint venture and are responsible for the day-to-day business and affairs of our healthcare portfolio.

At June 30, 2017, our interest in our healthcare segment was approximately 71.3%.

Our healthcare portfolio is located across 33 states domestically and 10% of our portfolio (based on property count) is in the United Kingdom.

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

| Type                                 | Number of Buildings at June 30, 2017 | Capacity at June 30, 2017 | Average Occupancy <sup>(1)</sup> | Average Remaining Lease Term (Years) | NOI for the Three Months Ended June 30, 2017 (In thousands) | NOI for the Six Months Ended June 30, 2017 (In thousands) |
|--------------------------------------|--------------------------------------|---------------------------|----------------------------------|--------------------------------------|---|---|
| Medical office building              | 113                                  | 4.02 square million feet  | 84.0%                            | 5.0                                  | \$ 14,408   | \$ 26,382   |
| Senior housing—operating             | 109                                  | 6,436 units               | 86.7%                            | N/A                                  | 19,418  | 35,732  |
| Net lease—senior housing             | 82                                   | 4,065 units               | 83.6%                            | 11.3                                 | 14,407  | 26,868  |
| Net lease—skilled nursing facilities | 107                                  | 12,794 Beds               | 83.4%                            | 7.7                                  | 24,904  | 50,288  |
| Net lease—hospitals                  | 14                                   | 872 Beds                  | 63.4%                            | 11.9                                 | 5,375   | 10,370  |
| Total                                | <u>425</u>                           |                           | 83.0%                            | 9.4                                  | <u>\$ 78,512</u>  | <u>\$ 149,640</u>   |

\* \* \*

Subsequent to the Merger, we sold one medical office building for net proceeds of \$3.1 million. At June 30, 2017, we had one portfolio, five medical office buildings and two skilled nursing facilities held for sale, with an aggregate real estate carrying value of \$228.8 million and corresponding debt carrying value of \$168.7 million. These activities reflect our continued asset monetization initiatives.

31. The Company further described in its 2Q 2017 10-Q its Investment Management segment and the extent to which NorthStar Asset Management contributed to this segment, stating in relevant part:

1 ***Investment Management***

2 We manage capital on behalf of third party institutional and  
3 retail investors through private funds, traded and non-traded REITs  
4 and investment companies, which provide a stable stream of  
5 management fee income. We also have an embedded broker-dealer  
6 platform which raises capital in the retail market.

7 Our investment management platform allows us to raise private  
8 third party capital in partnership with our own balance sheet to further  
9 scale our core real estate segments and also allows us to pursue a  
10 balance sheet light tactical strategy.

11 For the six months ended June 30, 2017, we closed on  
12 approximately \$1.4 billion of third party capital commitments,  
13 including our pro rata share from equity method investments in third  
14 party asset managers.

15 Our total third party assets under management (“AUM”) were  
16 as follows:

| (In billions)                  | June 30, 2017 | December 31, 2016 |
|--------------------------------|---------------|-------------------|
| Third party AUM <sup>(1)</sup> | \$40.3        | \$10.7            |

17 The acquisition of NSAM’s [NorthStar Asset Management  
18 Group Inc.’s] investment management business contributed \$30.7  
19 billion of our third party AUM at June 30, 2017. In the six months  
20 ended June 30, 2017, Colony’s third party AUM decreased \$1.1  
21 billion, due to continued realization of investments by liquidating  
22 funds, including the sale of shares in SFR held by our managed funds.

23 Our third party AUM at June 30, 2017 by type is summarized  
24 below:

| Type                           | Products  | Description  | AUM<br>(in<br>billions) |
|--------------------------------|---|--|-------------------------|
| <b>Institutional<br/>Funds</b> | Credit funds,<br>opportunistic funds,<br>value-add funds,<br>Colony industrial open<br>end fund, other co-<br>investment vehicles<br>and special accounts | Earns base and asset management fees,<br>potential for incentives on sponsored funds | \$ 10.0                 |

|    |                                |                                   |   |                |
|----|--------------------------------|-----------------------------------|---|----------------|
| 1  | <b>Retail</b>                  | NorthStar Income I,               | Public non-traded REITs and investment        | 6.9            |
| 2  | <b>Companies</b>               | NorthStar Income II               | companies                                     |                |
| 3  |                                | NorthStar Healthcare              | Broker-dealer subsidiary acts as dealer-      |                |
| 4  |                                | NorthStar/RXR NY                  | manager for all retail product offerings      |                |
| 5  |                                | Metro <sup>(1)</sup>              | Earns base management fees from all retail    |                |
| 6  |                                | NorthStar Capital Fund            | companies, acquisition and disposition fees   |                |
| 7  |                                | NorthStar/Townsend <sup>(1)</sup> | from non-traded REITs (except for             |                |
| 8  |                                | <sup>(2)</sup>                    | NorthStar/RXR NY Metro), and potential        |                |
| 9  |                                |                                   | for performance fees (except for              |                |
| 10 |                                |                                   | NorthStar/Townsend)                           |                |
| 11 | <b>Public</b>                  | NorthStar Realty                  | NYSE-listed European equity REIT              | 2.1            |
| 12 | <b>Companies</b>               | Europe Corp.                      | Earns base management fees, potential for     |                |
| 13 |                                |                                   | incentives                                    |                |
| 14 | <b>Townsend</b> <sup>(3)</sup> | Commingled funds,                 | 84% interest in Townsend group                | 14.2           |
| 15 |                                | segregated mandates,              | Manage fund-of-funds and custom               |                |
| 16 |                                | advisory services                 | portfolios primarily invested in direct real  |                |
| 17 |                                |                                   | estate funds                                  |                |
| 18 |                                |                                   | Source co-investments and joint ventures      |                |
| 19 |                                |                                   | alongside GPs                                 |                |
| 20 |                                |                                   | Earns base management fees, performance       |                |
| 21 |                                |                                   | fees, advisory fees                           |                |
| 22 | <b>Pro Rata</b>                | Joint venture                     | Earns share of earnings from                  | 7.1            |
| 23 | <b>Corporate</b>               | investments                       | unconsolidated ventures                       |                |
| 24 | <b>Investments</b>             |                                   | Includes investments in RXR Realty (27%       |                |
| 25 |                                |                                   | interest), a real estate owner, developer and |                |
| 26 |                                |                                   | asset manager with AUM over \$12 billion;     |                |
| 27 |                                |                                   | and AHI (43% interest), a healthcare asset    |                |
| 28 |                                |                                   | manager and sponsor of non-traded             |                |
|    |                                |                                   | vehicles with AUM of \$2.9 billion            |                |
|    |                                |                                   |   | <b>\$ 40.3</b> |

32. On November 9, 2017, the Company filed a Form 10-Q for the quarter ended September 30, 2017 (the “3Q 2017 10-Q”) with the SEC, which provided the Company’s third quarter 2017 financial results and position. The 3Q 2017 10-Q was signed by Defendants Saltzman, Tangen and Redington.

33. The 3Q 2017 10-Q contained signed SOX certifications by Defendants Saltzman and Tangen attesting to the accuracy of financial reporting,

1 the disclosure of any material changes to the Company’s internal controls over  
2 financial reporting, and the disclosure of all fraud.

3 34. The 3Q 2017 10-Q discussed the Company’s desire to sell certain  
4 “noncore” Healthcare segment assets, stating in relevant part:

5 ***Healthcare***

6 \* \* \*

7 In connection with our on-going sales initiative, subsequent to the  
8 Merger, we closed on the sale of an 19% noncontrolling interest in our  
9 healthcare real estate portfolio through a newly formed joint venture  
10 for \$350 million (including \$20 million of certain pre-funded capital  
11 items). Our healthcare joint venture in turn owns approximately 88%  
12 of our healthcare portfolio, with the remaining 12% owned by existing  
13 minority interest holders. We act as the manager of our healthcare  
14 joint venture and are responsible for the day-to-day business and  
15 affairs of our healthcare portfolio.

16 At September 30, 2017, our interest in our healthcare segment was  
17 approximately 71%.

18 Our healthcare portfolio is located across 33 states domestically  
19 and 10% of our portfolio (based on property count) is in the United  
20 Kingdom.

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

| 23 Type                         | 24 Number<br>of<br>Buildings<br>at<br>September<br>30, 2017 | 25 Capacity<br>at September<br>30, 2017 | 26 Average<br>Occupancy <sup>(1)</sup> | 27 Average<br>Remaining<br>Lease<br>Term<br>(Years) | 28 NOI for<br>Three<br>Months<br>Ended<br>September<br>30, 2017<br>(In<br>thousands) | NOI for<br>Nine<br>Months<br>Ended<br>September<br>30, 2017<br>(In<br>thousands) |
|---------------------------------|---|---|--|---|--|--|
| Medical<br>office<br>buildings  | 109   | 3.9 square<br>million feet              | 83.5%                                  | 4.9   | \$ 13,843  | \$ 40,225  |
| Senior<br>housing—<br>operating | 109   | 6,436 units                             | 87.8%                                  | N/A   | 18,704   | 54,436   |
| Net<br>lease—                   | 82  | 4,065 units                             | 82.3%                                  | 11.1  | 14,638   | 41,506   |

1 senior  
2 housing

3 Net  
4 lease—  
5 skilled  
6 nursing  
7 facilities

103 12,420 beds 82.1% 7.2 25,513 75,801

6 Net  
7 lease—  
8 hospitals

14 872 beds 61.5% 11.7 5,304 15,674

8 Total 417 82.9% 9.0 \$ 78,002 \$ 227,642

9 \* \* \*

10 Subsequent to the Merger, we sold five medical office buildings  
11 totaling 0.2 million square feet and four skilled nursing facilities  
12 totaling 374 beds for aggregate net proceeds of \$2.8 million.  
13 At September 30, 2017, we had one portfolio, one medical office  
14 building and four skilled nursing facilities held for sale, with an  
15 aggregate real estate carrying value of \$197.5 million and  
16 corresponding debt carrying value of \$143.4 million. These activities  
17 reflect our continued monetization initiatives on non core assets.

18 35. The Company described its Investment Management segment in the  
19 3Q 2017 10-Q, stating in relevant part:

20 ***Investment Management***

21 We manage capital on behalf of third party institutional and  
22 retail investors through private funds, traded and non-traded REITs  
23 and investment companies, which provide a stable stream of  
24 management fee income. We also have an embedded broker-dealer  
25 platform which raises capital in the retail market.

26 Our investment management platform allows us to raise private  
27 third party capital in partnership with our own balance sheet to further  
28 scale our core real estate segments and also allows us to pursue a  
29 balance sheet light tactical strategy.

30 For the nine months ended September 30, 2017, we closed on  
31 approximately \$1.7 billion of third party capital commitments,  
32 including our pro rata share from equity method investments in third  
33 party asset managers.

34 Our total third party assets under management (“AUM”) were  
35 as follows:



| (In billions)                  | September 30, 2017 | December 31, 2016 |
|--------------------------------|--------------------|-------------------|
| Third party AUM <sup>(1)</sup> | \$41.7             | \$10.7            |

The acquisition of NSAM's [NorthStar Asset Management Group Inc.'s] investment management business, including Townsend and NSAM's investments in third party asset managers, contributed \$31.5 billion of our third party AUM at September 30, 2017. Colony's third party AUM of \$10.2 billion at September 30, 2017 decreased \$0.4 billion from December 31, 2016 due to continued realization of investments by liquidating funds, including the sale of shares in SFR held by our managed funds, partially offset by the July 2017 acquisition of the THL Hotel Portfolio which is co-invested with our managed funds, as well as the acquisition and subsequent syndication of a California office building investment to third party investors in September 2017.

36. That same day, the Company held a conference call for the 3Q 2017. On the call, Defendant Tangen stated that the Company "ended the quarter with a slightly smaller healthcare portfolio, 417 properties compared to 425 last quarter, as a result of our ongoing selective portfolio pruning."

37. The statements referenced in ¶¶17-36 above were materially false and/or misleading because they misrepresented and failed to disclose the following adverse facts pertaining to the Company's business, operational and financial results, which were known to Defendants or recklessly disregarded by them. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (1) Colony NorthStar's Healthcare and Investment Management segments were performing worse than reported; (2) as a result, the Company's public statements were materially false and misleading at all relevant times.

### **The Truth Emerges**

38. On March 1, 2018, the Company reported its financial results for the fourth quarter and full year ended December 31, 2017 with the SEC ("2017 10-K"), announcing a goodwill impairment of \$375 million, attributable to the Company's Investment Management segment. Specifically, the Company

1 impaired goodwill related to its investment management reporting unit, NorthStar  
2 Healthcare Income Inc., and NorthStar/RXR NY Metro Real Estate Inc. The 2017  
3 10-K stated, in relevant part:

4 Investment Management—The impairment recognized in 2017  
5 consisted of the following:

- 6 • \$316.0 million write-down in goodwill, which represents the  
7 excess in carrying value of our investment management reporting unit,  
8 including its assigned goodwill, over its estimated fair value . . .; and
- 9 • write-down of management contract intangibles for non-traded  
10 REITs that were acquired through the Merger, specifically \$55.3  
11 million for NorthStar Healthcare Income Inc. [] based on an  
12 amendment to its advisory agreement as part of our efforts to preserve  
13 liquidity in NorthStar Healthcare and \$3.7 million for NorthStar/RXR  
14 NY Metro Real Estate Inc [] based on revised capital raising  
15 projections.

16 39. On the Company's conference call that same day, Defendant  
17 Saltzman stated, in relevant part:

18 On the other hand, our earnings performance has not lived up to  
19 expectations, emanating from more challenging industry conditions in  
20 healthcare, real estate as well as our retail broker dealer distribution  
21 business[.] . . .

22 \* \* \*

23 Retail broker dealer distribution was another area of very  
24 disappointing results. The industry generally remains in enormous  
25 transition from major regulatory headwinds, including the newly  
26 implemented fiduciary rule as well as a change in product constructs,  
27 more conservative 40 Act and interval funds that operate with less  
28 leverage and offer more liquidity options.

39 40. On the Company's conference call, Defendant Tangen stated, in  
40 relevant part:

41 A few material accounting items to mention during the fourth quarter  
42 that impacted our GAAP results. We recorded a goodwill impairment  
43 of \$316 million to reflect a lower value in our Investment

1 Management business, primarily attributable to our retail broker-  
2 dealer distribution business. And we also wrote down management  
3 agreement intangible assets by \$35 million to reflect amendments to  
4 our management agreement in our healthcare and untreated REIT NHI  
5 net of deferred tax impact.

6 41. On this news, shares of the Company fell \$1.78 per share or over  
7 22% to close at \$6.00 per share on March 1, 2018, damaging investors.

8 42. As a result of Defendants' wrongful acts and omissions, and the  
9 precipitous decline in the market value of the Company's securities, Plaintiff and  
10 other Class members have suffered significant losses and damages.

### 11 **ADDITIONAL SCIENTER ALLEGATIONS**

12 43. As alleged herein, Individual Defendants acted with scienter since  
13 they knew that the public documents and statements issued or disseminated in the  
14 name of the Company were materially false and/or misleading; knew that such  
15 statements or documents would be issued or disseminated to the investing public;  
16 and knowingly and substantially participated or acquiesced in the issuance or  
17 dissemination of such statements or documents as primary violations of the  
18 federal securities laws. As set forth elsewhere herein in detail, the Individual  
19 Defendants, by virtue of their receipt of information reflecting the true facts  
20 regarding Colony NorthStar, their control over, and/or receipt and/or modification  
21 of Colony NorthStar's allegedly materially misleading misstatements and/or their  
22 associations with the Company which made them privy to confidential  
23 proprietary information concerning Colony NorthStar, participated in the  
24 fraudulent scheme alleged herein.

25 44. On November 9, 2017, the Company announced in its 3Q 2017 10-Q  
26 that Defendant Hamamoto would resign effective January 11, 2018 from all  
27 positions with the Company, its affiliates, subsidiaries and any other entity in  
28 which the Company or its affiliates is the manager or serves in a similar capacity.

1 45. But before his resignation became effective and the Company  
2 impaired \$375 million in goodwill, Defendant Hamamoto suspiciously sold tens  
3 of millions of dollars in Company shares.

4 46. Specifically, on December 18, 2017, Defendant Hamamoto filed a  
5 Form 4 with the SEC reporting the sale of 2,225,909 of Company shares between  
6 December 14, 2017 and December 18, 2017 for approximately \$26.9 million.

7 47. Defendant Hamamoto's sales are rendered even more suspicious  
8 given his intimate knowledge of the Company's Investment Management  
9 segment and healthcare-related entities through his service as: (i) Executive  
10 Chairman, Chairman, and CEO of NorthStar Asset Management Group Inc. (pre-  
11 merger Colony NorthStar entity); (ii) CEO and Chairman of NorthStar Realty  
12 Finance Corp. (pre-merger Colony NorthStar entity); (iii) Chairman of NorthStar  
13 Healthcare Income, Inc.; and (iv) Co-Chairman of NorthStar/RXR New York  
14 Metro Real Estate Inc.

#### 15 **PLAINTIFF'S CLASS ACTION ALLEGATIONS**

16 48. Plaintiff brings this action as a class action pursuant to Federal Rule  
17 of Civil Procedure 23(a) and (b)(3) on behalf of a class consisting of all those  
18 who purchased or otherwise acquired the publicly traded securities of Colony  
19 NorthStar during the Class Period (the "Class") and were damaged upon the  
20 revelation of the alleged corrective disclosure. Excluded from the Class are  
21 Defendants herein, the officers and directors of the Company, at all relevant  
22 times, members of their immediate families and their legal representatives, heirs,  
23 successors or assigns and any entity in which Defendants have or had a  
24 controlling interest.

25 49. The members of the Class are so numerous that joinder of all  
26 members is impracticable. Throughout the Class Period, the Company's securities  
27 were actively traded on NYSE. While the exact number of Class members is  
28 unknown to Plaintiff at this time and can be ascertained only through appropriate

1 discovery, Plaintiff believes that there are hundreds or thousands of members in  
2 the proposed Class. Record owners and other members of the Class may be  
3 identified from records maintained by the Company or its transfer agent and may  
4 be notified of the pendency of this action by mail, using the form of notice similar  
5 to that customarily used in securities class actions.

6 50. Plaintiff's claims are typical of the claims of the members of the  
7 Class as all members of the Class are similarly affected by Defendants' wrongful  
8 conduct in violation of federal law that is complained of herein.

9 51. Plaintiff will fairly and adequately protect the interests of the  
10 members of the Class and has retained counsel competent and experienced in  
11 class and securities litigation. Plaintiff has no interests antagonistic to or in  
12 conflict with those of the Class.

13 52. Common questions of law and fact exist as to all members of the  
14 Class and predominate over any questions solely affecting individual members of  
15 the Class. Among the questions of law and fact common to the Class are:

- 16 (a) whether Defendants' acts as alleged violated the federal securities  
17 laws;
- 18 (b) whether Defendants' statements to the investing public during the  
19 Class Period misrepresented material facts about the financial  
20 condition, business, operations, and management of the Company;
- 21 (c) whether Defendants' statements to the investing public during the  
22 Class Period omitted material facts necessary to make the statements  
23 made, in light of the circumstances under which they were made, not  
24 misleading;
- 25 (d) whether the Individual Defendants caused the Company to issue  
26 false and misleading SEC filings and public statements during the  
27 Class Period;
- 28

1 (e) whether Defendants acted knowingly or recklessly in issuing false  
2 and misleading SEC filings and public statements during the Class  
3 Period;

4 (f) whether the prices of the Company's securities during the Class  
5 Period were artificially inflated because of the Defendants' conduct  
6 complained of herein; and

7 (g) whether the members of the Class have sustained damages and, if so,  
8 what is the proper measure of damages.

9 53. A class action is superior to all other available methods for the fair  
10 and efficient adjudication of this controversy since joinder of all members is  
11 impracticable. Furthermore, as the damages suffered by individual Class members  
12 may be relatively small, the expense and burden of individual litigation make it  
13 impossible for members of the Class to individually redress the wrongs done to  
14 them. There will be no difficulty in the management of this action as a class  
15 action.

16 54. Plaintiff will rely, in part, upon the presumption of reliance  
17 established by the fraud-on-the-market doctrine in that:

18 (a) Defendants made public misrepresentations or failed to disclose  
19 material facts during the Class Period;

20 (b) the omissions and misrepresentations were material;

21 (c) the Company's securities are traded in efficient markets;

22 (d) the Company's securities were liquid and traded with moderate to  
23 heavy volume during the Class Period;

24 (e) the Company traded on NYSE, and was covered by multiple  
25 analysts;

26 (f) the misrepresentations and omissions alleged would tend to induce a  
27 reasonable investor to misjudge the value of the Company's  
28 securities; Plaintiff and members of the Class purchased and/or sold

1 the Company's securities between the time the Defendants failed to  
2 disclose or misrepresented material facts and the time the true facts  
3 were disclosed, without knowledge of the omitted or misrepresented  
4 facts; and

5 (g) Unexpected material news about the Company was rapidly reflected  
6 in and incorporated into the Company's stock price during the Class  
7 Period.

8 55. Based upon the foregoing, Plaintiff and the members of the Class are  
9 entitled to a presumption of reliance upon the integrity of the market.

10 56. Alternatively, Plaintiff and the members of the Class are entitled to  
11 the presumption of reliance established by the Supreme Court in *Affiliated Ute*  
12 *Citizens of the State of Utah v. United States*, 406 U.S. 128, 92 S. Ct. 2430  
13 (1972), as Defendants omitted material information in their Class Period  
14 statements in violation of a duty to disclose such information, as detailed above.

## 15 **COUNT I**

### 16 **Violation of Section 10(b) of The Exchange Act and Rule 10b-5** 17 **Against All Defendants**

18 57. Plaintiff repeats and realleges each and every allegation contained  
19 above as if fully set forth herein.

20 58. This Count is asserted against the Company and the Individual  
21 Defendants and is based upon Section 10(b) of the Exchange Act, 15 U.S.C. §  
22 78j(b), and Rule 10b-5 promulgated thereunder by the SEC.

23 59. During the Class Period, the Company and the Individual  
24 Defendants, individually and in concert, directly or indirectly, disseminated or  
25 approved the false statements specified above, which they knew or deliberately  
26 disregarded were misleading in that they contained misrepresentations and failed  
27 to disclose material facts necessary in order to make the statements made, in light  
28 of the circumstances under which they were made, not misleading.

1           60. The Company and the Individual Defendants violated §10(b) of the  
2 1934 Act and Rule 10b-5 in that they: employed devices, schemes and artifices to  
3 defraud; made untrue statements of material facts or omitted to state material  
4 facts necessary in order to make the statements made, in light of the  
5 circumstances under which they were made, not misleading; and/or engaged in  
6 acts, practices and a course of business that operated as a fraud or deceit upon  
7 plaintiff and others similarly situated in connection with their purchases of the  
8 Company's securities during the Class Period.

9           61. The Company and the Individual Defendants acted with scienter in  
10 that they knew that the public documents and statements issued or disseminated  
11 in the name of the Company were materially false and misleading; knew that such  
12 statements or documents would be issued or disseminated to the investing public;  
13 and knowingly and substantially participated, or acquiesced in the issuance or  
14 dissemination of such statements or documents as primary violations of the  
15 securities laws. These defendants by virtue of their receipt of information  
16 reflecting the true facts of the Company, their control over, and/or receipt and/or  
17 modification of the Company's allegedly materially misleading statements, and/or  
18 their associations with the Company which made them privy to confidential  
19 proprietary information concerning the Company, participated in the fraudulent  
20 scheme alleged herein.

21           62. Individual Defendants, who are the senior officers and/or directors  
22 of the Company, had actual knowledge of the material omissions and/or the  
23 falsity of the material statements set forth above, and intended to deceive Plaintiff  
24 and the other members of the Class, or, in the alternative, acted with reckless  
25 disregard for the truth when they failed to ascertain and disclose the true facts in  
26 the statements made by them or other personnel of the Company to members of  
27 the investing public, including Plaintiff and the Class.



1 63. As a result of the foregoing, the market price of the Company's  
2 securities was artificially inflated during the Class Period. In ignorance of the  
3 falsity of the Company's and the Individual Defendants' statements, Plaintiff and  
4 the other members of the Class relied on the statements described above and/or  
5 the integrity of the market price of the Company's securities during the Class  
6 Period in purchasing the Company's securities at prices that were artificially  
7 inflated as a result of the Company's and the Individual Defendants' false and  
8 misleading statements.

9 64. Had Plaintiff and the other members of the Class been aware that the  
10 market price of the Company's securities had been artificially and falsely inflated  
11 by the Company's and the Individual Defendants' misleading statements and by  
12 the material adverse information which the Company's and the Individual  
13 Defendants did not disclose, they would not have purchased the Company's  
14 securities at the artificially inflated prices that they did, or at all.

15 65. As a result of the wrongful conduct alleged herein, Plaintiff and  
16 other members of the Class have suffered damages in an amount to be established  
17 at trial.

18 66. By reason of the foregoing, the Company and the Individual  
19 Defendants have violated Section 10(b) of the 1934 Act and Rule 10b-5  
20 promulgated thereunder and are liable to the Plaintiff and the other members of  
21 the Class for substantial damages which they suffered in connection with their  
22 purchases of the Company's securities during the Class Period.

## 23 **COUNT II**

### 24 **Violation of Section 20(a) of The Exchange Act** 25 **Against The Individual Defendants**

26 67. Plaintiff repeats and realleges each and every allegation contained in  
27 the foregoing paragraphs as if fully set forth herein.  
28

1           68. During the Class Period, the Individual Defendants participated in  
2 the operation and management of the Company, and conducted and participated,  
3 directly and indirectly, in the conduct of the Company's business affairs. Because  
4 of their senior positions, they knew the adverse non-public information regarding  
5 the Company's business practices.

6           69. As officers and/or directors of a publicly owned company, the  
7 Individual Defendants had a duty to disseminate accurate and truthful information  
8 with respect to the Company's financial condition and results of operations, and  
9 to correct promptly any public statements issued by the Company which had  
10 become materially false or misleading.

11           70. Because of their positions of control and authority as senior officers,  
12 the Individual Defendants were able to, and did, control the contents of the  
13 various reports, press releases and public filings which the Company  
14 disseminated in the marketplace during the Class Period. Throughout the Class  
15 Period, the Individual Defendants exercised their power and authority to cause the  
16 Company to engage in the wrongful acts complained of herein. The Individual  
17 Defendants therefore, were controlling persons of the Company within the  
18 meaning of Section 20(a) of the Exchange Act. In this capacity, they participated  
19 in the unlawful conduct alleged which artificially inflated the market price of the  
20 Company's securities.

21           71. Each of the Individual Defendants, therefore, acted as a controlling  
22 person of the Company. By reason of their senior management positions and/or  
23 being directors of the Company, each of the Individual Defendants had the power  
24 to direct the actions of, and exercised the same to cause, the Company to engage  
25 in the unlawful acts and conduct complained of herein. Each of the Individual  
26 Defendants exercised control over the general operations of the Company and  
27 possessed the power to control the specific activities which comprise the primary  
28 violations about which Plaintiff and the other members of the Class complaint.

1 72. By reason of the above conduct, the Individual Defendants are liable  
2 pursuant to Section 20(a) of the Exchange Act for the violations committed by the  
3 Company.

4 **PRAYER FOR RELIEF**

5 WHEREFORE, Plaintiff demands judgment against Defendants as follows:

6 A. Determining that the instant action may be maintained as a class  
7 action under Rule 23 of the Federal Rules of Civil Procedure, and certifying  
8 Plaintiff as the Class representative;

9 B. Requiring Defendants to pay damages sustained by Plaintiff and the  
10 Class by reason of the acts and transactions alleged herein;

11 C. Awarding Plaintiff and the other members of the Class prejudgment  
12 and post-judgment interest, as well as their reasonable attorneys' fees, expert fees  
13 and other costs; and

14 D. Awarding such other and further relief as this Court may deem just  
15 and proper.

16 **DEMAND FOR TRIAL BY JURY**

17 Plaintiff hereby demands a trial by jury.

18 Dated: April 6, 2018

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