

Form **8937**
(December 2011)
Department of the Treasury
Internal Revenue Service

Report of Organizational Actions Affecting Basis of Securities

OMB No. 1545-2224

▶ See separate instructions.

Part I Reporting Issuer

1 Issuer's name COLONY FINANCIAL, INC.		2 Issuer's employer identification number (EIN) 27-0419483	
3 Name of contact for additional information RAN FREDELL	4 Telephone No. of contact 310-552-7203	5 Email address of contact RFREDELL@CLNS.COM	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact 515 S. FLOWER STREET, 44TH FLOOR		7 City, town, or post office, state, and Zip code of contact LOS ANGELES, CA 90071	
8 Date of action 1/22/2015		9 Classification and description CASH DISTRIBUTION TO COMMON SHAREHOLDERS	
10 CUSIP number 19624R106	11 Serial number(s)	12 Ticker symbol CLNY	13 Account number(s)

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ COLONY FINANCIAL, INC. ("CFI") DISTRIBUTED QUARTERLY CASH DISTRIBUTIONS TO ITS COMMON SHAREHOLDERS FOR THE 2014 TAX YEAR IN EXCESS OF ITS CURRENT AND ACCUMULATED EARNINGS AND PROFITS. ON 1/22/2015, CFI DETERMINED THAT A PORTION OF THESE DISTRIBUTIONS REPRESENTED A RETURN OF CAPITAL. AS A RESULT, THIS ORGANIZATIONAL ACTION AFFECTED SHAREHOLDER BASIS. THESE DISTRIBUTIONS WERE PAID ON APRIL 15, 2014; JULY 15, 2014; OCTOBER 15, 2014; AND JANUARY 15, 2015. THE DISTRIBUTION AMOUNTS ON EACH RESPECTIVE DATE WERE \$32,325,781; \$33,249,146; \$39,468,183; AND \$40,564,521.

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ EACH DISTRIBUTION REDUCED THE BASIS OF THE SECURITY IN THE HANDS OF THE COMMON SHAREHOLDERS BY 0.76% OF THE TOTAL DISTRIBUTION. AS SUCH, EACH SHAREHOLDER SHOULD TREAT 0.76% OF THE DISTRIBUTION AS A NONTAXABLE DISTRIBUTION AND REDUCE THE TAX BASIS OF THEIR STOCK. ANY NONTAXABLE DISTRIBUTION IN EXCESS OF BASIS SHOULD BE TREATED AS A GAIN FROM THE SALE OR EXCHANGE OF PROPERTY.

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ RETURN OF CAPITAL WAS CALCULATED BY COMPARING TOTAL DISTRIBUTIONS PAID IN 2014 TO THE COMPANY'S CURRENT AND ACCUMULATED EARNINGS AND PROFITS. THE TAXPAYER'S EARNINGS AND PROFITS WERE CALCULATED UNDER IRC SECTION 312 AS MODIFIED BY IRC SECTION 857(D) FOR A REAL ESTATE INVESTMENT TRUST AND THE REGULATIONS THEREUNDER. DISTRIBUTIONS IN EXCESS OF THE PORTION OF THE EARNINGS AND PROFITS ALLOCABLE TO THE COMMON SHARES REDUCE THE SHAREHOLDER'S TAX BASIS IN ITS SHARES TO THE EXTENT OF BASIS.

For Paperwork Reduction Act Notice, see the separate instructions.

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Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based **▶** IRC SECTIONS 316 AND 301(C)

18 Can any resulting loss be recognized? **▶** NO RESULTING LOSSES CAN BE RECOGNIZED AS A RESULT OF THIS ORGANIZATIONAL ACTION.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year **▶** THE REPORTABLE TAX YEAR IS CALENDAR YEAR 2014.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

DocuSigned by:
Signature **▶**  Date **▶** 1/29/2017
6C52D90BD70A427
Print your name **▶** Neale Redington Title **▶** CAO

Paid Preparer Use Only

Print/Type preparer's name <u>CLARK WELTON</u>	Preparer's signature 	Date <u>01/25/17</u>	Check <input type="checkbox"/> if self-employed	PTIN <u>P01004009</u>
Firm's name ▶ <u>ERNST & YOUNG U.S. LLP</u>	Firm's EIN ▶ <u>34-6565596</u>		Phone no. <u>213-977-3200</u>	
Firm's address ▶ <u>725 SOUTH FIGUEROA STREET, LOS ANGELES, CA 90017</u>				

Send Form 8937 (including accompanying statements) to: Department of the Treasury, Internal Revenue Service, Ogden, UT 84201-0054