UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2021

OR

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

Commission File Number: 001-38377

COLONY CREDIT REAL ESTATE, INC.

(Exact Name of Registrant as Specified in Its Charter)

Maryland	**38-4046290**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

515 S. Flower Street, 44th Floor
Los Angeles, CA 90071
(Address of Principal Executive Offices, Including Zip Code)

(310) 282-8820
(Registrant’s Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, par value $0.01 per share	**CLNC**	**New York Stock Exchange**

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐	Non-accelerated filer	☐	Smaller reporting company	☐
						Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Indicate the number of shares outstanding of each of the registrant’s classes of common stock, as of the latest practicable date:

As of May 5, 2021, Colony Credit Real Estate, Inc. had 129,762,484 shares of Class A common stock, par value $0.01 per share, outstanding

COLONY CREDIT REAL ESTATE, INC.

FORM 10-Q

TABLE OF CONTENTS

Index		Page
Part I.		4
Item 1.	Financial Information	4
	Financial Statements	4
	Consolidated Balance Sheets as of March 31, 2021 (unaudited) and December 31, 2020	4
	Consolidated Statements of Operations (unaudited) for the three months ended March 31, 2021 and 2020	6
	Consolidated Statements of Comprehensive Income (Loss) (unaudited) for the three months ended March 31, 2021 and 2020	7
	Consolidated Statements of Equity (unaudited) for the three months ended March 31, 2021 and 2020	8
	Consolidated Statements of Cash Flows (unaudited) for the three months ended March 31, 2021 and 2020	9
	Notes to Financial Statements (unaudited)	11
Item 2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	64
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	95
Item 4.	Controls and Procedures	97
Part II.	Other Information	99
Item 1.	Legal Proceedings	99
Item 1A.	Risk Factors	99
Item 2.	Unregistered Sales of Equity and Use of Proceeds	99
Item 3.	Defaults Upon Senior Securities	99
Item 4.	Mine Safety Disclosures	99
Item 5.	Other Information	99
Item 6.	Exhibits	101
Signatures		

Special Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q may contain forward-looking statements within the meaning of the federal securities laws. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward-looking statements by the use of forward-looking terminology such as “may,” “will,” “should,” “expects,” “intends,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” or “potential” or the negative of these words and phrases or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and contingencies, many of which are beyond our control, and may cause actual results to differ significantly from those expressed in any forward-looking statement.

Currently, one of the most significant factors that could cause actual outcomes to differ materially from our forward-looking statements is the adverse effect of the current pandemic of the novel coronavirus, or COVID-19, on the financial condition, results of operations, cash flows and performance of the Company, its borrowers and tenants, the real estate market and the global economy and financial markets. The extent to which the COVID-19 pandemic impacts us, our borrowers and our tenants will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the scope, severity and duration of the pandemic, the actions taken to contain the pandemic or mitigate its impact, the availability of effective vaccines, and the direct and indirect economic effects of the pandemic and containment measures, among others.

Among others, the following uncertainties and other factors could cause actual results to differ from those set forth in the forward-looking statements:

- operating costs and business disruption may be greater than expected;
- the novel coronavirus pandemic, measures intended to prevent its spread and government actions to mitigate its economic impact have had and may continue to have a material adverse effect on our business, results of operations and financial condition;
- we depend on borrowers and tenants for a substantial portion of our revenue and, accordingly, our revenue and our ability to make distributions to stockholders will be dependent upon the success and economic viability of such borrowers and tenants;
- deterioration in the performance of the properties securing our investments (including depletion of interest and other reserves or payment-in-kind concessions in lieu of current interest payment obligations) that may cause deterioration in the performance of our investments and, potentially, principal losses to us (including, but not limited to, the Los Angeles mixed-use development loan, other hospitality loans and Dublin development financings);
- the fair value of our investments may be subject to uncertainties or decrease;
- our ability to realize the anticipated benefits from the internalization of management following the termination of our relationship with our former external manager;
- the ability to realize substantial efficiencies as well as anticipated strategic and financial benefits, including, but not limited to expected returns on equity and/or yields on investments;
- adverse impacts on our corporate revolver, including covenant compliance and borrowing base capacity;
- adverse impacts on our liquidity, including margin calls on master repurchase facilities, debt service or lease payment defaults or deferrals, demands for protective advances and capital expenditures;
- our real estate investments are relatively illiquid and we may not be able to vary our portfolio in response to changes in economic and other conditions, which may result in losses to us;
- the timing of and ability to deploy available capital;
- we have not established a minimum distribution payment level, and we cannot assure you of our ability to pay distributions in the future;
- the timing of and ability to complete repurchases of our stock;
- we are subject to risks associated with obtaining mortgage financing on our real estate, which could materially adversely affect our business, financial condition and results of operations and our ability to make distributions to stockholders;
- the impact of legislative, regulatory and competitive changes and the actions of governmental authorities, and in particular those affecting the commercial real estate finance and mortgage industry or our business.

The foregoing list of factors is not exhaustive. We urge you to carefully review the disclosures we make concerning risks in the sections entitled “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2020, the section entitled “Risk Factors” in our Form 10-Q for the quarter ended March 31, 2021 and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” herein.

We caution investors not to unduly rely on any forward-looking statements. The forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. The Company is under no duty to update any of these forward-looking statements after the date of this Quarterly Report on Form 10-Q, nor to conform prior statements to actual results or revised expectations, and the Company does not intend to do so.

PART I

Item 1 . Financial Statements

COLONY CREDIT REAL ESTATE, INC.
CONSOLIDATED BALANCE SHEETS

(in Thousands, Except Share and Per Share Data)

	March 31, 2021 (Unaudited)	December 31, 2020
Assets		
Cash and cash equivalents	$ 430,312	$ 474,817
Restricted cash	58,031	65,213
Loans and preferred equity held for investment	2,616,308	2,220,688
Allowance for loan losses	(40,791)	(37,191)
Loans and preferred equity held for investment, net	2,575,517	2,183,497
Real estate securities, available for sale, at fair value	4,137	10,389
Real estate, net	844,470	839,257
Investments in unconsolidated ventures ($6,522 and $6,883 at fair value, respectively)	355,907	373,364
Receivables, net	39,195	37,375
Deferred leasing costs and intangible assets, net	73,544	75,700
Assets held for sale	—	323,356
Other assets	58,096	60,900
Mortgage loans held in securitization trusts, at fair value	1,742,141	1,768,069
Total assets	$ 6,181,350	$ 6,211,937
Liabilities		
Securitization bonds payable, net	$ 835,688	$ 835,153
Mortgage and other notes payable, net	773,709	1,022,757
Credit facilities	787,923	535,224
Due to related party (Note 10)	112,015	10,060
Accrued and other liabilities	100,984	96,578
Intangible liabilities, net	7,404	7,657
Liabilities related to assets held for sale	—	323
Escrow deposits payable	40,664	36,973
Dividends payable	13,295	—
Mortgage obligations issued by securitization trusts, at fair value	1,673,969	1,708,534
Total liabilities	4,345,651	4,253,259
Commitments and contingencies (Note 16)		
Equity		
Stockholders' equity		
Preferred stock, $0.01 par value, 50,000,000 shares authorized, no shares issued and outstanding as of March 31, 2021 and December 31, 2020, respectively	—	—
Common stock, $0.01 par value per share		
Class A, 950,000,000 shares authorized, 129,849,135 and 128,564,930 shares issued and outstanding as of March 31, 2021 and December 31, 2020, respectively	1,298	1,286
Additional paid-in capital	2,847,485	2,844,023
Accumulated deficit	(1,339,526)	(1,234,224)
Accumulated other comprehensive income	46,846	54,588
Total stockholders' equity	1,556,103	1,665,673
Noncontrolling interests in investment entities	242,813	253,225
Noncontrolling interests in the Operating Partnership	36,783	39,780
Total equity	1,835,699	1,958,678
Total liabilities and equity	$ 6,181,350	$ 6,211,937

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

COLONY CREDIT REAL ESTATE, INC.
CONSOLIDATED BALANCE SHEETS
(in Thousands)

The following table presents assets and liabilities of securitization trusts and certain real estate properties that have noncontrolling interests as variable interest entities for which the Company is determined to be the primary beneficiary.

	March 31, 2021 (Unaudited)	December 31, 2020
Assets		
Cash and cash equivalents	$ 5,799	$ 19,248
Restricted cash	14,780	15,397
Loans and preferred equity held for investment, net	981,859	919,681
Real estate, net	410,546	413,057
Investments in unconsolidated ventures	235,312	252,384
Receivables, net	26,546	25,127
Deferred leasing costs and intangible assets, net	50,179	52,240
Other assets	21,846	21,984
Mortgage loans held in securitization trusts, at fair value	1,742,141	1,768,069
Total assets	$ 3,489,008	$ 3,487,187
Liabilities		
Securitization bonds payable, net	$ 835,688	$ 835,153
Mortgage and other notes payable, net	378,766	399,337
Accrued and other liabilities	118,984	98,576
Intangible liabilities, net	7,404	7,657
Escrow deposits payable	3,743	3,591
Mortgage obligations issued by securitization trusts, at fair value	1,673,969	1,708,534
Total liabilities	$ 3,018,554	$ 3,052,848

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

COLONY CREDIT REAL ESTATE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(in Thousands, Except Per Share Data)
(Unaudited)

	Three Months Ended March 31,	
	2021	**2020**
Net interest income		
Interest income	$ 34,374	$ 46,104
Interest expense	(12,495)	(20,744)
Interest income on mortgage loans held in securitization trusts	19,689	20,555
Interest expense on mortgage obligations issued by securitization trusts	(17,336)	(18,059)
Net interest income	24,232	27,856
Property and other income		
Property operating income	25,722	52,513
Other income	45	9,409
Total property and other income	25,767	61,922
Expenses		
Management fee expense	7,258	7,946
Property operating expense	8,111	22,531
Transaction, investment and servicing expense	2,288	3,134
Interest expense on real estate	8,633	13,078
Depreciation and amortization	9,539	17,976
Provision for loan losses	3,225	69,932
Impairment of operating real estate	—	4,126
Administrative expense (including $4,262 and $342 of equity-based compensation expense, respectively)	12,595	7,038
Restructuring charges	109,171	—
Total expenses	160,820	145,761
Other income (loss)		
Unrealized gain (loss) on mortgage loans and obligations held in securitization trusts, net	8,638	(19,452)
Other gain (loss), net	8,367	(20,162)
Loss before equity in earnings of unconsolidated ventures and income taxes	(93,816)	(95,597)
Equity in earnings (loss) of unconsolidated ventures	(2,478)	17,167
Income tax benefit (expense)	1,801	(1,711)
Net loss	(94,493)	(80,141)
Net (income) loss attributable to noncontrolling interests:		
Investment entities	226	(523)
Operating Partnership	1,953	1,892
Net loss attributable to Colony Credit Real Estate, Inc. common stockholders	$ (92,314)	$ (78,772)
Net loss per common share - basic and diluted (Note 18)	$ (0.71)	$ (0.62)
Weighted average shares of common stock outstanding - basic and diluted (Note 18)	129,781	128,487

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

COLONY CREDIT REAL ESTATE, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in Thousands)
(Unaudited)

	Three Months Ended March 31,	
	2021	**2020**
Net loss	$ (94,493)	$ (80,141)
Other comprehensive income (loss)		
Unrealized loss on real estate securities, available for sale	(200)	(75,029)
Change in fair value of net investment hedges	—	21,764
Foreign currency translation loss	(8,533)	(19,436)
Total other comprehensive loss	(8,733)	(72,701)
Comprehensive loss	(103,226)	(152,842)
Comprehensive (income) loss attributable to noncontrolling interests:		
Investment entities	1,002	(523)
Operating Partnership	2,168	3,594
Comprehensive loss attributable to common stockholders	$ (100,056)	$ (149,771)

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

COLONY CREDIT REAL ESTATE, INC.
CONSOLIDATED STATEMENTS OF EQUITY (Continued)
(in Thousands)
(Unaudited)

	Common Stock										
	Class A		Class B-3								
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income	Total Stockholders' Equity	Noncontrolling Interests in Investment Entities	Noncontrolling Interests in the Operating Partnership	Total Equity
Balance as of December 31, 2019	128,539	$ 1,285	—	$ —	$ 2,909,181	$ (819,738)	$ 28,294	$ 2,119,022	$ 31,631	$ 50,697	$ 2,201,350
Distributions	—	—	—	—	—	—	—	—	(11,013)	—	(11,013)
Issuance and amortization of equity-based compensation	—	—	—	—	342	—	—	342	—	—	342
Other comprehensive income	—	—	—	—	—	—	(70,999)	(70,999)	—	(1,702)	(72,701)
Dividends and distributions declared ($0.30 per share)	—	—	—	—	—	(38,541)	—	(38,541)	—	(922)	(39,463)
Shares canceled for tax withholding on vested stock awards	(173)	(1)	—	—	(1,686)	—	—	(1,687)	—	—	(1,687)
Reallocation of equity	—	—	—	—	(41)	—	—	(41)	—	41	—
Effect of CECL Adoption (see Note 2)	—	—	—	—	—	(22,644)	—	(22,644)	—	(542)	(23,186)
Net income (loss)	—	—	—	—	—	(78,772)	—	(78,772)	523	(1,892)	(80,141)
Balance as of March 31, 2020	128,366	$ 1,284	—	$ —	$ 2,907,796	$ (959,695)	$ (42,705)	$ 1,906,680	$ 21,141	$ 45,680	$ 1,973,501
Balance as of December 31, 2020	128,565	$ 1,286	—	$ —	$ 2,844,023	$ (1,234,224)	$ 54,588	$ 1,665,673	$ 253,225	$ 39,780	$ 1,958,678
Contributions	—	—	—	—	—	—	—	—	1,384	—	1,384
Distributions	—	—	—	—	—	—	—	—	(10,794)	—	(10,794)
Issuance and amortization of equity-based compensation	1,420	14	—	—	4,248	—	—	4,262	—	—	4,262
Other comprehensive income	—	—	—	—	—	—	(7,742)	(7,742)	(776)	(215)	(8,733)
Dividends and distributions declared ($0.10 per share)	—	—	—	—	—	(12,988)	—	(12,988)	—	(308)	(13,296)
Shares canceled for tax withholding on vested stock awards	(136)	(2)	—	—	(1,307)	—	—	(1,309)	—	—	(1,309)
Reallocation of equity	—	—	—	—	521	—	—	521	—	(521)	—
Net income (loss)	—	—	—	—	—	(92,314)	—	(92,314)	(226)	(1,953)	(94,493)
Balance as of March 31, 2021	129,849	$ 1,298	—	$ —	$ 2,847,485	$ (1,339,526)	$ 46,846	$ 1,556,103	$ 242,813	$ 36,783	$ 1,835,699

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

COLONY CREDIT REAL ESTATE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in Thousands)
(Unaudited)

	Three Months Ended March 31,	
	2021	2020
Cash flows from operating activities:		
Net loss	$ (94,493)	$ (80,141)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Equity in (earnings) losses of unconsolidated ventures	2,478	(17,167)
Depreciation and amortization	9,539	17,976
Straight-line rental income	(1,082)	(1,426)
Amortization of above/below market lease values, net	182	(404)
Amortization of premium/accretion of discount and fees on investments and borrowings, net	(1,490)	(3,992)
Amortization of deferred financing costs	3,016	3,582
Amortization of right-of-use lease assets and operating lease liabilities	26	24
Paid-in-kind interest added to loan principal, net of interest received	(2,547)	(3,171)
Distributions of cumulative earnings from unconsolidated ventures	—	9,326
Unrealized (gain) loss on mortgage loans and obligations held in securitization trusts, net	(8,638)	19,452
Realized loss on securities from write-down to fair value	990	—
Realized gain on sale of real estate securities, available for sale	(131)	—
Realized gain on sale of real estate	(11,911)	—
Provision for loan losses	3,225	69,932
Impairment of operating real estate	—	4,126
Amortization of equity-based compensation	4,262	342
Mortgage notes above/below market value amortization	27	(255)
Deferred income tax (benefit) expense	(768)	(788)
Other (gain) loss, net	1,369	20,452
Changes in assets and liabilities:		
Receivables, net	(3,992)	6,511
Deferred costs and other assets	1,439	16,680
Due to related party	101,956	(250)
Other liabilities	(1,797)	(3,605)
Net cash provided by operating activities	1,660	57,204
Cash flows from investing activities:		
Acquisition, origination and funding of loans and preferred equity held for investment, net	(432,918)	(37,452)
Repayment on loans and preferred equity held for investment	41,337	160,069
Repayment on loans held for sale	—	450
Proceeds from sale of real estate	332,003	160,830
Acquisition of and additions to real estate, related intangibles and leasing commissions	(1,760)	(11,325)
Investments in unconsolidated ventures	(1,795)	(16,748)
Proceeds from sale of investments in unconsolidated ventures	—	1,795
Distributions in excess of cumulative earnings from unconsolidated ventures	8,784	16,528
Repayment of real estate securities, available for sale, from sales	5,079	—
Repayment of real estate securities, available for sale, from cost recovery	118	—
Repayment of principal in mortgage loans held in securitization trusts	7,128	6,577
Net receipts on settlement of derivative instruments	—	19,637
Change in escrow deposits	3,690	(24,998)
Net cash provided (used in) by investing activities	(38,334)	275,363
Cash flows from financing activities:		
Distributions paid on common stock	—	(38,558)
Distributions paid on common stock to noncontrolling interests	—	(922)
Shares canceled for tax withholding on vested stock awards	(1,309)	(1,688)
Borrowings from mortgage notes	37	2,280
Repayment of mortgage notes	(251,804)	(76,585)
Borrowings from credit facilities	329,336	249,991
Repayment of credit facilities	(76,765)	(88,804)
Repayment of mortgage obligations issued by securitization trusts	(7,128)	(6,577)
Payment of deferred financing costs	(1,490)	(1,600)
Contributions from noncontrolling interests	1,384	—
Distributions to noncontrolling interests	(10,794)	(11,013)
Net cash provided by (used in) financing activities	(18,533)	26,524
Effect of exchange rates on cash, cash equivalents and restricted cash	3,520	(1,409)
Net increase (decrease) in cash, cash equivalents and restricted cash	(51,687)	357,682
Cash, cash equivalents and restricted cash - beginning of period	540,030	195,684
Cash, cash equivalents and restricted cash - end of period	$ 488,343	$ 553,366

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

COLONY CREDIT REAL ESTATE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(in Thousands)
(Unaudited)

	Three Months Ended March 31,	
	2021	2020
Reconciliation of cash, cash equivalents, and restricted cash to consolidated balance sheets		
Beginning of the period		
Cash and cash equivalents	$ 474,817	$ 69,619
Restricted cash	65,213	126,065
Total cash, cash equivalents and restricted cash, beginning of period	$ 540,030	$ 195,684
End of the period		
Cash and cash equivalents	$ 430,312	$ 393,845
Restricted cash	58,031	159,521
Total cash, cash equivalents and restricted cash, end of period	$ 488,343	$ 553,366

	Three Months Ended March 31,	
	2021	2020
Supplemental disclosure of non-cash investing and financing activities:		
Accrual of distribution payable	$ 13,295	$ (17)
Right-of-use lease assets and operating lease liabilities	—	(730)

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

1. Business and Organization

Colony Credit Real Estate, Inc. (together with its consolidated subsidiaries, the "Company") is a commercial real estate ("CRE") credit real estate investment trust ("REIT") focused on originating, acquiring, financing and managing a diversified portfolio consisting primarily of CRE debt investments and net leased properties predominantly in the United States. CRE debt investments primarily consist of first mortgage loans, which the Company expects to be its primary investment strategy. Additionally, the Company may selectively originate mezzanine loans and make preferred equity investments, which may include profit participations. The mezzanine loans and preferred investments equity may be in conjunction with the Company's origination of corresponding first mortgages on the same properties. Net leased properties consist of CRE properties with long-term leases to tenants on a net-lease basis, where such tenants generally will be responsible for property operating expenses such as insurance, utilities, maintenance capital expenditures and real estate taxes. The Company will continue to target net leased equity investments on a selective basis. The Company also currently has investments in CRE debt securities primarily consisting of commercial mortgage-backed securities ("CMBS") (including "B-pieces" of a CMBS securitization pool) or CRE collateralized loan obligations ("CLOs") (including the junior tranches thereof, collateralized by pools of CRE debt investments). Any future investments in more highly rated investment grade CRE debt securities would be selective and opportunistic.

The Company was organized in the state of Maryland on August 23, 2017 and maintains key offices in New York, New York and Los Angeles, California. The Company elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, beginning with the taxable year ended December 31, 2018. The Company conducts all activities and holds substantially all assets and liabilities through the Company's operating subsidiary, Credit RE Operating Company, LLC (the "OP"). At March 31, 2021, the Company owned 97.7% of the OP, as its sole managing member. The remaining 2.3% is owned as noncontrolling interests.

The Internalization

On April 30, 2021, the Company completed the internalization of the Company's management and operating functions and terminated its relationship with CLNC Manager, LLC (the "Manager"), a subsidiary of Colony Capital, Inc. ("Colony Capital"), in accordance with that termination agreement dated April 4, 2021 between the Company, the OP, the Manager and Colony Capital Investment Advisors, LLC (the "Termination Agreement," and the transactions contemplated thereunder, the "Internalization"). Pursuant to the Termination Agreement, the Company paid the Manager a one-time termination fee of $102.3 million. Therefore, the Company will no longer pay management or incentive fees to the Manager for any post-closing period and the Company will assume general and administrative expenses directly. The Company anticipates a savings in operating costs as a result of the Internalization. Further, in connection with the Internalization, certain affiliates of each of the Company and the Manager entered into a transition services agreement to facilitate an orderly internalization transition of the Company's management of its operations and, in addition, the Company will provide affiliates of the Manager with certain limited transition services.

The Company's executive team remains unchanged, including Michael J. Mazzei, Chief Executive Officer and President; Andrew E. Witt, Chief Operating Officer; Frank V. Saracino, Chief Financial Officer, Chief Accounting Officer and Treasurer; and David A. Palamé, General Counsel and Secretary. As a result of the stockholders' vote at the Company's 2021 Annual Meeting of Stockholders (the "Annual Meeting"), Colony Capital no longer has affiliated representatives on the Company's board of directors. The Company's board of directors is comprised of five members, including four incumbent independent directors, led by Catherine D. Rice, the Company's Independent Chairperson, Vernon Schwartz, John Westerfield and Winston W. Wilson, and Michael J. Mazzei, the Company's Chief Executive Officer and President. Additionally, certain employees that have contributed substantially to the Company's investment, underwriting, portfolio and asset management, loan servicing, financial reporting, treasury, legal, tax, credit, risk and compliance responsibilities are seamlessly moving forward with the Company.

Segment Realignment

During the first quarter of 2021, the Company realigned the business and reportable segment information to reflect how the Chief Operating Decision Makers ("CODM") regularly review and manage the business. Refer to Note 17, "Segment Reporting" for further detail.

Impact of COVID-19

Throughout 2020, continuing into the first quarter of 2021, countries around the world continue to face healthcare and economic challenges arising from the coronavirus disease 2019, or COVID-19. Efforts to address the pandemic, such as social distancing, closures or reduced capacity of retail and service outlets, hotels, factories and public venues, often mandated by governments, are having a significant impact on the global economy and financial markets across major industries, including many sectors of real estate. In particular, the Company's loans and preferred equity held for investment and real estate investments in the hospitality and retail sectors have experienced or anticipate a myriad of challenges, including, but not limited to: significant declines in operating cash flows of the Company's investments which in turn affect their ability to meet debt service and covenant requirements on investment-level debt (non-recourse to the Company); flexible lease payment terms sought by tenants; increased property operating costs such as labor and supplies as a result of COVID-19; potential payment defaults on the Company's loans and preferred equity held for investment; and a distressed market affecting real estate values in general. The COVID-19 crisis may also lead to heightened risk of litigation at the investment and corporate level, with an ensuing increase in litigation and related costs.

The volatility in equity and debt markets, and the economic fallout from COVID-19 continue to affect the valuation of the Company's financial assets, carried at fair value. The Company's consideration and assessment of impairment is discussed further in Note 3, "Loans and Preferred Equity Held for Investment, net," Note 5, "Real Estate Securities, Available for Sale," Note 6, "Real Estate, net and Real Estate Held for Sale" and Note 14, "Fair Value."

A prolonged economic downturn as a result of efforts to contain COVID-19 may continue to negatively affect the Company's financial condition and results of operations. While the extent and duration of the broad effects of COVID-19 on the global economy and the Company remain unclear, the Company believes it has materially addressed overall recoverability in value across its assets based upon external factors known to date and assumptions using the Company's best estimate at this time. The Company will continue to monitor the progress of the COVID-19 crisis and reassess its effects on the Company's results of operations and recoverability in value across its assets as conditions change.

2. Summary of Significant Accounting Policies

The significant accounting policies of the Company are described below. The accounting policies of the Company's unconsolidated ventures are substantially similar to those of the Company.

Basis of Presentation

The accompanying unaudited interim financial statements have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all information and footnotes required by generally accepted accounting principles in the United States of America ("GAAP") for complete financial statements. These statements reflect all normal and recurring adjustments which, in the opinion of management, are necessary to present fairly the financial position, results of operations and cash flows of the Company for the interim periods presented. However, the results of operations for the interim period presented are not necessarily indicative of the results that may be expected for the year ending December 31, 2021, or any other future period. These interim financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in, or presented as exhibits to, the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

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

Use of Estimates

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

Restructuring Charges

On April 4, 2021, the Company entered into the Termination Agreement with the Manager whereby its management agreement terminated on April 30, 2021. The termination of the management agreement will be a material change in the management structure of the Company, and is accounted for under ASC 420, *Exit or disposal cost obligations.* The one-time payment made to the Manager under the Termination Agreement, and other associated costs, are recorded within restructuring charges with a corresponding liability within due to related party. See Note 19, “Restructuring Charges” and Note 20, “Subsequent Events” for additional discussion of the Company’s internalization.

Principles of Consolidation

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

The Company consolidates entities in which it has a controlling financial interest by first considering if an entity meets the definition of a variable interest entity (“VIE”) for which the Company is deemed to be the primary beneficiary, or if the Company has the power to control an entity through a majority of voting interest or through other arrangements.

Variable Interest Entities

Variable Interest Entities—A VIE is an entity that either (i) lacks sufficient equity to finance its activities without additional subordinated financial support from other parties; (ii) whose equity holders lack the characteristics of a controlling financial interest; or (iii) is established with non-substantive voting rights. A VIE is consolidated by its primary beneficiary, which is defined as the party who has a controlling financial interest in the VIE through (a) power to direct the activities of the VIE that most significantly affect the VIE’s economic performance, and (b) obligation to absorb losses or right to receive benefits of the VIE that could be significant to the VIE. The Company also considers interests held by its related parties, including de facto agents. The Company assesses whether it is a member of a related party group that collectively meets the power and benefits criteria and, if so, whether the Company is most closely associated with the VIE. In performing the related party analysis, the Company considers both qualitative and quantitative factors, including, but not limited to: the amount and characteristics of its investment relative to the related party; the Company’s and the related party’s ability to control or significantly influence key decisions of the VIE including consideration of involvement by de facto agents; the obligation or likelihood for the Company or the related party to fund operating losses of the VIE; and the similarity and significance of the VIE’s business activities to those of the Company and the related party. The determination of whether an entity is a VIE, and whether the Company is the primary beneficiary, may involve significant judgment, including the determination of which activities most significantly affect the entities’ performance, and estimates about the current and future fair values and performance of assets held by the VIE.

Voting Interest Entities—Unlike VIEs, voting interest entities have sufficient equity to finance their activities and equity investors exhibit the characteristics of a controlling financial interest through their voting rights. The Company consolidates such entities when it has the power to control these entities through ownership of a majority of the entities’ voting interests or through other arrangements.

At each reporting period, the Company reassesses whether changes in facts and circumstances cause a change in the status of an entity as a VIE or voting interest entity, and/or a change in the Company’s consolidation assessment.

Changes in consolidation status are applied prospectively. An entity may be consolidated as a result of this reassessment, in which case, the assets, liabilities and noncontrolling interest in the entity are recorded at fair value upon initial consolidation. Any existing equity interest held by the Company in the entity prior to the Company obtaining control will be remeasured at fair value, which may result in a gain or loss recognized upon initial consolidation. However, if the consolidation represents an asset acquisition of a voting interest entity, the Company’s existing interest in the acquired assets, if any, is not remeasured to fair value but continues to be carried at historical cost. The Company may also deconsolidate a subsidiary as a result of this reassessment, which may result in a gain or loss recognized upon deconsolidation depending on the carrying values of deconsolidated assets and liabilities compared to the fair value of any interests retained.

As of March 31, 2021, the Company has identified certain consolidated and unconsolidated VIEs. Assets of each of the VIEs, other than the OP, 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

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

Other consolidated VIEs include the Investing VIEs (as defined and discussed below) and certain operating real estate properties that have noncontrolling interests. At March 31, 2021, the noncontrolling interests in the operating real estate properties represent third party joint venture partners with ownership ranging from 5.0% to 11.0%. These noncontrolling interests do not have substantive kick-out nor participating rights.

Investing VIEs

The Company's investments in securitization financing entities ("Investing VIEs") include subordinate first-loss tranches of securitization trusts, which represent interests in such VIEs. Investing VIEs are structured as pass through entities that receive principal and interest payments from the underlying debt collateral assets and distribute those payments to the securitization trust's certificate holders, including the most subordinate tranches of the securitization trust. Generally, a securitization trust designates the most junior subordinate tranche outstanding as the controlling class, which entitles the holder of the controlling class to unilaterally appoint and remove the special servicer for the trust, and as such may qualify as the primary beneficiary of the trust.

If it is determined that the Company is the primary beneficiary of an Investing VIE as a result of acquiring the subordinate first-loss tranches of the securitization trust, the Company would consolidate the assets, liabilities, income and expenses of the entire Investing VIE. The assets held by an Investing VIE are restricted and can only be used to fulfill its own obligations. The obligations of an Investing VIE have neither any recourse to the general credit of the Company as the consolidating parent entity of an Investing VIE, nor to any of the Company's other consolidated entities.

As of March 31, 2021, the Company held subordinate tranches of securitization trusts in two Investing VIEs for which the Company has determined it is the primary beneficiary because it has the power to direct the activities that most significantly impact the economic performance of the securitization trusts. The Company's subordinate tranches of the securitization trusts, which represent the retained interest and related interest income, are eliminated in consolidation. As a result, all of the assets, liabilities (obligations to the certificate holders of the securitization trusts, less the Company's retained interest from the subordinate tranches of the securitization trusts), income and expenses of the Investing VIEs are presented in the consolidated financial statements of the Company although the Company legally owns the subordinate tranches of the securitization trusts only. Regardless of the presentation, the Company's consolidated financial statements of operations ultimately reflect the net income attributable to its retained interest in the subordinate tranches of the securitization trusts. Subsequent to March 31, 2021, the Company sold its retained investments in the subordinate tranches of one securitization trust for $28.7 million in total proceeds. The Company will realize a gain of approximately $8.8 million in connection with the sale during the second quarter of 2021 and deconsolidate the securitization trust with gross assets and liabilities of approximately $0.8 billion and $0.8 billion, respectively. Refer to Note 5, "Real Estate Securities, Available for Sale" and Note 20, "Subsequent Events" for further discussion.

The Company elected the fair value option for the initial recognition of the assets and liabilities of its consolidated Investing VIEs. Interest income and interest expense associated with the Investing VIEs are presented separately on the consolidated statements of operations, and the assets and liabilities of the Investing VIEs are separately presented as "Mortgage loans held in securitization trusts, at fair value" and "Mortgage obligations issued by securitization trusts, at fair value," respectively, on the consolidated balance sheets. Refer to Note 14, "Fair Value" for further discussion.

The Company has adopted guidance issued by the Financial Accounting Standards Board ("FASB"), allowing the Company to measure both the financial assets and liabilities of a qualifying collateralized financing entity ("CFE"), such as its Investing VIEs, using the fair value of either the CFE's financial assets or financial liabilities, whichever is more observable. A CFE is a VIE that holds financial assets, issues beneficial interests in those assets and has no more than nominal equity, and the beneficial interests have contractual recourse only to the related assets of the CFE. As the liabilities of the Company's Investing VIEs are marketable securities with observable trade data, their fair value is more observable and is referenced to determine fair value of the assets of its Investing VIEs. Refer to Note 14, "Fair Value" for further discussion.

Unconsolidated VIEs

As of March 31, 2021, the Company identified unconsolidated VIEs related to its securities investments, indirect interests in real estate through real estate private equity funds (“PE Investments”) and CRE debt investments. Based on management’s analysis, the Company determined that it is not the primary beneficiary of the above VIEs. Accordingly, the VIEs are not consolidated in the Company’s financial statements as of March 31, 2021.

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.

The following table presents the Company’s classification, carrying value and maximum exposure of unconsolidated VIEs as of March 31, 2021 (dollars in thousands):

	Carrying Value	Maximum Exposure to Loss
Real estate securities, available for sale	$ 4,137	$ 4,137
Investments in unconsolidated ventures	293,366	303,352
Loans and preferred equity held for investment, net	18,842	18,842
Total assets	$ 316,345	$ 326,331

The Company did not provide financial support to the unconsolidated VIEs during the three months ended March 31, 2021. As of March 31, 2021, there were no explicit arrangements or implicit variable interests that could require the Company to provide financial support to the unconsolidated VIEs. The maximum exposure to loss of real estate securities, available for sale was determined as the amortized cost as of March 31, 2021. See Note 5, “Real Estate Securities, Available for Sale” for further discussion on fair value of the real estate securities. The maximum exposure to loss of investments in unconsolidated ventures and loans and preferred equity held for investment, net was determined as the carrying value plus any future funding commitments. Refer to Note 3, “Loans and Preferred Equity Held for Investment, net” and Note 16, “Commitments and Contingencies” for further discussion.

Noncontrolling Interests

Noncontrolling Interests in Investment Entities—This represents interests in consolidated investment entities held by third party joint venture partners and prior to the closing of our formation transactions (the “Combination”) on January 31, 2018, such interests held by private funds managed by Colony Capital. Allocation of net income or loss is generally based upon relative ownership interests held by equity owners in each investment entity, or based upon contractual arrangements that may provide for disproportionate allocation of economic returns among equity interests, including using a hypothetical liquidation at book value (“HLBV”) basis, where applicable and substantive. HLBV uses a balance sheet approach, which measures each party’s capital account at the end of a period assuming that the subsidiary was liquidated or sold at book value. Each party’s share of the subsidiary’s earnings or loss is calculated by measuring the change in the party’s capital account from the beginning of the period in question to the end of period, adjusting for effects of distributions and new investments.

Noncontrolling Interests in the Operating Partnership—This represents membership interests in the OP held by an affiliate of Colony Capital. Noncontrolling interests in the OP are allocated a share of net income or loss in the OP based on their weighted average ownership interest in the OP during the period. Noncontrolling interests in the OP have the right to require the OP to redeem part or all of the membership units in the OP for cash based on the market value of an equivalent number of shares of Class A common stock at the time of redemption, or at the Company’s election as managing member of the OP, through the issuance of shares of Class A common stock on a one-for-one basis. At the end of each reporting period, noncontrolling interests in the OP is adjusted to reflect their ownership percentage in the OP at the end of the period, through a reallocation between controlling and noncontrolling interests in the OP, as applicable.

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 other comprehensive income (“OCI”). The components of OCI include unrealized gain (loss) on CRE debt securities available for sale for which the fair value option was not elected, gain (loss) on derivative instruments used in the Company’s risk management activities used for economic hedging purposes (“designated hedges”), and gain (loss) on foreign currency translation.

Fair Value Measurement

Fair value is based on an exit price, defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Where appropriate, the Company makes adjustments to estimated fair values to appropriately reflect counterparty credit risk as well as the Company's own credit-worthiness.

The estimated fair value of financial assets and financial liabilities are categorized into a three-tier hierarchy, prioritized based on the level of transparency in inputs used in the valuation techniques, as follows:

Level 1—Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2—Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in non-active markets, or valuation techniques utilizing inputs that are derived principally from or corroborated by observable data directly or indirectly for substantially the full term of the financial instrument.

Level 3—At least one assumption or input is unobservable and it is significant to the fair value measurement, requiring significant management judgment or estimate.

Where the inputs used to measure the fair value of a financial instrument fall into different levels of the fair value hierarchy, the financial instrument is categorized within the hierarchy based on the lowest level of input that is significant to its fair value measurement.

Fair Value Option

The fair value option provides an option to elect fair value as an alternative measurement for selected financial instruments. Gains and losses on items for which the fair value option has been elected are reported in earnings. The fair value option may be elected only upon the occurrence of certain specified events, including when the Company enters into an eligible firm commitment, at initial recognition of the financial instrument, as well as upon a business combination or consolidation of a subsidiary. The election is irrevocable unless a new election event occurs.

The Company has elected the fair value option for PE Investments. The Company has also elected the fair value option to account for the eligible financial assets and liabilities of its consolidated Investing VIEs in order to mitigate potential accounting mismatches between the carrying value of the instruments and the related assets and liabilities to be consolidated. The Company has adopted the measurement alternative allowing the Company to measure both the financial assets and financial liabilities of a qualifying CFE it consolidates using the fair value of either the CFE's financial assets or financial liabilities, whichever is more observable.

Business Combinations

Definition of a Business—The Company evaluates each purchase transaction to determine whether the acquired assets meet the definition of a business. If substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets, then the set of transferred assets and activities is not a business. If not, for an acquisition to be considered a business, it would have to include an input and a substantive process that together significantly contribute to the ability to create outputs (i.e., there is a continuation of revenue before and after the transaction). A substantive process is not ancillary or minor, cannot be replaced without significant costs, effort or delay or is otherwise considered unique or scarce. To qualify as a business without outputs, the acquired assets would require an organized workforce with the necessary skills, knowledge and experience that performs a substantive process.

Asset Acquisitions—For acquisitions that are not deemed to be businesses, the assets acquired are recognized based on their cost to the Company as the acquirer and no gain or loss is recognized. The cost of assets acquired in a group is allocated to individual assets within the group based on their relative fair values and does not give rise to goodwill. Transaction costs related to the acquisition of assets are included in the cost basis of the assets acquired.

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

Cash and Cash Equivalents

Short-term, highly liquid investments with original maturities of three months or less are considered to be cash equivalents. The Company did not have any cash equivalents at March 31, 2021 or December 31, 2020. The Company’s cash is held with major financial institutions and may at times exceed federally insured limits.

Restricted Cash

Restricted cash consists primarily of borrower escrow deposits, tenant escrow deposits and real estate capital expenditure reserves.

Loans and Preferred Equity Held for Investment

The Company originates and purchases loans and preferred equity held for investment. The accounting framework for loans and preferred equity held for investment depends on the Company’s strategy whether to hold or sell the loan, whether the loan was credit-impaired at the time of acquisition, or if the lending arrangement is an acquisition, development and construction loan.

Loans and Preferred Equity Held for Investment

Loans and preferred equity that the Company has the intent and ability to hold for the foreseeable future are classified as held for investment. Originated loans and preferred equity are recorded at amortized cost, or outstanding unpaid principal balance plus exit fees less net deferred loan fees. Net deferred loan fees include unamortized origination and other fees charged to the borrower less direct incremental loan origination costs incurred by the Company. Purchased loans and preferred equity are recorded at amortized cost, or unpaid principal balance plus purchase premium or less unamortized discount. Costs to purchase loans and preferred equity are expensed as incurred.

Interest Income—Interest income is recognized based upon contractual interest rate and unpaid principal balance of the loans and preferred equity investments. Net deferred loan fees on originated loans and preferred equity investments are deferred and amortized as adjustments to interest income over the expected life of the loans and preferred equity investments using the effective yield method. Premium or discount on purchased loans and preferred equity investments are amortized as adjustments to interest income over the expected life of the loans and preferred equity investments using the effective yield method. When a loan or preferred equity investment is prepaid, prepayment fees and any excess of proceeds over the carrying amount of the loan or preferred equity investment is recognized as additional interest income.

The Company has debt investments in its portfolio that contain a payment-in-kind (“PIK”) provision. Contractual PIK interest, which represents contractually deferred interest added to the loan balance that is due at the end of the loan term, is generally recorded on an accrual basis to the extent such amounts are expected to be collected. The Company will generally cease accruing PIK interest if there is insufficient value to support the accrual or management does not expect the borrower to be able to pay all principal and interest due.

Nonaccrual—Accrual of interest income is suspended on nonaccrual loans and preferred equity investments. Loans and preferred equity investments that are past due 90 days or more as to principal or interest, or where reasonable doubt exists as to timely collection, are generally considered nonperforming and placed on nonaccrual status. Interest receivable is reversed against interest income when loans and preferred equity investments are placed on nonaccrual status. Interest collected is recognized on a cash basis by crediting income when received; or if ultimate collectability of loan and preferred equity principal is uncertain, interest collected is recognized using a cost recovery method by applying interest collected as a reduction to loan and preferred equity carrying value. Loans and preferred equity investments may be restored to accrual status when all principal and interest are current and full repayment of the remaining contractual principal and interest are reasonably assured.

Loans Held for Sale

Loans that the Company intends to sell or liquidate in the foreseeable future are classified as held for sale. Loans held for sale are carried at the lower of amortized cost or fair value less disposal cost, with valuation changes recognized as impairment loss. Loans held for sale are not subject to allowance for loan losses. Net deferred loan origination fees and loan purchase premiums or discounts are deferred and capitalized as part of the carrying value of the held for sale loan until the loan is sold, therefore included in the periodic valuation adjustments based on lower of cost or fair value less disposal cost.

At March 31, 2021, the Company had no loans classified as held for sale.

Acquisition, Development and Construction (“ADC”) Arrangements

The Company provides loans to third party developers for the acquisition, development and construction of real estate. Under an ADC arrangement, the Company participates in the expected residual profits of the project through the sale, refinancing or other use of the property. The Company evaluates the characteristics of each ADC arrangement, including its risks and rewards, to determine whether they are more similar to those associated with a loan or an investment in real estate. ADC arrangements with characteristics implying loan classification are presented as loans held for investment and result in the recognition of interest income. ADC arrangements with characteristics implying real estate joint ventures are presented as investments in unconsolidated joint ventures and are accounted for using the equity method. The classification of each ADC arrangement as either loan receivable or real estate joint venture involves significant judgment and relies on various factors, including market conditions, amount and timing of expected residual profits, credit enhancements in the form of guaranties, estimated fair value of the collateral, and significance of borrower equity in the project, among others. The classification of ADC arrangements is performed at inception, and periodically reassessed when significant changes occur in the circumstances or conditions described above.

Operating Real Estate

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

Real Estate Held for Investment

Real estate held for investment is carried at cost less accumulated depreciation.

Costs Capitalized or Expensed—Expenditures for ordinary repairs and maintenance are expensed as incurred, while expenditures for significant renovations that improve or extend the useful life of the asset are capitalized and depreciated over their estimated useful lives.

Depreciation—Real estate held for investment, other than land, is depreciated on a straight-line basis over the estimated useful lives of the assets, as follows:

Real Estate Assets	**Term**
Building (fee interest)	7 to 48 years
Building leasehold interests	Lesser of remaining term of the lease or remaining life of the building
Building improvements	Lesser of the useful life or remaining life of the building
Land improvements	1 to 15 years
Tenant improvements	Lesser of the useful life or remaining term of the lease
Furniture, fixtures and equipment	2 to 8 years

Impairment—The Company evaluates its real estate held for investment for impairment periodically or whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The Company evaluates real estate for impairment generally on an individual property basis. If an impairment indicator exists, the Company evaluates the undiscounted future net cash flows that are expected to be generated by the property, including any estimated proceeds from the eventual disposition of the property. If multiple outcomes are under consideration, the Company may apply a probability-weighted approach to the impairment analysis. Based upon the analysis, if the carrying value of a property exceeds its undiscounted future net cash flows, an impairment loss is recognized for the excess of the carrying value of the property over the estimated fair value of the property. In evaluating and/or measuring impairment, the Company considers, among other things, current and estimated future cash flows associated with each property, market information for each sub-market, including, where applicable, competition levels, foreclosure levels, leasing trends, occupancy trends, lease or room rates, and the market prices of similar properties recently sold or currently being offered for sale, and other quantitative and qualitative factors. Another key consideration in this assessment is the Company’s assumptions about the highest and best use of its real estate investments and its intent and ability to hold them for a reasonable period that would allow for the recovery of their carrying values. If such assumptions change and the Company shortens its expected hold period, this may result in the recognition of impairment losses. See Note 6, “Real Estate, net and Real Estate Held for Sale” and Note 14, “Fair Value” for further detail.

Real Estate Held for Sale

Real estate is classified as held for sale in the period when (i) management approves a plan to sell the asset, (ii) the asset is available for immediate sale in its present condition, subject only to usual and customary terms, (iii) a program is initiated to locate a buyer and actively market the asset for sale at a reasonable price, and (iv) completion of the sale is probable within one year. Real estate held for sale is stated at the lower of its carrying amount or estimated fair value less disposal cost, with any write-down to fair value less disposal cost recorded as an impairment loss. For any increase in fair value less disposal cost subsequent to classification as held for sale, the impairment loss may be reversed, but only up to the amount of cumulative loss previously recognized. Depreciation is not recorded on assets classified as held for sale. At the time a sale is consummated, the excess, if any, of sale price less selling costs over carrying value of the real estate is recognized as a gain.

If circumstances arise that were previously considered unlikely and, as a result, the Company decides not to sell the real estate asset previously classified as held for sale, the real estate asset is reclassified as held for investment. Upon reclassification, the real estate asset is measured at the lower of (i) its carrying amount prior to classification as held for sale, adjusted for depreciation expense that would have been recognized had the real estate been continuously classified as held for investment, and (ii) its estimated fair value at the time the Company decides not to sell.

At March 31, 2021, there were no properties held for sale. See Note 6, “Real Estate, net and Real Estate Held for Sale” and Note 17, “Segment Reporting” for further detail.

Foreclosed Properties

The Company receives foreclosed properties in full or partial settlement of loans held for investment by taking legal title or physical possession of the properties. Foreclosed properties are generally recognized at the time the real estate is received at foreclosure sale or upon execution of a deed in lieu of foreclosure. Foreclosed properties are initially measured at fair value. If the fair value of the property is lower than the carrying value of the loan, the difference is recognized as provision for loan loss and the cumulative loss allowance on the loan is charged off. The Company periodically evaluates foreclosed properties for subsequent decrease in fair value, which is recorded as an additional impairment loss. Fair value of foreclosed properties is generally based on third party appraisals, broker price opinions, comparable sales or a combination thereof.

Real Estate Securities

The Company classifies its CRE securities investments as available for sale on the acquisition date, which are carried at fair value. Unrealized gains (losses) are recorded as a component of accumulated OCI in the consolidated statements of equity. However, the Company has elected the fair value option for the assets and liabilities of its consolidated Investing VIEs, and as a result, any unrealized gains (losses) on the consolidated Investing VIEs are recorded in unrealized gain (loss) on mortgage loans and obligations held in securitization trusts, net in the consolidated statements of operations. As of March 31, 2021, the Company held subordinate tranches of two securitization trusts, which represent the Company’s retained interest in the securitization trusts, which the Company consolidates under U.S. GAAP. Refer to Note 5, “Real Estate Securities, Available for Sale” for further discussion.

Impairment

CRE securities for which the fair value option is elected are not evaluated for impairment as any change in fair value is recorded in the consolidated statements of operations. Realized losses on such securities are reclassified to realized loss on mortgage loans and obligations held in securitization trust, net as losses occur.

CRE securities for which the fair value option is not elected are evaluated for impairment quarterly. Impairment of a security is considered when the fair value is below the amortized cost basis, which is then further analyzed 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 impaired due to (i) or (ii) or (iii), the security is written down to its fair value and an impairment is recognized in the consolidated statements of operations. In all other situations, the unrealized loss is bifurcated into: (a) the amount related to expected credit losses; and (b) the amount related to other factors in excess of expected credit losses. The portion of impairment related to expected credit losses is recognized as an allowance for credit losses. The remaining impairment related to other factors is recognized as a component of accumulated OCI in the consolidated statements of equity. CRE securities which are not high-credit quality are considered to have an impairment if the security has an unrealized loss and there has been an adverse change in expected cash flow. The amount of impairment is then bifurcated as discussed above.

During the three months ended March 31, 2021, the Company recorded an impairment loss of $1.0 million related to its CRE securities. The impairment loss is included in other gain, net in the Company's consolidated statements of operations. Refer to Note 5, "Real Estate Securities, Available for Sale" for further discussion.

Investments in Unconsolidated Ventures

A noncontrolling, unconsolidated ownership interest in an entity may be accounted for using one of (i) equity method where applicable; (ii) fair value option if elected; (iii) fair value through earnings if fair value is readily determinable, including election of net asset value ("NAV") practical expedient where applicable; or (iv) for equity investments without readily determinable fair values, the measurement alternative to measure at cost adjusted for any impairment and observable price changes, as applicable.

Fair value changes of equity method investments under the fair value option are recorded in earnings from investments in unconsolidated ventures. Fair value changes of other equity investments, including adjustments for observable price changes under the measurement alternative, are recorded in other gain (loss).

Equity Method Investments

The Company accounts for investments under the equity method of accounting if it has the ability to exercise significant influence over the operating and financial policies of an entity, but does not have a controlling financial interest. The equity method investment is initially recorded at cost and adjusted each period for capital contributions, distributions and the Company's share of the entity's net income or loss as well as other comprehensive income or loss. The Company's share of net income or loss may differ from the stated ownership percentage interest in an entity if the governing documents prescribe a substantive non-proportionate earnings allocation formula or a preferred return to certain investors. For certain equity method investments, the Company records its proportionate share of income on a one to three month lag. Distributions of operating profits from equity method investments are reported as operating activities, while distributions in excess of operating profits are reported as investing activities in the statement of cash flows under the cumulative earnings approach.

At March 31, 2021 and December 31, 2020, the Company's investments in unconsolidated joint ventures consisted of investments in PE Investments, senior loans, mezzanine loans and preferred equity held in joint ventures, as well as ADC arrangements accounted for as equity method investments.

Impairment

Evaluation of impairment applies to equity method investments and equity investments under the measurement alternative. If indicators of impairment exist, the Company will first estimate the fair value of its investment. In assessing fair value, the Company generally considers, among others, the estimated fair value of the investee, which is based on significant assumptions including the estimated timing and probabilities of the future cash flows of the unconsolidated joint venture, utilizing discount rates and capitalization rates.

For investments under the measurement alternative, if carrying value of the investment exceeds its fair value, an impairment is deemed to have occurred.

For equity method investments, further consideration is made if a decrease in value of the investment is other-than-temporary to determine if impairment loss should be recognized. Assessment of OTTI involves management judgment, including, but not limited to, consideration of the investee's financial condition, operating results, business prospects and creditworthiness, the Company's ability and intent to hold the investment until recovery of its carrying value. If management is unable to reasonably assert that an impairment is temporary or believes that the Company may not fully recover the carrying value of its investment, then the impairment is considered to be other-than-temporary.

Investments that are other-than-temporarily impaired are written down to their estimated fair value. Impairment loss is recorded in earnings from investments in unconsolidated ventures for equity method investments and in other gain (loss) for investments under the measurement alternative.

Identifiable Intangibles

In a business combination or asset acquisition, the Company may recognize identifiable intangibles that meet either or both the contractual-legal criterion or the separability criterion. An indefinite-lived intangible is not subject to amortization until such time that its useful life is determined to no longer be indefinite, at which point, it will be assessed for impairment and its adjusted carrying amount amortized over its remaining useful life. Finite-lived intangibles are amortized over their useful life in a manner that reflects the pattern in which the intangible is being consumed if readily determinable, such as based upon expected cash flows; otherwise they are amortized on a straight line basis. The useful life of all identified intangibles will be periodically reassessed and if useful life changes, the carrying amount of the intangible will be amortized prospectively over the revised useful life.

Lease Intangibles—Identifiable intangibles recognized in acquisitions of operating real estate properties generally include in-place leases, above- or below-market leases and deferred leasing costs, all of which have finite lives. In-place leases generate value over and above the tangible real estate because a property that is occupied with leased space is typically worth more than a vacant building without an operating lease contract in place. The estimated fair value of acquired in-place leases is derived based on management's assessment of costs avoided from having tenants in place, including lost rental income, rent concessions and tenant allowances or reimbursements, that hypothetically would be incurred to lease a vacant building to its actual existing occupancy level on the valuation date. The net amount recorded for acquired in-place leases is included in intangible assets and amortized on a straight-line basis as an increase to depreciation and amortization expense over the remaining term of the applicable leases. If an in-place lease is terminated, the unamortized portion is charged to depreciation and amortization expense.

The estimated fair value of the above- or below-market component of acquired leases represents the present value of the difference between contractual rents of acquired leases and market rents at the time of the acquisition for the remaining lease term, discounted for tenant credit risks. Above- or below-market operating lease values are amortized on a straight-line basis as a decrease or increase to rental income, respectively, over the applicable lease terms. This includes fixed rate renewal options in acquired leases that are below-market, which are amortized to decrease rental income over the renewal period. Above- or below-market ground lease obligations are amortized on a straight-line basis as a decrease or increase to rent expense, respectively, over the applicable lease terms. If the above- or below-market operating lease values or above- or below-market ground lease obligations are terminated, the unamortized portion of the lease intangibles are recorded in rental income or rent expense, respectively.

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

Transfers of Financial Assets

Sale accounting for transfers of financial assets requires the transfer of an entire financial asset, a group of financial assets in its entirety or if a component of the financial asset is transferred, that the component meets the definition of a participating interest with characteristics that mirror the original financial asset.

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. If the Company has any continuing involvement, rights or obligations with the transferred financial asset (outside of standard representations and warranties), sale accounting requires that the transfer meets the following sale conditions: (1) the transferred asset has been legally isolated; (2) the transferee has the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred asset; and (3) the Company does not maintain effective control over the transferred asset through an agreement that provides for (a) both an entitlement and an obligation by the Company to repurchase or redeem the asset before its maturity, (b) the unilateral ability by the Company to reclaim the asset and a more than trivial benefit attributable to that ability, or (c) the transferee requiring the Company to repurchase the asset at a price so favorable to the transferee that it is probable the repurchase will occur.

If sale accounting is met, the transferred financial asset is removed from the balance sheet and a net gain or loss is recognized upon sale, taking into account any retained interests. Transfers of financial assets that do not meet the criteria for sale are accounted for as financing transactions, or secured borrowing.

Derivative Instruments and Hedging Activities

The Company uses derivative instruments to manage its foreign currency risk and interest rate risk. The Company does not use derivative instruments for speculative or trading purposes. All derivative instruments are recorded at fair value and included in other assets or other liabilities on a gross basis on the balance sheet. The accounting for changes in fair value of derivatives depends upon whether or not the Company has elected to designate the derivative in a hedging relationship and the derivative qualifies for hedge accounting. The Company has economic hedges that have not been designated for hedge accounting.

Changes in fair value of derivatives not designated as accounting hedges are recorded in the statement of operations in other gain (loss), net.

For designated accounting hedges, the relationships between hedging instruments and hedged items, risk management objectives and strategies for undertaking the accounting hedges as well as the methods to assess the effectiveness of the derivative prospectively and retrospectively, are formally documented at inception. Hedge effectiveness relates to the amount by which the gain or loss on the designated derivative instrument exactly offsets the change in the hedged item attributable to the hedged risk. If it is determined that a derivative is not expected to be or has ceased to be highly effective at hedging the designated exposure, hedge accounting is discontinued.

Cash Flow Hedges—The Company uses interest rate caps and swaps to hedge its exposure to interest rate fluctuations in forecasted interest payments on floating rate debt. The effective portion of the change in fair value of the derivative is recorded in accumulated other comprehensive income, while hedge ineffectiveness is recorded in earnings. If the derivative in a cash flow hedge is terminated or the hedge designation is removed, related amounts in accumulated other comprehensive income (loss) are reclassified into earnings.

Net Investment Hedges—The Company uses foreign currency hedges to protect the value of its net investments in foreign subsidiaries or equity method investees whose functional currencies are not U.S. dollars. Changes in the fair value of derivatives used as hedges of net investment in foreign operations, to the extent effective, are recorded in the cumulative translation adjustment account within accumulated other comprehensive income (loss).

At the end of each quarter, the Company reassesses the effectiveness of its net investment hedges and as appropriate, dedesignates the portion of the derivative notional amount that is in excess of the beginning balance of its net investments as undesignated hedges.

Release of accumulated other comprehensive income related to net investment hedges occurs upon losing a controlling financial interest in an investment or obtaining control over an equity method investment. Upon sale, complete or substantially complete liquidation of an investment in a foreign subsidiary, or partial sale of an equity method investment, the gain or loss on the related net investment hedge is reclassified from accumulated other comprehensive income to earnings. Refer to Note 15, “Derivatives” for further discussion on the Company’s derivative and hedging activity.

Financing Costs

Financing costs primarily include debt discounts and premiums as well as deferred financing costs. Deferred financing costs represent commitment fees, legal and other third-party costs associated with obtaining financing. Costs related to revolving credit facilities are recorded in other assets and are amortized to interest expense using the straight-line basis over the term of the facility. Costs related to other borrowings are recorded net against the carrying value of such borrowings and are amortized to interest expense using the effective interest method. Unamortized deferred financing costs are expensed to realized gain (loss) when the associated facility is repaid before maturity. Costs incurred in seeking financing transactions, which do not close, are expensed in the period in which it is determined that the financing will not occur.

Revenue Recognition

Property Operating Income

Property operating income includes the following:

Rental Income—Rental income is recognized on a straight-line basis over the non-cancellable term of the related lease which includes the effects of minimum rent increases and rent abatements under the lease. Rents received in advance are deferred.

When it is determined that the Company is the owner of tenant improvements, the cost to construct the tenant improvements, including costs paid for or reimbursed by the tenants, is capitalized. For tenant improvements owned by the Company, the amount funded by or reimbursed by the tenants are recorded as deferred revenue, which is amortized on a straight-line basis as additional rental income over the term of the related lease. Rental income recognition commences when the leased space is substantially ready for its intended use and the tenant takes possession of the leased space.

When it is determined that the tenant is the owner of tenant improvements, the Company's contribution towards those improvements is recorded as a lease incentive, included in deferred leasing costs and intangible assets on the balance sheet, and amortized as a reduction to rental income on a straight-line basis over the term of the lease. Rental income recognition commences when the tenant takes possession of the lease space.

Tenant Reimbursements—In net lease arrangements, the tenant is generally responsible for operating expenses related to the property, including real estate taxes, property insurance, maintenance, repairs and improvements. Costs reimbursable from tenants and other recoverable costs are recognized as revenue in the period the recoverable costs are incurred. When the Company is the primary obligor with respect to purchasing goods and services for property operations and has discretion in selecting the supplier and retains credit risk, tenant reimbursement revenue and property operating expenses are presented on a gross basis in the statements of operations. For certain triple net leases where the lessee self-manages the property, hires its own service providers and retains credit risk for routine maintenance contracts, no reimbursement revenue and expense are recognized.

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

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. On a quarterly basis, the Company reviews, and if appropriate, adjusts its cash flow projections based on inputs and analyses received from external sources, internal models, and the Company's judgment about prepayment rates, the timing and amount of credit losses and other factors. Changes in the amount or timing of cash flows from those originally projected, or from those estimated at the last evaluation date, are considered to be either favorable changes or adverse changes.

Adverse changes in the timing or amount of cash flows on CRE securities could result in the Company recording an increase in the allowance for credit losses. The allowance for credit losses are calculated using a discounted cash flow approach and is measured as the difference between the amortized cost of a CRE security and estimate of cash flows expected to be collected discounted at the effective interest rate used to accrete the CRE security. The allowance for credit losses is recorded as a contra-asset and a reduction in earnings. The allowance for credit losses will be limited to the amount of the unrealized losses on the CRE securities. Any allowance for credit losses in excess of the unrealized losses on the CRE securities are accounted for as a prospective reduction of the effective interest rate. No allowance is recorded for CRE securities in an unrealized gain position. Favorable changes in the discounted cash flow will result in a reduction in the allowance for credit losses, if any. Any reduction in allowance for credit losses is recorded in earnings. If the allowance for credit losses has been reduced to zero, the remaining favorable changes are reflected as a prospective increase to the effective interest rate.

As of April 1, 2020, the Company placed its investment grade and non-investment grade rated CRE securities on cost recovery and as a result, ceased accretion of any discounts to expected maturity and applied any cash interest received against the CRE securities amortized cost basis. Refer to Note 5, "Real Estate Securities, Available for Sale" for further discussion.

Foreign Currency

Assets and liabilities denominated in a foreign currency for which the functional currency is a foreign currency are translated using the exchange rate in effect at the balance sheet date and the corresponding results of operations for such entities are translated using the average exchange rate in effect during the period. The resulting foreign currency translation adjustments are recorded as a component of accumulated other comprehensive income or loss in stockholders' equity. Upon sale, complete or substantially complete liquidation of a foreign subsidiary, or upon partial sale of a foreign equity method investment, the translation adjustment associated with the investment, or a proportionate share related to the portion of equity method investment sold, is reclassified from accumulated other comprehensive income or loss into earnings.

Assets and liabilities denominated in a foreign currency for which the functional currency is the U.S. dollar are remeasured using the exchange rate in effect at the balance sheet date and the corresponding results of operations for such entities are remeasured using the average exchange rate in effect during the period. The resulting foreign currency remeasurement adjustments are recorded in other gain (loss), net on the consolidated statements of operations.

Disclosures of non-U.S. dollar amounts to be recorded in the future are translated using exchange rates in effect at the date of the most recent balance sheet presented.

Equity-Based Compensation

Equity-classified stock awards granted to executive officers and both independent and non-independent directors are based on the closing price of the Class A common stock on the grant date and recognized on a straight-line basis over the requisite service period of the awards for restricted stock awards. For performance stock units ("PSUs") the fair value is based on a Monte Carlo simulation as of the grant date and expense is recognized on a straight-line basis over their measurement period. See Note 11, "Equity-Based Compensation" for further discussion.

The compensation expense is adjusted for actual forfeitures upon occurrence. Equity-based compensation is classified within administrative expense in the consolidated statement of operations.

Earnings Per Share

The Company presents both basic and diluted earnings per share ("EPS") using the two-class method. Basic EPS is calculated by dividing earnings allocated to common shareholders, as adjusted for unallocated earnings attributable to certain participating securities, if any, by the weighted-average number of common shares outstanding during the period. Diluted EPS is based on the weighted-average number of common shares and the effect of potentially dilutive common share equivalents outstanding during the period. The two-class method is an allocation formula that determines earnings per share for each share of common stock and participating securities according to dividends declared and participation rights in undistributed earnings. Under this method, all earnings (distributed and undistributed) are allocated to common shares and participating securities based on their respective rights to receive dividends. The Company has certain share-based payment awards that contain nonforfeitable rights to dividends, which are considered participating securities for the purposes of computing EPS pursuant to the two-class method.

Income Taxes

For U.S. federal income tax purposes, the Company elected to be taxed as a REIT beginning with its taxable year ended December 31, 2018. To qualify as a REIT, the Company must continually satisfy tests concerning, among other things, the real estate qualification of sources of its income, the real estate composition and values of its assets, the amounts it distributes to stockholders and the diversity of ownership of its stock.

To the extent that the Company qualifies as a REIT, it generally will not be subject to U.S. federal income tax to the extent of its distributions to 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. If the Company were to fail to meet these requirements, it would be subject to U.S. federal income tax and potential interest and penalties, which could have a material adverse impact on its results of operations and amounts available for distributions to its stockholders. 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 may also be subject to certain state, local and franchise taxes. Under certain circumstances, U.S. federal income and excise taxes may be due on its undistributed taxable income. The Company also holds investments in Europe which are subject to tax in each local jurisdiction.

The Company made joint elections to treat certain subsidiaries as taxable REIT subsidiaries ("TRSs") which may be subject to taxation by U.S. federal, state and local authorities. In general, a TRS of the Company may perform non-customary services for tenants, hold assets that the Company cannot hold directly and engage in most real estate or non-real estate-related business.

Certain subsidiaries of the Company are subject to taxation by U.S. federal, state and local authorities for the periods presented. Income taxes are accounted for by the asset/liability approach in accordance with U.S. GAAP. Deferred taxes, if any, represent the expected future tax consequences when the reported amounts of assets and liabilities are recovered or paid. Such amounts arise from differences between the financial reporting and tax bases of assets and liabilities and are adjusted for changes in tax laws and tax rates in the period during which such changes are enacted. A provision for income tax represents the total of income taxes paid or payable for the current period, plus the change in deferred taxes. Current and deferred taxes are recorded on the portion of earnings (losses) recognized by the Company with respect to its interest in TRSs. Deferred income tax assets and liabilities are calculated based on temporary differences between the Company's U.S. GAAP consolidated financial statements and the U.S. federal, state and local 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 income tax benefit (expense) in the consolidated statements of operations.

For the three months ended March 31, 2021 and 2020, the Company recorded income tax benefit and expense of $1.8 million and $1.7 million, respectively.

Accounting Standards adopted in 2020

Credit Losses - In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments-Credit Losses, which amends the credit impairment model for financial instruments. The Company adopted ASU 2016-13 using the modified retrospective method on January 1, 2020.

The prior incurred loss model has been replaced with a lifetime current expected credit loss ("CECL") model for financial instruments carried at amortized cost and off-balance sheet credit exposures, such as loans, loan commitments, held-to-maturity ("HTM") debt securities, financial guarantees, net investment in leases, reinsurance and trade receivables, which will generally result in earlier recognition of allowance for losses. For available-for-sale ("AFS") debt securities, unrealized credit losses are recognized as allowances rather than reductions in amortized cost basis and elimination of the OTTI concept will result in more frequent estimation of credit losses. The accounting model for purchased credit impaired loans and debt securities has been simplified, including elimination of some of the asymmetrical treatment between credit losses and credit recoveries, to be consistent with the CECL model for originated and purchased non-credit impaired assets. The existing model for beneficial interests that are not of high credit quality was amended to conform to the new impairment models for HTM and AFS debt securities.

Upon adoption of ASU 2016-13 on January 1, 2020 the Company recorded the following (dollars in thousands):

	Impact of ASU 2016-13 Adoption
Assets:	
CECL reserve on Loans and preferred equity held for investment, net	$ 21,093
Liabilities:	
CECL reserve on Accrued and other liabilities	2,093
Total Impact of ASU 2016-13 adoption on Accumulated deficit	$ 23,186

The following discussion highlights changes to the Company's accounting policies as a result of this adoption.

CECL reserve

The CECL reserve for the Company's financial instruments carried at amortized cost and off-balance sheet credit exposures, such as loans, loan commitments and trade receivables represents a lifetime estimate of expected credit losses. Factors considered by the Company when determining the CECL reserve include loan-specific characteristics such as loan-to-value ("LTV") ratio, vintage year, loan term, property type, occupancy and geographic location, financial performance of the borrower, expected payments of principal and interest, as well as internal or external information relating to past events, current conditions and reasonable and supportable forecasts.

The CECL reserve is measured on a collective (pool) basis when similar risk characteristics exist for multiple financial instruments. If similar risk characteristics do not exist, the Company measures the CECL reserve on an individual instrument basis. The determination of whether a particular financial instrument should be included in a pool can change over time. If a financial asset's risk characteristics change, the Company evaluates whether it is appropriate to continue to keep the financial instrument in its existing pool or evaluate it individually.

In measuring the CECL reserve for financial instruments that share similar risk characteristics, the Company primarily applies a probability of default ("PD")/loss given default ("LGD") model for instruments that are collectively assessed, whereby the CECL reserve is calculated as the product of PD, LGD and exposure at default ("EAD"). The Company's model principally utilizes historical loss rates derived from a commercial mortgage backed securities database with historical losses from 1998 through December 2020 provided by a third party, Trepp LLC, forecasting the loss parameters using a scenario-based statistical approach over a reasonable and supportable forecast period of twelve months, followed by a straight-line reversion period of twelve-months back to average historical losses.

For financial instruments assessed outside of the PD/LGD model on an individual basis, including when it is probable that the Company will be unable to collect the full payment of principal and interest on the instrument, the Company applies a discounted cash flow ("DCF") methodology. For financial instruments where the borrower is experiencing financial difficulty based on the Company's assessment at the reporting date and the repayment is expected to be provided substantially through the operation or sale of the collateral, the Company may elect to use as a practical expedient the fair value of the collateral at the reporting date when determining the provision for loan losses.

In developing the CECL reserve for its loans and preferred equity held for investment, the Company considers the risk ranking of each loan and preferred equity as a key credit quality indicator. The risk rankings are based on a variety of factors, including, without limitation, underlying real estate performance and asset value, values of comparable properties, durability and quality of property cash flows, sponsor experience and financial wherewithal, and the existence of a risk-mitigating loan structure. Additional key considerations include loan-to-value ratios, debt service coverage ratios, loan structure, real estate and credit market dynamics, and risk of default or principal loss. Based on a five-point scale, the Company's loans and preferred equity held for investment are rated "1" through "5," from less risk to greater risk, and the ratings are updated quarterly. At the time of origination or purchase, loans and preferred equity held for investment are ranked as a "3" and will move accordingly going forward based on the ratings which are defined as follows:

1. *Very Low Risk*-The loan is performing as agreed. The underlying property performance has exceeded underwritten expectations with very strong net operating income ("NOI"), debt service coverage ratio, debt yield and occupancy metrics. Sponsor is investment grade, very well capitalized, and employs very experienced management team.

2. *Low Risk*-The loan is performing as agreed. The underlying property performance has met or exceeds underwritten expectations with high occupancy at market rents, resulting in consistent cash flow to service the debt. Strong sponsor that is well capitalized with experienced management team.

3. *Average Risk*-The loan is performing as agreed. The underlying property performance is consistent with underwriting expectations. The property generates adequate cash flow to service the debt, and/or there is enough reserve or loan structure to provide time for sponsor to execute the business plan. Sponsor has routinely met its obligations and has experience owning/operating similar real estate.

4. *High Risk/Delinquent/Potential for Loss*-The loan is in excess of 30 days delinquent and/or has a risk of a principal loss. The underlying property performance is behind underwritten expectations. Loan covenants may require occasional waivers/modifications. Sponsor has been unable to execute its business plan and local market fundamentals have deteriorated. Operating cash flow is not sufficient to service the debt and debt service payments may be coming from sponsor equity/loan reserves.

5. *Impaired/Defaulted/Loss Likely*-The loan is in default or a default is imminent, and has a high risk of a principal loss, or has incurred a principal loss. The underlying property performance is significantly worse than underwritten expectation and sponsor has failed to execute its business plan. The property has significant vacancy and current cash flow does not support debt service. Local market fundamentals have significantly deteriorated resulting in depressed comparable property valuations versus underwriting.

The Company also considers qualitative and environmental factors, including, but not limited to, economic and business conditions, nature and volume of the loan portfolio, lending terms, volume and severity of past due loans, concentration of credit and changes in the level of such concentrations in its determination of the CECL reserve.

The Company has elected to not measure a CECL reserve for accrued interest receivable as it is reversed against interest income when a loan or preferred equity investment is placed on nonaccrual status. Loans and preferred equity investments are charged off against the provision for loan losses when all or a portion of the principal amount is determined to be uncollectible.

Changes in the CECL reserve for the Company's financial instruments are recorded in provision for loan losses on the Statement of Operations with a corresponding offset to the loans and preferred equity held for investment or as a component of other liabilities for future loan fundings recorded on the Company's consolidated balance sheets. See Note 3, "Loans and Preferred Equity Held for Investment, net" for further detail.

Troubled Debt Restructuring ("TDR")—The Company classifies an individual financial instrument as a TDR when it has a reasonable expectation that the financial instrument's contractual terms will be modified in a manner that grants concession to the borrower who is experiencing financial difficulty. Concessions could include term extensions, payment deferrals, interest rate reductions, principal forgiveness, forbearance, or other actions designed to maximize the Company’s collection on the financial instrument. The Company determines the CECL reserve for financial instruments that are TDRs individually.

Fair Value Disclosures—In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurements*. The ASU requires new disclosures of changes in unrealized gains and losses in other comprehensive income for recurring Level 3 fair value measurements of instruments held at the balance sheet date, as well as the range and weighted average or other quantitative information, if more relevant, of significant unobservable inputs for recurring and nonrecurring Level 3 fair values. Certain previously required disclosures are eliminated, specifically around the valuation process required for Level 3 fair values, policy for timing of transfers between levels of the fair value hierarchy, as well as amounts and reason for transfers between Levels 1 and 2. Additionally, the new guidance clarifies or modifies certain existing disclosures, including clarifying that information about measurement uncertainty of Level 3 fair values should be as of the reporting date and requiring disclosures of the timing of liquidity events for investments measured under the NAV practical expedient, but only if the investee has communicated this information or has announced it publicly. The provisions on new disclosures and modification to disclosure of Level 3 measurement uncertainty are to be applied prospectively, while all other provisions are to be applied retrospectively. The Company adopted ASU No. 2018-13 on January 1, 2020.

Related Party Guidance for VIEs—In November 2018, the FASB issued ASU No. 2018-17, *Targeted Improvements to Related Party Guidance for Variable Interest Entities*. The ASU amends the VIE guidance to align, throughout the VIE model, the evaluation of a decision maker's or service provider's fee held by a related party whether or not they are under common control, in both the assessment of whether a fee qualifies as a variable interest and the determination of a primary beneficiary. Specifically, a decision maker or service provider considers interests in a VIE held by a related party under common control only if it has a direct interest in the related party under common control and considers such indirect interest in the VIE held by the related party under common control on a proportionate basis, rather than its entirety. Transition is generally on a modified retrospective basis, with the cumulative effect adjusted to retained earnings at the beginning of the earliest period presented. The Company adopted ASU No. 2018-17 on January 1, 2020, with no transitional impact upon adoption.

Reference Rate Reform-In March 2020, the FASB issued ASU No. 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The guidance in Topic 848 is optional, the election of which provides temporary relief for the accounting effects on contracts, hedging relationships and other transactions impacted by the transition from interbank offered rates (such as London Interbank Offered Rate, or LIBOR) that are expected to be discontinued by the end of 2021 to alternative reference rates (such as Secured Overnight Financing Rate, or SOFR). Modification of contractual terms to effect the reference rate reform transition on debt, leases, derivatives and other contracts is eligible for relief from modification accounting and accounted for as a continuation of the existing contract. Topic 848 is effective upon issuance through December 31, 2022, and may be applied retrospectively to January 1, 2020. The Company has elected to apply the hedge accounting expedients related to probability and assessment of effectiveness for future LIBOR-indexed cash flows to assume that the index upon which future hedged transactions will be based matches the index on the corresponding derivatives, which preserves existing derivative treatment and presentation. The Company may elect other practical expedients or exceptions as applicable over time as reference rate reform activities occur.

Revised Significance Tests-In May 2020, the SEC issued a new rule regarding the financial statement requirements for acquisitions and dispositions of a business, which included, among other things, amending (i) certain criteria in the significance tests for acquired or to-be-acquired businesses, (ii) related pro forma financial information requirements, including its form and content, and (iii) related disclosure requirements, including the number of acquiree financial statement periods to be presented in SEC filings. The final rule is effective for fiscal years beginning after December 31, 2020, with early application permitted. The Company adopted this SEC final rule, effective October 1, 2020.

Accounting Standards adopted in 2021

Income Tax Accounting—In December 2019, the FASB issued ASU No. 2019-12, *Simplifying Accounting for Income Taxes*. The ASU simplifies accounting for income taxes by eliminating certain exceptions to the general approach in ASC 740, Income Taxes, and clarifies certain aspects of the guidance for more consistent application. The simplifications relate to intraperiod tax allocations when there is a loss in continuing operations and a gain outside of continuing operations, accounting for tax law or tax rate changes and year-to-date losses in interim periods, recognition of deferred tax liability for outside basis difference when investment ownership changes, and accounting for franchise taxes that are partially based on income. The ASU also provides new guidance that clarifies the accounting for transactions resulting in a step-up in tax basis of goodwill, among other changes. Transition is generally prospective, other than the provision related to outside basis difference which is on a modified retrospective basis with the cumulative effect adjusted to retained earnings at the beginning of the period adopted, and franchise tax provision which is on either full or modified retrospective. ASU No. 2019-12 is effective January 1, 2021, with early adoption permitted in an interim period, to be applied to all provisions. The Company adopted this on January 1, 2021, and the impact was not material.

Accounting for Certain Equity Investments—In January 2020, the FASB issued ASU No. 2020-01, *Clarifying the Interactions between Topic 321 Investments-Equity Securities, Topic 323-Investments Equity Method and Joint Ventures, and Topic 815-Derivatives and Hedging*. The ASU clarifies, that if as a result of an observable transaction, an equity investment under the measurement alternative is transitioned into equity method or an equity method investment is transitioned into measurement alternative, then the investment is to be remeasured immediately before and after the transaction, respectively. The ASU also clarifies that certain forward contracts or purchased options to acquire equity securities that are not deemed to be derivatives or in-substance common stock will generally be measured using the fair value principles of ASC 321 before settlement or exercise, and that an entity should not be considering how it will account for the resulting investments upon eventual settlement or exercise. ASU No. 2020-01 is to be applied prospectively, effective January 1, 2021, with early adoption permitted in an interim period. The Company adopted this on January 1, 2021, and the impact was not material.

Future Application of Accounting Standards

Accounting for Convertible Instruments and Contracts on Entity's Own Equity— In August 2020, the FASB issued ASU No. 2020-06, Debt—Debt With Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity. The ASU (1) simplifies an issuer's accounting for convertible instruments as a single unit of account; (2) allows more contracts on an entity's own equity to qualify for equity classification and more embedded derivatives to meet the derivative scope exception; and (3) simplifies diluted earnings per share ("EPS") computation.

- The guidance eliminates the requirement to separate embedded conversion features in convertible instruments, except for (1) a convertible instrument that contains features requiring bifurcation as a derivative under ASC 815 or (2) a convertible debt instrument that was issued at a substantial premium.
- Under the new guidance, certain conditions under Subtopic ASC 815-40 that may result in contracts being settled in cash rather than shares and therefore preclude (1) equity classification for contracts on an entity's own equity; and (2) embedded derivatives from qualifying for the derivative scope exception, have been removed; for example, the requirement that equity contracts permit settlement in unregistered shares unless such contracts explicitly require settlement in cash if registered shares are unavailable. The guidance also clarifies that freestanding contracts on an entity's own equity that do not qualify for equity classification under the indexation criteria (ASC 815-4015) or settlement criteria (ASC 815-40-25) are to be measured at fair value through earnings, even if they do not meet the definition of a derivative under ASC 815.
- The ASU also amends certain guidance on computation of diluted EPS for convertible instruments and contracts on an entity's own equity that results in a more dilutive EPS, including (1) requiring the if converted method to be applied for all convertible instruments (the treasury stock method is no longer available), and (2) removing the ability to rebut the presumption of share settlement for contracts that may be settled in cash or stock and that are not liability classified share based payments.
- Expanded disclosures are required, including but not limited to, (1) terms and features of convertible instruments and contracts on entity's own equity; and (2) information about events, conditions, and circumstances that could affect amount or timing of future cash flows related to these instruments or contracts; and in the period of adoption (3) nature of and reason for the change in accounting principle; and (4) effects of the change on EPS.

Upon adoption, a one-time election may be made to apply the fair value option for any liability-classified convertible securities.

Adoption of the new standard may be made either on a full retrospective approach or a modified retrospective approach, with cumulative effect adjustment recorded to beginning retained earnings. ASU No. 2020-06 is effective January 1, 2022, with early adoption permitted beginning January 1, 2021. The Company is currently evaluating the effects of this new guidance.

3. Loans and Preferred Equity Held for Investment, net

The following table provides a summary of the Company’s loans and preferred equity held for investment, net (dollars in thousands):

	March 31, 2021				December 31, 2020			
	Unpaid Principal Balance	Carrying Value	Weighted Average Coupon[1]	Weighted Average Maturity in Years	Unpaid Principal Balance	Carrying Value	Weighted Average Coupon[1]	Weighted Average Maturity in Years
Fixed rate								
Mezzanine loans	$ 158,826	$ 158,325	12.8 %	3.7	$ 155,803	$ 155,225	12.8 %	4.0
Preferred equity interests	19,010	19,010	15.0 %	2.4	18,680	18,681	15.0 %	2.7
	177,836	177,335			174,483	173,906		
Variable rate								
Senior loans	1,425,267	1,416,873	4.7 %	3.6	1,029,760	1,026,846	5.4 %	3.4
Securitized loans[2]	1,006,495	1,005,294	4.6 %	3.3	1,006,495	1,004,698	5.1 %	3.4
Mezzanine loans	12,000	12,120	11.5 %	1.4	12,000	12,120	11.5 %	1.7
Preferred equity interests	4,686	4,686	5.3 %	1.0	3,118	3,118	5.3 %	0.0
	2,448,448	2,438,973			2,051,373	2,046,782		
Loans and preferred equity held for investment	2,626,284	2,616,308			2,225,856	2,220,688		
Allowance for loan losses	NA	(40,791)			NA	(37,191)		
Loans and preferred equity held for investment, net	$ 2,626,284	$ 2,575,517			$ 2,225,856	$ 2,183,497		

(1) Calculated based on contractual interest rate.
(2) Represents loans transferred into securitization trusts that are consolidated by the Company.

As of March 31, 2021, the weighted average maturity, including extensions, of loans and preferred equity investments was 3.5 years.

The Company had $6.8 million and $7.0 million of interest receivable related to its loans and preferred equity held for investment, net as of March 31, 2021 and December 31, 2020, respectively. This is included in receivables, net on the Company’s consolidated balance sheets.

Activity relating to the Company’s loans and preferred equity held for investment, net was as follows (dollars in thousands):

	Carrying Value
Balance at January 1, 2021	$ 2,183,497
Acquisitions/originations/additional funding	432,918
Loan maturities/principal repayments	(41,335)
Discount accretion/premium amortization	1,490
Capitalized interest	2,547
Provision for loan losses[1]	(3,602)
Charge-off	2
Balance at March 31, 2021	$ 2,575,517

(1) Provision for loan losses excludes $0.4 million determined by the Company’s PD/LGD model for unfunded commitments reported on the consolidated statement of operations, with a corresponding offset to other liabilities recorded on the Company’s consolidated balance sheets.

Nonaccrual and Past Due Loans and Preferred Equity

Loans and preferred equity that are 90 days or more past due as to principal or interest, or where reasonable doubt exists as to timely collection, are generally considered nonperforming and placed on nonaccrual status.

During the three months ended March 31, 2021, the Company placed one senior loan and preferred equity investment in a hotel located in San Jose, California ("the San Jose Hotel") on nonaccrual status. The onset of the COVID-19 pandemic in the spring of 2020 created challenges across the hospitality industry. The global reduction in business travel directly impacted operations at the San Jose Hotel. Low occupancy led to weaker financial performance, which led to the borrower closing the hotel and filing for Chapter 11 bankruptcy in March 2021. The borrower has obtained bankruptcy court orders authorizing it to reject the existing hotel management agreement, and to solicit proposals for (a) subordinate financing to support the asset, and (b) a new contract with a new hotel manager to re-brand the hotel as a business-travel destination. The borrower is also seeking immediate determination of the amount of any damages owing to the former manager. The Company has entered into a restructuring support agreement with the borrower regarding the bankruptcy process, in the Company's capacity as the sole senior secured creditor. In connection with the restructuring support agreement, the Company has not provided any concessions which would be considered a troubled debt restructuring. The bankruptcy proceeding and rulings, the continued impact of COVID-19 on business travel, and other risks associated with a new hotel manager may negatively impact the value of our investment interest.

The following table provides an aging summary of loans and preferred equity held for investment at carrying values before allowance for loan losses, if any (dollars in thousands):

	Current or Less Than 30 Days Past Due [1]	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Loans
March 31, 2021	$ 2,616,308	$ —	$ —	$ —	$ 2,616,308
December 31, 2020	2,220,688	—	—	—	2,220,688

[1] At March 31, 2020, includes the San Jose Hotel.

Allowance for Loan Losses

Changes in allowance for loan losses on loans are presented below (dollars in thousands):

	Three Months Ended March 31,	
	2021	2020
Allowance for loan losses at beginning of period	$ 37,191	$ 272,624
Effect of CECL adoption[1]	—	21,093
Provision for loan losses[2]	3,602	69,686
Charge-off	(2)	(15,533)
Transfer to loans held for sale	—	(295,676)
Allowance for loan losses at end of period[3]	$ 40,791	$ 52,194

[1] Calculated by the Company's PD/LGD model upon CECL adoption on January 1, 2020. See Note 2, "Summary of Significant Accounting Policies" for further details.

[2] Provision for loan losses excludes $0.4 million and $0.2 million for the periods ended March 31, 2021 and March 31, 2020, respectively. These amounts were determined by the Company's PD/LGD model for unfunded commitments reported on the consolidated statement of operations, with a corresponding offset to other liabilities recorded on the Company's consolidated balance sheets.

[3] At March 31, 2021, includes $40.8 million related to the Company's PD/LGD model. At March 31, 2020, includes $28.8 million related to the Company's PG/LGD model, $36.8 million recorded on four NY hospitality loans and $2.3 million related to the Midwest hospitality loan, both of which were evaluated individually, and $1.8 million related to discounted payoff of loans during the quarter ended March 31, 2020.

Credit Quality Monitoring

Loan and preferred equity 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 loan and preferred equity 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.

As of March 31, 2021, there was one senior loan and preferred equity investment past due and all remaining loans were performing in accordance with the contractual terms of their governing documents and were categorized as performing loans. There were no loans held for investment with contractual payments past due as of December 31, 2020. For the three months ended March 31, 2021, no debt investment contributed more than 10.0% of interest income.

The following table provides a summary by carrying values before any allowance for loan losses of the Company's loans and preferred equity held for investment by year of origination and credit quality risk ranking (dollars in thousands). Refer to Note 2, "Summary of Significant Accounting Policies—Accounting Standards Adopted in 2020—Credit Losses" for loans risk ranking definitions.

	2021	2020	2019	2018	2017	Prior	Total
Senior loans							
Risk Rankings:							
3	$ 421,071	$ 177,935	$ 406,777	$ 187,694	$ 33,774	$ —	$ 1,227,251
4	—	—	717,682	303,749		—	1,021,431
5	—	—	—	173,485	—	—	173,485
Total Senior loans	421,071	177,935	1,124,459	664,928	33,774	—	2,422,167
Mezzanine loans							
Risk Rankings:							
3	—	—	65,087	59,440	—	—	124,527
4	—	—	29,289	4,509	12,120	—	45,918
Total Mezzanine loans	—	—	94,376	63,949	12,120	—	170,445
Preferred equity interests and other							
Risk Rankings:							
4	—		—	19,010	—	—	19,010
5	—	4,686	—	—	—	—	4,686
Total Preferred equity interests and other	—	4,686	—	19,010	—	—	23,696
Total Loans and preferred equity held for investment	$ 421,071	$ 182,621	$ 1,218,835	$ 747,887	$ 45,894	$ —	$ 2,616,308

The Company considers several risk factors when assigning its risk ranking each quarter. For the three months ended March 31, 2021, the Company believes the extended impact of the COVID-19 pandemic remains uncertain, and therefore continues to represent a significant risk to the Company's portfolio. As such, the quarter-end average rating is 3.6, which is consistent with the Company's average risk ranking throughout 2020.

Lending Commitments

The Company has lending commitments to borrowers pursuant to certain loan agreements in which the borrower may submit a request for funding contingent on achieving certain criteria, which must be approved by the Company as lender, such as leasing, performance of capital expenditures and construction in progress with an approved budget. At March 31, 2021, assuming the terms to qualify for future advances, if any, had been met, total gross unfunded lending commitments were $209.4 million. Refer to Note 16, "Commitments and Contingencies" for further details. At March 31, 2021, the Company recorded a $0.9 million allowance for lending commitments in accrued and other liabilities on its consolidated balance sheets in accordance with the credit losses accounting standard No. 2016-13. See Note 2, "Summary of Significant Accounting Policies" for further details.

4. Investments in Unconsolidated Ventures

Summary

The Company’s investments in unconsolidated ventures represent noncontrolling equity interests in various entities, as follows (dollars in thousands):

	March 31, 2021	December 31, 2020
Equity method investments	$ 349,385	$ 366,481
Investments under fair value option	6,522	6,883
Investments in Unconsolidated Ventures	$ 355,907	$ 373,364

Equity Method Investments

Investment Ventures

Certain of the Company’s equity method investments are structured as joint ventures with one or more private funds or other investment vehicles managed by Colony Capital with third party joint venture partners. These investment entities are generally capitalized through equity contributions from the members, although certain investments are leveraged through various financing arrangements.

The assets of the equity method investment entities may only be used to settle the liabilities of these entities and there is no recourse to the general credit of the Company nor the other investors for the obligations of these investment entities. Neither the Company nor the other investors are required to provide financial or other support in excess of their capital commitments. The Company’s exposure to the investment entities is limited to its equity method investment balance as of March 31, 2021 and December 31, 2020, respectively.

The Company’s investments accounted for under the equity method are summarized below (dollars in thousands):

		Carrying Value	
Investments	Description	March 31, 2021	December 31, 2020
ADC investments[1][2][3]	Interests in three acquisition, development and construction loans in which the Company participates in residual profits from the projects, and the risk and rewards of the arrangements are more similar to those associated with investments in joint ventures	$ 48,997	$ 57,481
Other investment ventures[1][4]	Interests in six investments, each with less than $127.9 million carrying value at March 31, 2021	300,388	309,000

[1] The Company’s ownership interest in ADC investments and other investment ventures varies and represents capital contributed to date and may not be reflective of the Company’s economic interest in the entity because of provisions in operating agreements governing various matters, such as classes of partner or member interests, allocations of profits and losses, preferential returns and guaranty of debt. Each equity method investment has been determined to be a VIE for which the Company was not deemed to be the primary beneficiary or a voting interest entity in which the Company does not have the power to control through a majority of voting interest or through other arrangements.

[2] The Company owns varying levels of stated equity interests in certain ADC investments, as well as profit participation interests in real estate ventures without a stated ownership interest in other ADC investments.

[3] Includes two investments with a carrying value of $49.0 million that were contributed to a preferred financing arrangement. See Note 13, “Noncontrolling Interests,” for further information.

[4] Includes four investments with a carrying value of $186.3 million that were contributed to a preferred financing arrangement. See Note 13, “Noncontrolling Interests,” for further information.

Fair Value Measurement

Under the fair value option, loans and preferred equity investments are measured each reporting period based on their exit values in an orderly transaction. Fair value adjustments recorded on each of these investments is included in equity in earnings of unconsolidated ventures on the Company's consolidated statements of operations.

- The Company's mezzanine loan and preferred equity investment in a development project in Los Angeles County, which includes a hospitality and retail renovation and a new condominium tower construction (the "Mixed-use Project"), was converted into a mezzanine participation during the three months ended September 30, 2020. The Company's investment was made through a joint venture with affiliates of the Company's Manager (the "Colony Mezzanine Lender") in the form of a $574.0 million commitment to the Mixed-use Project, of which the Company's proportionate share of the commitment is $189.0 million.

  In April 2020, the senior mortgage lender notified the borrower developer that the Mixed-use Project loan funding was over budget, due to cost overruns from certain hard and soft costs and senior loan interest reserve shortfalls projected through completion. As a result, during the second quarter of 2020, the Company and its affiliates made two protective advances to the senior mortgage lender totaling $69.1 million, of which the Company's proportionate share was $28.5 million. During the three months ended June 30, 2020, the Company placed the mezzanine loan and preferred equity investment on nonaccrual status.

  In June 2020, the senior mortgage lender sought a third protective advance of $15.5 million of which the Company's proportionate share would have been $7.0 million. While the Company and its affiliates did not fund its proportionate share, the senior mortgage lender funded the full amount of the required June advances. The senior mortgage lenders funding did not relieve the Company and its affiliates from its commitment to fund. As a result during the three months ended June 30, 2020, the Mixed-use Project's recorded fair value losses totaling $250.0 million. The Company recognized its proportionate share of fair value losses equaling $89.3 million. The Mixed-use Project's fair value was based on a weighted average probability analysis of potential resolutions based on a number of factors which included the maturity default of the loan, cost overruns, COVID-19 related delays, lack of funding by the borrower and recent negotiations with the senior lender, the borrower and potential sources of additional mezzanine financing.

  In September 2020, in cooperation with the borrower and the EB-5 lender, the Colony Mezzanine Lender and senior mortgage lender secured $275 million of additional mezzanine financing from a third-party mezzanine lender (the "Senior Mezzanine Lender"). To consummate the new mezzanine financing, the Colony Mezzanine Lender simplified its investment interest by converting its existing preferred equity principal and accrued interest into the existing mezzanine loan, transferred the mezzanine loan to the Senior Mezzanine Lender, who subsequently increased the mezzanine loan amount by $275 million to a $821 million total mezzanine loan (the "Upsized Mezzanine Loan"). The Senior Mezzanine Lender holds a $275 million A-participation and the Colony Mezzanine Lender (including the Company's interest) continues to hold a $546 million B-participation interest in the Upsized Mezzanine Loan at the Mixed-use Project.

  Having completed the Upsized Mezzanine Loan refinancing, among other factors, for the remainder of 2020, the Company continued to maintain the nonaccrual status and fair value loss adjustment on the proportionate share of the Colony Mezzanine Lender's B-participation investment. During the three months ended March 31, 2021, there was no change in accrual status or fair value.

- Also, during the three months ended June 30, 2020, the Company recognized its proportionate share of fair value losses totaling $7.0 million on one mezzanine loan secured by a mixed-use development project ("West Mixed-use"). West Mixed-use's decrease in fair value is a result of revised sale expectations. During the three months ended March 31, 2021, we recognized the Company's proportionate share of an additional fair value loss adjustment totaling $3.8 million, which was based on a recent purchase and sale agreement which was executed in April 2021.

- Additionally, the Company holds a $189.2 million co-lender interest (61%) in a senior mortgage loan in the amount of $310.2 million. The Company's investment interests are held through a joint venture that includes private investment vehicles managed by Colony Capital (the "Colony Senior Lenders"). The senior mortgage is Euro-denominated and is for a fully entitled land acquisition for a mixed-use development project in Dublin, Ireland (Project Dockland).

  The land has planning permission for 420 apartments and approximately 380,000 square feet of offices, but the project borrower has applied for planning permission to increase these numbers to approximately 1,000 total residential units across two towers of 40 and 44 stories and 540,000 square feet of offices. These applications are currently under review by the planning authorities. Pre-letting discussions are ongoing in respect to the office building.

While the Project Dockland schedule had been extended by approximately six to nine months, as previously disclosed, the majority of enabling works commenced in July 2020 and were on track to be completed in January 2021. The enabling works are currently on hold due to new restrictions (closure of construction sites) imposed by the Irish government in early January 2021. While such restrictions have lasted until April 2021, construction sites are gradually reopening, starting with residential sites first. The aforementioned delay and/or further delays may limit the ability of the borrower to obtain a senior secured development construction facility within the expected timeline as initially underwritten. The Company and its senior mortgage co-lenders regularly engage in discussions with the borrower to address continuing developments at the project.

The combination of project delays, the permitting process and uncertain market conditions as a result of COVID-19 (including adverse impacts on demand for office and residential space), continue to negatively impact the Colony Senior Lenders' investment interest and elevated concerns regarding the ability to secure an anchor tenant and realize the full amount of the existing senior mortgage loan. During the three months ended September 30, 2020, the Company placed the senior mortgage loan on nonaccrual status. During the three months ended December 31, 2020, the Company continued to maintain nonaccrual status and recorded its proportionate share of a fair value loss adjustment totaling $64.0 million, of which $57.7 million was allocated to the Company and $6.4 million was allocated to the Company's partner. During the three months ended March 31, 2021, there was no change in accrual status or fair value.

Project Dockland's fair value is based on a weighted average probability analysis of potential resolutions based on a number of factors which included the inability to secure an anchor tenant in a timely manner or at all, the lack of clarity around the timing of entitlements and continuing uncertain market conditions as a result of COVID-19. The loan's initial maturity date was December 31, 2020, and the Company has extended the loan to June 2021. The Company is working with the borrower and evaluating options, however uncertainties regarding development, permitting, leasing, and exit strategies may continue to impact the investment.

Investments under Fair Value Option

Private Funds

The Company elected to account for its limited partnership interests, which range from 1.0% to 17.4%, in PE Investments under the fair value option. The Company records equity in earnings for these investments based on a change in fair value of its share of projected future cash flows.

5. Real Estate Securities, Available for Sale

Investments in CRE Securities

CRE securities are composed of CMBS backed by a pool of CRE loans which are typically well-diversified by type and geography. The following table presents CMBS investments as of March 31, 2021 and December 31, 2020 (dollars in thousands):

								Weighted Average	
					Cumulative Unrealized on Investments				
As of Date:	Count	Principal Amount	Total Discount	Amortized Cost	Gain	(Loss)	Fair Value	Coupon[1]	Unleveraged Current Yield[2]
March 31, 2021	1	$ 11,820	$ (7,683)	$ 4,137	$ —	$ —	$ 4,137	3.25 %	— %
December 31, 2020	2	19,560	(9,371)	10,189	200	—	10,389	3.35 %	— %

[1] All CMBS are fixed rate.
[2] The Company placed all of its CRE securities on cost recovery status as of April 1, 2020.

Consistent with the overall market, the Company's CRE securities, which it marks to fair value, lost significant value since the onset of the COVID-19 pandemic. While the Company will evaluate selling its non-investment grade rated CRE security over the next twelve months, it is more likely than not that the Company will sell before recovery. During the three months ended March 31, 2021, the Company wrote down through earnings the amortized cost basis for securities in which the fair value dropped below the amortized cost basis, realizing a loss of $1.0 million. The loss was recorded in other gain, net on the Company's consolidated statements of operations.

During the three months ended March 31, 2021, the Company sold one CRE security for a total gross sales price of $5.1 million and realized a gain of $0.1 million. The gain was recorded in other gain (loss), net on the Company's consolidated statements of operations. At March 31, 2021 the Company had one remaining CRE security, which is on cost recovery, and as a result has ceased accretion of any discounts to expected maturity and applied any cash interest received against the CRE security's carrying value. This decision was made given the inability to project future cash flows. CRE securities serve as collateral for financing transactions for the CMBS Credit Facilities (refer to Note 9, "Debt," for further detail). As of March 31, 2021, the Company has fully repaid its CMBS Credit Facilities.

During the three months ended March 31, 2021 and 2020, the Company recorded an unrealized loss in OCI of $0.2 million and $75.0 million, respectively. As of March 31, 2021, the Company did not hold any securities in an unrealized loss position.

As of March 31, 2021, the weighted average contractual maturity of CRE securities was 28.1 years with an expected maturity of 5.5 years.

Investments in Investing VIEs

The Company is the directing certificate holder of two securitization trusts and has the ability to appoint and replace the special servicer on all mortgage loans. As such, U.S. GAAP requires the Company to consolidate the assets, liabilities, income and expenses of the securitization trusts as Investing VIEs. Refer to Note 2, "Summary of Significant Accounting Policies" for further discussion on Investing VIEs.

Other than the securities represented by the Company's subordinate tranches of the securitization trusts, the Company does not have any claim to the assets or exposure to the liabilities of the securitization trusts. The original issuers, who are unrelated third parties, guarantee the interest and principal payments related to the investment grade securitization bonds in the securitization trusts, therefore these obligations do not have any recourse to the general credit of the Company as the consolidator of the securitization trusts. The Company's maximum exposure to loss would not exceed the carrying value of its retained investments in the securitization trusts, or the subordinate tranches of the securitization trusts.

As of March 31, 2021, the mortgage loans and the related mortgage obligations held in the securitization trusts had an unpaid principal balance of $1.7 billion and $1.7 billion, respectively. As of December 31, 2020, the mortgage loans and the related mortgage obligations held in the securitization trusts had an unpaid principal balance of $1.7 billion and $1.6 billion, respectively. As of March 31, 2021, across the two consolidated securitization trusts, the underlying collateral consisted of 114 underlying commercial mortgage loans, with a weighted average coupon of 4.5% and a weighted average loan to value ratio of 59.8%.

The following table presents the assets and liabilities recorded on the consolidated balance sheets attributable to the securitization trust as of March 31, 2021 and December 31, 2020 (dollars in thousands):

	March 31, 2021	December 31, 2020
Assets		
Mortgage loans held in a securitization trust, at fair value	$ 1,742,141	$ 1,768,069
Receivables, net	6,413	6,644
Total assets	$ 1,748,554	$ 1,774,713
Liabilities		
Mortgage obligations issued by a securitization trust, at fair value	$ 1,673,969	$ 1,708,534
Accrued and other liabilities	5,948	6,119
Total liabilities	$ 1,679,917	$ 1,714,653

The Company elected the fair value option to measure the assets and liabilities of the securitization trusts, which requires that changes in valuations of the securitization trusts be reflected in the Company's consolidated statements of operations.

The difference between the carrying values of the mortgage loans held in securitization trusts and the carrying value of the mortgage obligations issued by securitization trusts was $68.2 million and $59.5 million as of March 31, 2021 and December 31, 2020, respectively, and approximates the fair value of the Company's retained investments in the subordinate tranches of the securitization trusts, which are eliminated in consolidation. Refer to Note 14, "Fair Value" for a description of the valuation techniques used to measure fair value of assets and liabilities of the Investing VIEs.

The below table presents net income attributable to the Company’s common stockholders for the three months ended March 31, 2021 and 2020 generated from the Company’s investments in the subordinate tranches of the securitization trusts (dollars in thousands):

	Three Months Ended March 31,	
	2021	2020
Statement of Operations		
Interest expense	$ —	$ (185)
Interest income on mortgage loans held in securitization trusts	19,689	20,555
Interest expense on mortgage obligations issued by securitization trusts	(17,336)	(18,059)
Net interest income	2,353	2,311
Administrative expense	(766)	(515)
Unrealized gain (loss) on mortgage loans and obligations held in securitization trusts, net	8,638	(19,452)
Net income (loss) attributable to Colony Credit Real Estate, Inc. common stockholders	$ 10,225	$ (17,656)

6. Real Estate, net and Real Estate Held for Sale

The following table presents the Company’s net lease portfolio, net, as of March 31, 2021, and December 31, 2020 (dollars in thousands):

	March 31, 2021	December 31, 2020
Land and improvements	$ 140,242	$ 136,184
Buildings, building leaseholds, and improvements	586,115	569,610
Tenant improvements	17,419	16,311
Construction-in-progress	661	3,804
Subtotal	$ 744,437	$ 725,909
Less: Accumulated depreciation	(59,306)	(52,201)
Less: Impairment[1]	(39,169)	(34,104)
Net lease portfolio, net[2]	$ 645,962	$ 639,604

[1] See Note 14, “Fair Value,” for discussion of impairment of real estate.
[2] Prior period amounts have been revised to conform to the current year presentation. See Note 17, “Segment Reporting” for further discussion.

The following table presents the Company’s portfolio of other real estate, including foreclosed properties, as of March 31, 2021 and December 31, 2020 (dollars in thousands):

	March 31, 2021	December 31, 2020
Land and improvements	$ 53,523	$ 53,523
Buildings, building leaseholds, and improvements	263,015	262,874
Tenant improvements	24,995	24,931
Furniture, fixtures and equipment	4,245	4,245
Construction-in-progress	913	738
Subtotal	$ 346,691	$ 346,311
Less: Accumulated depreciation	(31,480)	(29,955)
Less: Impairment[1]	(116,703)	(116,703)
Other portfolio, net[2]	$ 198,508	$ 199,653

[1] See Note 14, “Fair Value,” for discussion of impairment of real estate.
[2] Prior period amounts have been revised to conform to the current year presentation. See Note 17, “Segment Reporting” for further discussion.

For the three months ended March 31, 2021, the Company had no properties with rental and other income equal to or greater than 10.0% of total revenue.

At March 31, 2021 and December 31, 2020, the Company held foreclosed properties which are included in real estate, net with a carrying value of $25.8 million and $26.2 million, respectively.

Depreciation Expense

Depreciation expense on real estate was $6.9 million and $12.0 million for the three months ended March 31, 2021 and 2020, respectively.

Property Operating Income

For the three months ended March 31, 2021 and 2020, the components of property operating income were as follows (dollars in thousands):

	Three Months Ended March 31,	
	2021	2020
Lease revenues[1]		
Minimum lease revenue	$ 22,409	$ 41,958
Variable lease revenue	2,780	6,649
	$ 25,189	$ 48,607
Hotel operating income	701	3,501
	$ 25,890	$ 52,108

[1] Excludes net amortization expense related to above and below-market leases of $0.2 million and income of $0.4 million for the three months ended March 31, 2021 and 2020, respectively.

Minimum Future Rents

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 noncancellable operating leases, excluding variable lease revenue of tenant reimbursements, to be received over the next five years and thereafter as of March 31, 2021 (dollars in thousands):

Remainder of 2021	$ 61,211
2022	75,456
2023	67,563
2024	62,250
2025	56,363
2026 and thereafter	409,564
Total	$ 732,407

The following table presents approximate future minimum rental income under noncancellable operating leases, excluding variable lease revenue of tenant reimbursements, to be received over the next five years and thereafter as of December 31, 2020 (dollars in thousands):

2021	$ 77,716
2022	73,760
2023	66,137
2024	60,657
2025	55,152
2026 and thereafter	393,964
Total[1]	$ 727,386

[1] Excludes minimum future rents that is classified as held for sale totaling $103.6 million through 2050.

The rental properties owned at March 31, 2021 are leased under noncancellable operating leases with current expirations ranging from 2022 to 2038, with certain tenant renewal rights. For certain properties, the tenants pay the Company, in addition to the contractual base rent, their pro rata share of real estate taxes and operating expenses. Certain lease agreements provide for periodic rental increases and others provide for increases based on the consumer price index.

Lease Concessions

As a result of the COVID-19 crisis, some tenants sought and others may seek more flexible payment terms and the Company is currently engaged with affected tenants on a case-by-case basis to evaluate and respond to the current environment. For lease concessions resulting directly from the impact of COVID-19 that do not result in a substantial increase in the rights of the lessor or the obligations of the lessee, for example, where total payments required by the modified contract will be substantially the same as or less than the original contract, the Company made a policy election to account for the concessions as though the enforceable rights and obligations for those concessions existed in the lease contracts, under a relief provided by the FASB. Under the relief, the concessions will not be treated as lease modifications that are accounted for over the remaining term of the respective leases, as the Company believes this would not accurately reflect the temporary economic effect of the concessions. Instead, (i) rent deferrals that meet the criteria will be treated as if no changes were made to the lease contract, with continued recognition of lease income and receivables under the original terms of the contract; and (ii) rent forgiveness that meets the criteria will be accounted for as variable lease payments in the affected periods.

Commitments and Contractual Obligations

Ground Lease Obligation

In connection with real estate acquisitions, the Company assumed certain noncancellable operating ground leases as lessee or sublessee with expiration dates through 2055. Rents on certain ground leases are paid directly by the tenants. Ground rent expense for the three months ended March 31, 2021 and 2020 was $0.8 million.

Refer to Note 16, “Commitments and Contingencies” for the details of future minimum rental payments on noncancellable ground lease on real estate as of March 31, 2021.

Real Estate Asset Acquisition

The Company did not have any real estate acquisitions in 2020 or 2021.

Real Estate Held for Sale

The following table summarizes the Company’s assets and related liabilities held for sale related to real estate (dollars in thousands):

	December 31, 2020
Assets	
Real estate, net	$ 314,817
Deferred leasing costs and intangible assets, net	8,539
Total assets held for sale	$ 323,356
Liabilities	
Intangible liabilities, net	$ 323
Total liabilities related to assets held for sale	$ 323

At March 31, 2021, the Company held no assets as held for sale.

There were no assets held for sale that constituted discontinued operations as of December 31, 2020.

Real Estate Sales

During the three months ended March 31, 2021, the Company completed the sale of an industrial portfolio for a total gross sales price of $335.0 million and a total gain on sale of $11.8 million.

The real estate sold during the three months ended March 31, 2021 did not constitute discontinued operations.

7. Deferred Leasing Costs and Other Intangibles

The Company’s deferred leasing costs, other intangible assets and intangible liabilities at March 31, 2021 and December 31, 2020 are as follows (dollars in thousands):

	March 31, 2021		
	Carrying Amount	Accumulated Amortization	Net Carrying Amount
Deferred Leasing Costs and Intangible Assets			
In-place lease values	$ 83,884	$ (30,795)	$ 53,089
Deferred leasing costs	29,775	(12,724)	17,051
Above-market lease values	10,446	(7,042)	3,404
	$ 124,105	$ (50,561)	$ 73,544
Intangible Liabilities			
Below-market lease values	$ 16,198	$ (8,794)	$ 7,404

	December 31, 2020		
	Carrying Amount	Accumulated Amortization	Net Carrying Amount[(1)]
Deferred Leasing Costs and Intangible Assets			
In-place lease values	$ 83,239	$ (28,558)	$ 54,681
Deferred leasing costs	29,052	(11,860)	17,192
Above-market lease values	10,468	(6,641)	3,827
	$ 122,759	$ (47,059)	$ 75,700
Intangible Liabilities			
Below-market lease values	$ 16,149	$ (8,492)	$ 7,657

(1) Excludes deferred leasing costs and intangible assets and intangible liabilities related to assets held for sale at December 31, 2020.

The following table summarizes the amortization of deferred leasing costs, intangible assets and intangible liabilities for the three months ended March 31, 2021 and 2020 (dollars in thousands):

	Three Months Ended March 31,	
	2021	2020
Above-market lease values	$ (404)	$ (832)
Below-market lease values	222	1,236
Net increase (decrease) to property operating income	$ (182)	$ 404
In-place lease values	$ 1,765	$ 4,350
Deferred leasing costs	620	1,647
Other intangibles	43	(24)
Amortization expense	$ 2,428	$ 5,973

The following table presents the amortization of deferred leasing costs, intangible assets and intangible liabilities, for each of the next five years and thereafter as of March 31, 2021 (dollars in thousands):

	2021	2022	2023	2024	2025	2026 and thereafter	Total
Above-market lease values	$ 1,251	$ 1,009	$ 519	$ 391	$ 213	$ 21	$ 3,404
Below-market lease values	(1,203)	(1,382)	(1,375)	(1,375)	(1,373)	(696)	(7,404)
Net increase (decrease) to property operating income	$ 48	$ (373)	$ (856)	$ (984)	$ (1,160)	$ (675)	$ (4,000)
In-place lease values	$ 5,657	$ 6,146	$ 5,245	$ 4,945	$ 4,259	$ 26,837	$ 53,089
Deferred leasing costs	2,919	2,779	2,216	1,908	1,521	5,708	17,051
Amortization expense	$ 8,576	$ 8,925	$ 7,461	$ 6,853	$ 5,780	$ 32,545	$ 70,140

8. Restricted Cash, Other Assets and Accrued and Other Liabilities

The following table presents a summary of restricted cash as of March 31, 2021 and December 31, 2020 (dollars in thousands):

	March 31, 2021	December 31, 2020
Restricted cash:		
Borrower escrow deposits	$ 40,663	$ 36,973
Capital expenditure reserves	7,116	6,949
Tenant lockboxes	5,018	4,633
Real estate escrow reserves	2,938	13,807
Working capital and other reserves	2,107	2,561
Margin pledged as collateral	189	290
Total	$ 58,031	$ 65,213

The following table presents a summary of other assets as of March 31, 2021 and December 31, 2020 (dollars in thousands):

	March 31, 2021	December 31, 2020
Other assets:		
Prepaid taxes, tax receivable and deferred tax assets	$ 24,966	$ 26,294
Right-of-use lease asset	21,550	22,056
Deferred financing costs, net - credit facilities	5,494	6,440
Prepaid expenses	2,962	4,272
Other assets	2,216	651
Investment deposits and pending deal costs	801	801
Derivative asset	107	386
Total	$ 58,096	$ 60,900

The following table presents a summary of accrued and other liabilities as of March 31, 2021 and December 31, 2020 (dollars in thousands):

	March 31, 2021	December 31, 2020
Accrued and other liabilities:		
Current and deferred tax liability	$ 30,545	$ 32,569
Operating lease liability	21,706	22,186
Interest payable	15,739	14,970
Prepaid rent and unearned revenue	12,842	9,082
Accounts payable, accrued expenses and other liabilities	12,461	15,083
Restructuring charges	6,322	—
Unfunded CECL loan allowance	935	1,313
Tenant security deposits	410	1,338
Derivative liability	24	37
Total	$ 100,984	$ 96,578

9. Debt

The following table presents debt as of March 31, 2021 and December 31, 2020 (dollars in thousands):

						March 31, 2021		December 31, 2020	
	Capacity ($)	Recourse vs. Non-Recourse[1]	Final Maturity	Contractual Interest Rate		Principal Amount[2]	Carrying Value[2]	Principal Amount[2]	Carrying Value[2]
Securitization bonds payable, net									
CLNC 2019-FL1[3]		Non-recourse	Aug-35	LIBOR + 1.59%		$ 840,423	$ 835,688	$ 840,423	$ 835,153
Subtotal securitization bonds payable, net						840,423	835,688	840,423	835,153
Mortgage and other notes payable, net									
Net lease 6		Non-recourse	Oct-27	4.45%		23,515	23,515	23,608	23,608
Net lease 5		Non-recourse	Nov-26	4.45%		3,339	3,263	3,351	3,272
Net lease 4		Non-recourse	Nov-26	4.45%		7,204	7,040	7,230	7,059
Net lease 3		Non-recourse	Jun-21	4.00%		12,130	12,111	12,191	12,163
Net lease 6		Non-recourse	Jul-23	LIBOR + 2.15%		1,214	1,187	1,364	1,333
Net lease 5		Non-recourse	Aug-26	4.08%		31,139	30,909	31,244	31,004
Net lease 1[4]		Non-recourse	Nov-26	4.45%		18,131	17,719	18,196	17,765
Net lease 1[5]		Non-recourse	Mar-28	4.38%		11,943	11,506	12,021	11,584
Net lease 1		Non-recourse	Jul-25	4.31%		—	—	250,000	247,939
Net lease 2[6]		Non-recourse	Jun-25	3.91%		187,328	189,985	187,151	189,806
Net lease 3		Non-recourse	Sep-33	4.77%		200,000	198,624	200,000	198,604
Other real estate 1		Non-recourse	Oct-24	4.47%		106,601	107,121	107,029	107,596
Other real estate 3		Non-recourse	Jan-25	4.30%		73,562	73,021	73,905	73,341
Other real estate 6[7]		Non-recourse	Apr-24	LIBOR + 2.95%		22,788	22,330	22,788	22,306
Loan 9[8]		Non-recourse	Jun-24	LIBOR + 3.00%		75,377	75,378	75,377	75,377
Subtotal mortgage and other notes payable, net						774,271	773,709	1,025,455	1,022,757
Bank credit facility									
Bank credit facility	$ 450,000	Recourse	Feb-23 [9]	LIBOR + 2.25%		—	—	—	—
Subtotal bank credit facility						—	—	—	—
Master repurchase facilities									
Bank 1 facility 3	$ 400,000	Limited Recourse[10]	Apr-23[11]	LIBOR + 1.97%	(12)	122,333	122,333	112,509	112,509
Bank 2 facility 3	21,353	Limited Recourse[10]	Oct-22[13]	LIBOR + 2.50%	(12)	19,353	19,353	19,353	19,353
Bank 3 facility 3	600,000	Limited Recourse[10]	Apr-23[14]	LIBOR + 2.12%	(12)	231,058	231,058	196,738	196,738
Bank 7 facility 1	500,000	Limited Recourse[10]	Apr-25[15]	LIBOR + 2.09%	(12)	199,700	199,700	89,912	89,912
Bank 8 facility 1	250,000	Limited Recourse[10]	Jun-21 [16]	LIBOR + 1.96%	(12)	127,480	127,480	116,712	116,712
Bank 9 facility 1	300,000	(17)	Nov-23[18]	LIBOR + 1.94%	(12)	87,999	87,999	—	—
Subtotal master repurchase facilities	$ 2,071,353					787,923	787,923	535,224	535,224
Subtotal credit facilities						787,923	787,923	535,224	535,224
Total						$ 2,402,617	$ 2,397,320	$ 2,401,102	$ 2,393,134

(1) Subject to customary non-recourse carveouts.
(2) Difference between principal amount and carrying value of securitization bonds payable, net and mortgage and other notes payable, net is attributable to deferred financing costs, net and premium/discount on mortgage notes payable.

(3) The Company, through indirect Cayman subsidiaries, securitized commercial mortgage loans originated by the Company. Senior notes issued by the securitization trusts were generally sold to third parties and subordinated notes retained by the Company. These securitizations are accounted for as secured financing with the underlying mortgage loans pledged as collateral. Principal payments from underlying collateral loans must be applied to repay the notes until fully paid off, irrespective of the contractual maturities on the notes. Underlying collateral loans have initial terms of two to three years.
(4) Payment terms are periodic payment of principal and interest for debt on two properties and periodic payment of interest only with principal at maturity (except for principal repayments to release collateral properties disposed) for debt on one property.
(5) Represents a mortgage note collateralized by three properties.
(6) As of March 31, 2021, the outstanding principal of the mortgage payable was NOK 1.6 billion, which translated to $187.3 million.
(7) The current maturity of the mortgage payable is April 2022, with two one-year extensions available at the Company's option, which may be subject to the satisfaction of certain customary conditions set forth in the governing documents.
(8) The current maturity of the note payable is June 2021, with three one-year extensions available at the Company's option, which may be subject to the satisfaction of certain customary conditions set forth in the governing documents.
(9) The ability to borrow additional amounts terminates on February 1, 2022 at which time the Company may, at its election, extend the termination date for two additional six-month terms.
(10) Recourse solely with respect to 25.0% of the financed amount.
(11) The current maturity date was April 2021. In April 2021, the Company entered into an agreement to extend the maturity date to April 2023 with three one-year extensions available at the option of the Company, which may be exercised upon the satisfaction of certain customary conditions set forth in the governing documents.
(12) Represents the weighted average spread as of March 31, 2021. The contractual interest rate depends upon asset type and characteristics and ranges from one-month London Interbank Offered Rates ("LIBOR") plus 1.50% to 2.60%.
(13) The current maturity date is October 2021.
(14) The current maturity date is April 2022, with two one-year extensions available at the option of the Company, which may be exercised upon the satisfaction of certain customary conditions set forth in the governing documents.
(15) The current maturity date is April 2024, with a one-year extension available at the option of the Company, which may be exercised upon the satisfaction of certain customary conditions set forth in the governing documents.
(16) The current maturity date is June 2021. In April 2021, the Company entered into an amended agreement which provides for two one-year extension options, which may be subject to the satisfaction of certain customary conditions set forth in the governing documents.
(17) Recourse is either 25.0% or 50.0% depending on loan metrics.
(18) The current maturity date is November 2021. In May 2021, the Company entered into an agreement to extend the maturity date to May 2024 with two one-year extensions available at the option of the Company, which may be exercised upon the satisfaction of certain customary conditions set forth in the governing documents.

Future Minimum Principal Payments

The following table summarizes future scheduled minimum principal payments at March 31, 2021 based on initial maturity dates or extended maturity dates to the extent criteria are met and the extension option is at the borrower's discretion (dollars in thousands):

	Total	Securitization Bonds Payable, Net	Mortgage Notes Payable, Net	Credit Facilities
Remainder of 2021	$ 141,415	$ —	$ 13,935	$ 127,480
2022	21,873	—	2,520	19,353
2023	443,917	—	2,527	441,390
2024	206,985	—	206,985	—
2025	462,866	—	263,166	199,700
2026 and thereafter	1,125,561	840,423	285,138	—
Total	$ 2,402,617	$ 840,423	$ 774,271	$ 787,923

Bank Credit Facility

On February 1, 2018, the Company, through subsidiaries, including the OP, entered into a credit agreement with several lenders to provide a revolving credit facility in the aggregate principal amount of up to $400.0 million (the "Bank Credit Facility"). On December 17, 2018, the aggregate amount of revolving commitments was increased to $525.0 million and on February 4, 2019, the aggregate amount of revolving commitments was increased to $560.0 million. On May 6, 2020 these commitments were reduced to $450.0 million. The Bank Credit Facility will mature on February 1, 2022, unless the OP elects to extend the maturity date for up to two additional six-month terms.

The maximum amount available for borrowing at any time under the Bank Credit Facility is limited to a borrowing base valuation of certain investment assets, with the valuation of such investment assets generally determined according to a percentage of adjusted net book value. At March 31, 2021, the borrowing base valuation was sufficient to support the borrowing of up to $101.7 million.

Advances under the Bank Credit Facility accrue interest at a per annum rate equal to, at the applicable borrower's election, either a LIBOR rate plus a margin of 2.25%, or a base rate determined according to a prime rate or federal funds rate plus a margin of 1.25%. The Company pays a commitment fee of 0.25% or 0.35% per annum of the unused amount (0.35%) at March 31, 2021, depending upon the amount of facility utilization.

Substantially all material wholly owned subsidiaries of the Company guarantee the obligations of the Company and any other borrowers under the Bank Credit Facility. As security for the advances under the Bank Credit Facility, the Company pledged substantially all equity interests it owns and granted a security interest in deposit accounts in which the proceeds of investment asset distributions are maintained.

The Bank Credit Facility contains various affirmative and negative covenants including financial covenants that require the Company to maintain minimum tangible net worth, liquidity levels and financial ratios, as specified in the Bank Credit Facility.

On April 5, 2021, the Company entered into a fourth amendment to its Bank Credit Facility to: (i) permit the OP to consummate the Internalization; (ii) reduce the minimum tangible net worth covenant requirement from $1.5 billion to $1.35 billion upon consummation of the Internalization; (iii) increase the Company's ability to make restricted payments including additional dividends and stock buybacks and remove all material restrictions on new investments, in each case, so long as no default exists and the OP is in compliance with the financial covenants; (iv) increase the maximum amount available for borrowing from 90% to 100% of borrowing base value; and (v) reduce the aggregate amount of lender commitments from $450.0 million to $300.0 million. At March 31, 2021, the Company was in compliance with all of the financial covenants.

Securitization Financing Transactions

Securitization bonds payable, net represent debt issued by securitization vehicles consolidated by the Company. Senior notes issued by these securitization trusts were generally sold to third parties and subordinated notes retained by the Company. Payments from underlying collateral loans must be applied to repay the notes until fully paid off, irrespective of the contractual maturities of the loans.

In October 2019, the Company executed a securitization transaction, through wholly-owned subsidiaries, CLNC 2019-FL1, Ltd. and CLNC 2019-FL1, LLC (collectively, "CLNC 2019-FL1"), which resulted in the sale of $840.4 million of investment grade notes. The securitization reflects an advance rate of 83.5% at a weighted average cost of funds of LIBOR plus 1.59%, and is collateralized by a pool of 20 senior loans originated by the Company.

CLNC 2019-FL1 includes a two-year reinvestment feature that allows us to contribute existing or newly originated loan investments in exchange for proceeds from repayments or repurchases of loans held in CLNC 2019-FL1, subject to the satisfaction of certain conditions set forth in the indenture. In addition to existing eligible loans available for reinvestment, the continued origination of securitization eligible loans is required to ensure that the Company reinvests the available proceeds within CLNC 2019-FL1.

Additionally, CLNC 2019-FL1 contains note protection tests that can be triggered as a result of contributed loan defaults, losses, and certain other events outlined in the indenture, beyond established thresholds. A note protection test failure that is not remedied can result in the redirection of interest proceeds from the below investment grade tranches to amortize the most senior outstanding tranche. While the Company continues to closely monitor all loan investments contributed to CLNC 2019-FL1, a deterioration in the performance of an underlying loan could negatively impact its liquidity position.

As of March 31, 2021, the Company had $1.0 billion carrying value of CRE debt investments financed with $840.4 million of securitization bonds payable, net.

Master Repurchase Facilities

As of March 31, 2021, the Company, through subsidiaries, had entered into repurchase agreements with multiple global financial institutions to provide an aggregate principal amount of up to $2.1 billion to finance the origination of first mortgage loans and senior loan participations secured by CRE debt investments ("Master Repurchase Facilities"). The Company agreed to guarantee certain obligations under the Master Repurchase Facilities, which contain representations, warranties, covenants, conditions precedent to funding, events of default and indemnities that are customary for agreements of this type. The Master Repurchase Facilities act as revolving loan facilities that can be paid down as assets are repaid or sold and re-drawn upon for new investments. As of March 31, 2021, the Company was in compliance with all of its financial covenants under the Master Repurchase Facilities.

As of March 31, 2021, the Company had $1.1 billion carrying value of CRE debt investments financed with $787.9 million under the master repurchase facilities.

On May 7, 2020, the Company amended all six of its Master Repurchase Facilities to reduce the minimum tangible net worth covenant consistent with the Bank Credit Facility. During the first quarter of 2020, the Company received and timely paid a margin call on a hospitality loan and made voluntarily paydowns on two other hospitality and one retail loan. The lender granted the Company a holiday from future margin calls for four months, and it obtained broader discretion to enter into permitted modifications with the borrowers on these three specific loans, if necessary.

In May 2020, the Company amended two of its Master Repurchase Facilities pursuant to which the Company reduced facility advances corresponding to ten senior mortgage loans financed under such facilities. The Company and its lender counterparties agreed to temporary modifications providing for margin holidays from future margin calls or buffers before further margin calls are possible, as well as providing additional protections before certain repurchase obligations may be triggered. The Company was also provided broader discretion to negotiate with its borrowers to implement certain modifications to the underlying loans during such period. These holiday periods expired in the fourth quarter of 2020. Additionally, during the third quarter and fourth quarter of 2020, the Company made voluntarily paydowns on a hospitality loan and a self-storage loan, respectively. In exchange for the paydown on the self-storage loan, the lender granted the Company a holiday from future margin calls for four months, and the Company obtained broader approval to enter into a permitted modification with the borrower.

During the first quarter of 2021, the Company entered into an amendment under its Master Repurchase Facility with Bank 3 and Bank 7 to extend the maturity date by two years and three years, respectively.

In April 2021, the Company entered into an amendment under its Master Repurchase Facility with Bank 1 and Bank 8 to extend the maturity date by three years and two years, respectively.

In May 2021, the Company entered into an amendment under its Master Repurchase Facility with Bank 9 to extend the maturity date by three years.

Additionally, in April 2021, the Company entered into amendments under its six Master Repurchase Facilities to: (i) permit the guarantor and the OP to consummate the Internalization; and (ii) reduce the minimum tangible net worth covenant requirement from $1.5 billion to $1.35 billion upon consummation of the Internalization.

CMBS Credit Facilities

As of March 31, 2021 the Company had entered into eight master repurchase agreements (collectively the “CMBS Credit Facilities”) to finance CMBS investments. The CMBS Credit Facilities are on a recourse basis and contain representations, warranties, covenants, conditions precedent to funding, events of default and indemnities that are customary for agreements of this type. The CMBS Credit Facilities were undrawn at March 31, 2021 and December 31, 2020.

10. Related Party Arrangements

Management Agreement

On January 31, 2018, the Company and the OP entered into a management agreement (the “Management Agreement”) with the Manager, pursuant to which the Manager managed the Company’s assets and its day-to-day operations. The Manager was responsible for, among other matters, (1) the selection, origination, acquisition, management and sale of the Company’s portfolio investments, (2) the Company’s financing activities and (3) providing the Company with investment advisory services. The Manager was also responsible for the Company’s day-to-day operations and performed (or would cause to be performed) such services and activities relating to the Company’s investments and business and affairs as may be appropriate. The Management Agreement required the Manager to manage the Company’s business affairs in conformity with the investment guidelines and other policies that are approved and monitored by the Board of Directors. Each of the Company’s executive officers was also an employee of the Manager or its affiliates. The Manager’s role as Manager was under the supervision and direction of the Company’s Board of Directors.

The initial term of the Management Agreement expired on the third anniversary of the closing date of the Combination, January 31, 2018 (the “Closing Date”), and would be automatically renewed for a one-year term each anniversary date thereafter unless earlier terminated as described below. The Company’s independent directors reviewed the Manager’s performance and the fees that may be payable to the Manager annually and, following the initial term, the Management Agreement could be terminated if there was an affirmative vote of at least two-thirds of the Company’s independent directors determining that (1) there had been unsatisfactory performance by the Manager that is materially detrimental to the Company or (2) the compensation payable to the Manager, in the form of base management fees and incentive fees taken as a whole, or the amount thereof, was not fair to the Company, subject to the Manager's right to prevent such termination due to unfair fees by accepting reduced compensation as agreed to by at least two-thirds of the Company's independent directors. The Company was required to provide the Manager 180 days' prior written notice of any such termination.

The Company could also terminate the Management Agreement for cause (as defined in the Management Agreement) at any time, including during the initial term, without the payment of any termination fee, with at least 30 days' prior written notice from the Company's Board of Directors. Unless terminated for cause, the Manager would be paid a termination fee as described below. The Manager could terminate the Management Agreement if the Company was required to register as an investment company under the Investment Company Act with such termination deemed to occur immediately before such event, in which case the Company would not be required to pay a termination fee. The Manager could have declined to renew the Management Agreement by providing the Company with 180 days' prior written notice, in which case the Company would not be required to pay a termination fee. The Manager could also terminate the Management Agreement with at least 60 days' prior written notice if the Company breached the Management Agreement in any material respect or otherwise was unable to perform its obligations thereunder and the breach continued for a period of 30 days after written notice to the Company, in which case the Manager would be paid a termination fee as described below.

In November 2019, the Manager, the Company and the OP amended and restated the Management Agreement to modify the "Core Earnings" definition, providing that "unrealized provisions for loan losses and real estate impairments" shall only be applied as exclusions from the definition of Core Earnings if approved by a majority of the independent directors of the Company. Such change became effective during the fourth quarter of 2019 and resulted in a reduction to Core Earnings which thereby reduced the annual management fee and any incentive fee paid by the Company due to accumulated unrealized provisions for loan losses and real estate impairments to date.

Internalization

On April 30, 2021, the Company completed the Internalization, including the internalization of the Company's management and operating functions and terminated its relationship with its Manager, a subsidiary of Colony Capital, in accordance with the Termination Agreement. The Company paid the Manager a one-time termination fee of $102.3 million and additional closing costs of $0.3 million. As of March 31, 2021, $102.6 million of unpaid fees related to the Internalization were included in due to related party in the Company's consolidated balance sheet. The Company will no longer pay management or incentive fees to the Manager for any post-closing period. Refer to Note 1, "Business and Organization," for further details.

Fees to Manager

Base Management Fee

The base management fee payable to the Manager under the Management Agreement was equal to 1.5% of the Company's stockholders' equity (as defined in the Management Agreement), per annum (0.375% per quarter), payable quarterly in arrears in cash. For purposes of calculating the base management fee, the Company's stockholders' equity means: (a) the sum of (1) the net proceeds received by the Company (or, without duplication, the Company's direct subsidiaries, such as the OP) from all issuances of the Company's or such subsidiaries' common and preferred equity securities since inception (allocated on a pro rata basis for such issuances during the calendar quarter of any such issuance), plus (2) the Company's cumulative Core Earnings (as defined in the Management Agreement) from and after the Closing Date to the end of the most recently completed calendar quarter, less (b)(1) any distributions to the Company's common stockholders (or owners of common equity of the Company's direct subsidiaries, such as the OP, other than the Company or any of such subsidiaries), (2) any amount that the Company or any of the Company's direct subsidiaries, such as the OP, have paid to (x) repurchase for cash the Company's common stock or common equity securities of such subsidiaries or (y) repurchase or redeem for cash the Company's preferred equity securities or preferred equity securities of such subsidiaries, in each case since the Closing Date and (3) any incentive fee (as described below) paid to the Manager since the Closing Date.

For the three months ended March 31, 2021 and 2020, the total management fee expense incurred was $7.3 million, and $7.9 million, respectively. As of March 31, 2021 and December 31, 2020, $7.5 million and $7.4 million, respectively, of unpaid management fee were included in due to related party in the Company's consolidated balance sheets.

Following the Internalization on April 30, 2021, the Company will no longer pay a base management fee to the Manager.

Incentive Fee

The incentive fee payable to the Manager under the Management Agreement was equal to the difference between (i) the product of (a) 20% and (b) the difference between (1) Core Earnings (as defined in the Management Agreement) for the most recent 12-month period (or the Closing Date if it has been less than 12 months since the Closing Date), including the current quarter, and (2) the product of (A) common equity (as defined in the Management Agreement) in the most recent 12-month period (or the Closing Date if it has been less than 12 months since the Closing Date), and (B) 7% per annum and (ii) the sum of any incentive fee paid to the Manager with respect to the first three calendar quarters of the most recent 12-month period (or the Closing Date if it has been less than 12 months since the Closing Date), provided, however, that no incentive fee is payable with respect to any calendar quarter unless Core Earnings (as defined in the Management Agreement) is greater than zero for the most recently completed 12 calendar quarters (or the Closing Date if it has been less than 12 calendar quarters since the Closing Date).

The Company did not incur any incentive fees during the three months ended March 31, 2021 and 2020.

Following the Internalization on April 30, 2021, the Company will no longer pay an incentive fee to the Manager.

Reimbursements of Expenses

Reimbursement of expenses related to the Company incurred by the Manager, including legal, accounting, financial, due diligence and other services were paid on the Company’s behalf by the OP or its designee(s). The Company reimbursed the Manager for the Company’s allocable share of the salaries and other compensation of the Company’s chief financial officer and certain of its affiliates’ non-investment personnel who spent all or a portion of their time managing the Company’s affairs, and the Company’s share of such costs were based upon the percentage of such time devoted by personnel of the Manager (or its affiliates) to the Company’s affairs. The Company may have been required to pay the Company’s pro rata portion of rent, telephone, utilities, office furniture, equipment, machinery and other office, internal and overhead expenses of the Manager and its affiliates required for the Company’s operations.

For the three months ended March 31, 2021 and 2020, the total reimbursements of expenses incurred by the Manager on behalf of the Company and reimbursable in accordance with the Management Agreement was $2.0 million and $2.7 million, respectively, and are included in administrative expense on the consolidated statements of operations. As of March 31, 2021 and December 31, 2020, there were $2.0 million and $2.7 million of unpaid expenses included in due to related party in the Company’s consolidated balance sheets.

Following the Internalization on April 30, 2021, the Company will no longer reimburse expenses incurred by the CLNC Manager.

Equity Plan Grants

In January 2021, the Company granted 1,420,000 shares of restricted stock and 276,000 PSUs to certain employees of the Manager under the 2018 Equity Incentive Plan (the “2018 Plan”). Following the Internalization, these employees became employees of the Company. In April 2020, the Company granted 143,000 shares to its chief executive officer. In March 2019, the Company granted 800,000 shares to the Manager and/or employees thereof under the 2018 Plan. In March 2018, the Company granted 978,946 shares to its non-independent directors, officers and the Manager and/or employees thereof under the 2018 Plan. 1,924,568 shares remain granted and unvested as of March 31, 2021. See Note 11, “Equity-Based Compensation” for further discussion on the 2018 Plan including shares issued to independent directors of the Company. During the three months ended March 31, 2021 and 2020, the Company recognized share-based compensation expense of $4.2 million and $0.2 million, respectively. Both amounts were included within administrative expense in the consolidated statement of operations.

Investment Activity

All investment acquisitions are approved in accordance with the Company’s investment and related party guidelines, which may include approval by either the audit committee or disinterested members of the Company’s Board of Directors. No investment by the Company will require approval under the related party transaction policy solely because such investment constitutes a co-investment made by and between the Company and any of its subsidiaries, on the one hand, and one or more investment vehicles formed, sponsored, or managed by an affiliate of the Manager on the other hand.

In July 2017, NorthStar Real Estate Income II, Inc., a Maryland corporation which merged with and into the Company as part of the Company’s formation transactions (“NorthStar II”), entered into a joint venture with an affiliate of the Manager to make a $60.0 million investment in a $180.0 million mezzanine loan which was originated by such affiliate of the Manager. The transaction was approved by NorthStar II’s board of directors, including all of its independent directors. The investment was purchased by the Company in connection with the Combination. In June 2018, the Company increased its commitment to $101.8 million in connection with the joint venture bifurcating the mezzanine loan into a mezzanine loan and a preferred equity investment. The Company’s interest in both the underlying mezzanine loan and preferred equity investment is 31.8%, and the affiliate entities own the remaining 68.2%. Both the underlying mezzanine loan and preferred equity investment carry a fixed 13.0% interest rate. This investment is recorded in investments in unconsolidated ventures in the Company’s consolidated balance sheets. In July 2019, the Company increased its commitment in the mezzanine loan from $101.8 million to $189.0 million. The Company’s interest in the upsized mezzanine loan is 45.2% and it carries a fixed 13.0% interest rate. During the three months ended June 30, 2020, the Company made its pro-rata share of two protective advances to the senior mortgage lender totaling $28.5 million. The Company placed this investment on nonaccrual status as of April 1, 2020. In September 2020 the Company’s mezzanine loan and preferred equity investment was converted into a mezzanine participation. See Note 4, “Investments in Unconsolidated Ventures,” for further information.

In July 2018, the Company acquired a $326.8 million Class A office campus located in Norway from an affiliate of the Company’s Manager. In connection with the purchase, the Company assumed senior mortgage financing from a private bond issuance of $197.7 million. The bonds have a five-year term remaining, and carry a fixed interest rate of 3.91%.

In July 2018, the Company entered into a joint venture to invest in a development project for land and a Grade A office building in Ireland. The Company agreed to invest up to $69.9 million of the $139.7 million total commitment. The Company co-invested along with two affiliates of the Manager, with the Company owning 50.0% of the joint venture and the affiliate entities owning the remaining 50.0%. The joint venture invested in a senior mortgage loan of $66.7 million with a fixed interest rate of 12.5% and a maturity date of 3.5 years from origination and common equity.

In October 2018, the Company entered into a joint venture to invest in a mixed-use development project in Ireland. The Company agreed to invest up to $162.4 million of the $266.5 million total commitment. The Company co-invested along with two affiliates of the Manager, with the Company owning 61.0% of the joint venture and the affiliate entities owning the remaining 39.0%. The joint venture invested in a senior mortgage loan with a fixed interest rate of 15.0% and a maturity date of two years from origination. The Company placed this investment on nonaccrual status as of July 1, 2020. See Note 4, “Investments in Unconsolidated Ventures,” for further information.

11. Equity-Based Compensation

On January 29, 2018 the Company’s Board of Directors adopted the 2018 Plan. The 2018 Plan permits the grant of awards with respect to 4.0 million shares of the Class A common stock, subject to adjustment pursuant to the terms of the 2018 Plan. Awards may be granted under the 2018 Plan to (x) the Manager or any employee, officer, director, consultant or advisor (who is a natural person) providing services to the Company, the Manager or their affiliates and (y) any other individual whose participation in the 2018 Plan is determined to be in the best interests of the Company. The following types of awards may be made under the 2018 Plan, subject to the limitations set forth in the plan: (i) stock options (which may be either incentive stock options or non-qualified stock options); (ii) stock appreciation rights; (iii) restricted stock awards; (iv) stock units; (v) unrestricted stock awards; (vi) dividend equivalent rights; (vii) performance awards; (viii) annual cash incentive awards; (ix) long-term incentive units; and (x) other equity-based awards.

Shares subject to an award granted under the 2018 Plan will be counted against the maximum number of shares of Class A common stock available for issuance thereunder as one share of Class A common stock for every one share of Class A common stock subject to such an award. Shares subject to an award granted under the 2018 Plan will again become available for issuance under the 2018 Plan if the award terminates by expiration, forfeiture, cancellation, or otherwise without the issuance of such shares (except as set forth in the following sentence). The number of shares of Class A common stock available for issuance under the 2018 Plan will not be increased by (i) any shares tendered or withheld in connection with the purchase of shares upon exercise of a stock option, (ii) any shares deducted or delivered in connection with the Company’s tax withholding obligations, or (iii) any shares purchased by the Company with proceeds from stock option exercises. The shares granted in May 2020 to the independent directors of the Company under the 2018 Plan vest in May 2021. Shares granted to non-independent directors, officers and the Manager under the 2018 Plan vest ratably in three annual installments.

Restricted Stock—Restricted stock awards relating to the Company’s class A common stock are granted to certain employees of the Manager and independent directors of the Company, with a service condition only and are generally subject to annual time-based vesting in equal tranches over a three-year period. Restricted stock is entitled to dividends declared and paid on the Company’s class A common stock and such dividends are not forfeitable prior to vesting of the award. Restricted stock awards are valued based on the Company’s class A common stock price on grant date and equity-based compensation expense is recognized on a straight-line basis over the requisite three-year service period. Some employees of the Manager who were granted restricted stock under the 2018 Plan became employees of the Company following the Internalization on April 30, 2021. The shares held by substantially all remaining employees of the Manager will vest following the Internalization.

Performance Stock Units ("PSU")—PSUs are granted to certain employees of the Manager and are subject to both a service condition and a performance condition. Following the end of the measurement period for the PSUs, the recipients of PSUs may be eligible to vest in all or a portion of PSUs granted, and be issued a number of shares of the Company's class A common stock, ranging from 0% to 200% of the number of PSUs granted and eligible to vest, to be determined based upon the performance of the Company's class A common stock relative to the Company's GAAP book value at the end of a two-year measurement period. PSUs also contain dividend equivalent rights which entitle the recipients to a payment equal to the amount of dividends that would have been paid on the shares that are ultimately issued at the end of the measurement period. Employees of the Manager who were granted PSUs became employees of the Company following the Internalization on April 30, 2021.

Fair value of PSUs, including dividend equivalent rights, was determined using a Monte Carlo simulation, with the following assumptions:

	2021 Grant
Expected volatility[(1)]	86.6 %
Risk free rate[(2)]	0.1 %
Expected dividend yield[(3)]	—

(1) Based upon the Company's historical stock volatility.
(2) Based upon the continuously compounded zero-coupon U.S. Treasury yield for the term coinciding with the remaining measurement period of the award as of valuation date.
(3) Based upon the dividend yield in place as of the grant date.

Fair value of PSU awards, excluding dividend equivalent rights, is recognized on a straight-line basis over their measurement period as compensation expense, and is subject to reversal if the performance condition is not achieved.

The table below summarizes the Company's awards granted, forfeited or vested under the 2018 Plan during the three months ended March 31, 2021:

	Number of Shares			Weighted Average Grant Date Fair Value	
	Restricted Stock	PSUs	Total	Restricted Stock	PSUs
Unvested shares at December 31, 2020	885,070	—	885,070	$ 16.16	$ —
Granted	1,420,000	276,000	1,696,000	8.28	11.96
Vested	(244,707)	—	(244,707)	17.46	—
Forfeited	(135,795)	—	(135,795)	17.47	—
Unvested shares at March 31, 2021	1,924,568	276,000	2,200,568	12.18	11.96

Fair value of equity awards that vested during the three months ended March 31, 2021 and March 31, 2020, determined based on their respective fair values at vesting date, was $2.3 million and $2.6 million, respectively. Fair value of granted awards is determined based on the closing price of the Class A common stock on the date of grant of the awards. Equity-based compensation is classified within administrative expense in the consolidated statement of operations.

At March 31, 2021, aggregate unrecognized compensation cost for all unvested equity awards was $14.2 million, which is expected to be recognized over a weighted-average period of 2.57 years.

12. Stockholders' Equity

Authorized Capital

As of March 31, 2021, the Company had the authority to issue up to 1.0 billion shares of stock, at $0.01 par value per share, consisting of 950.0 million shares of Class A common stock and 50.0 million shares of preferred stock.

The Company had no shares of preferred stock issued and outstanding as of March 31, 2021.

Dividends

During the three months ended March 31, 2021, the Company declared the following dividends on its common stock:

Declaration Date	Record Date	Payment Date	Per Share
February 24, 2021	March 31, 2021	April 15, 2021	$0.10

Subsequent to March 31, 2021, the Board of Directors approved a $0.14 quarterly dividend for the second quarter of 2021, payable on July 15, 2021 to stockholders of record as of June 30, 2021.

Accumulated Other Comprehensive Income (Loss)

The following tables present the changes in each component of Accumulated Other Comprehensive Income (Loss) ("AOCI") attributable to stockholders and noncontrolling interests in the OP, net of immaterial tax effect.

Changes in Components of AOCI - Stockholders

(in thousands)	Unrealized gain (loss) on real estate securities, available for sale	Unrealized gain on net investment hedges	Foreign currency translation gain (loss)	Total
AOCI at December 31, 2020	$ 275	$ 47,127	$ 7,186	$ 54,588
Other comprehensive income (loss) before reclassification	(1,035)	—	(7,547)	(8,582)
Amounts reclassified from AOCI	760	—	—	760
Net current period OCI	(275)	—	(7,547)	(7,822)
AOCI at March 31, 2021	$ —	$ 47,127	$ (361)	$ 46,766

(in thousands)	Unrealized gain (loss) on real estate securities, available for sale	Unrealized gain on net investment hedges	Foreign currency translation loss	Total
AOCI at December 31, 2019	$ 15,909	$ 25,872	$ (13,487)	$ 28,294
Other comprehensive income (loss)	(73,273)	21,255	(18,981)	(70,999)
AOCI at March 31, 2020	$ (57,364)	$ 47,127	$ (32,468)	$ (42,705)

Changes in Components of AOCI - Noncontrolling Interests in the OP

(in thousands)	Unrealized gain (loss) on real estate securities, available for sale	Unrealized gain (loss) on net investment hedges	Foreign currency translation gain (loss)	Total
AOCI at December 31, 2020	$ (73)	$ 1,403	$ (272)	$ 1,058
Other comprehensive income (loss) before reclassification	98	—	(210)	(112)
Amounts reclassified from AOCI	(25)	—	—	(25)
Net current period OCI	73	—	(210)	(137)
AOCI at March 31, 2021	$ —	$ 1,403	$ (482)	$ 921

(in thousands)	Unrealized gain (loss) on real estate securities, available for sale	Unrealized gain on net investment hedges	Foreign currency translation loss	Total
AOCI at December 31, 2019	$ 612	$ 893	$ (801)	$ 704
Other comprehensive income (loss)	(1,756)	509	(455)	(1,702)
AOCI at March 31, 2020	$ (1,144)	$ 1,402	$ (1,256)	$ (998)

Changes in Components of AOCI - Noncontrolling Interests in investment entities

(in thousands)	Unrealized gain (loss) on real estate securities, available for sale	Unrealized gain (loss) on net investment hedges	Foreign currency translation gain (loss)	Total
AOCI at December 31, 2020	$ —	$ —	$ 2,193	$ 2,193
Other comprehensive income	—	—	(776)	(776)
AOCI at March 31, 2021	$ —	$ —	$ 1,417	$ 1,417

There was no accumulated other comprehensive income for noncontrolling interests in investment entities for the three months ended March 31, 2020.

The following table presents the details of the reclassifications from AOCI for the three months ended March 31, 2021:

(in thousands)

Component of AOCI reclassified into earnings	Three Months Ended March 31, 2021	Affected Line Item in the Consolidated Statements of Operations
Realized gain on sale of real estate securities	$ 104	Other gain (loss), net
Impairment of real estate securities	$ (967)	Other gain (loss), net

The Company had no reclassifications from accumulated other comprehensive income for the three months ended March 31, 2020.

13. Noncontrolling Interests

Operating Partnership

Noncontrolling interests include the aggregate limited partnership interests in the OP held by an affiliate of Colony Capital Operating Company, LLC, the operating partnership of Colony Capital. Net income (loss) attributable to the noncontrolling interests is based on the limited partners' ownership percentage of the OP. Net loss attributable to the noncontrolling interests of the OP was $2.0 million and $1.9 million for the three months ended March 31, 2021 and 2020, respectively.

Investment Entities

Noncontrolling interests in investment entities represent third-party equity interests in ventures that are consolidated with the Company's financial statements. Net loss attributable to noncontrolling interests in the investment entities was $0.2 million and net income of $0.5 million for the three months ended March 31, 2021, and 2020, respectively.

5-Investment Preferred Financing

On June 5, 2020, subsidiaries of the Company entered into a preferred financing arrangement (on a portfolio of five underlying Company investment interests) (the "5-Investment Preferred Financing") from investment vehicles managed by Goldman Sachs ("GS"). The preferred financing provided $200 million of proceeds at closing.

The preferred financing is limited to (i) the Company's interests in four co-investments alongside investment funds managed by affiliates of the Company's Manager, each of which are financings on underlying development projects (including residential, office and/or mixed-use components), and (ii) a wholly-owned triple-net industrial distribution center investment leased to a national grocery chain. The preferred financing provides GS a 10% preferred return and certain other minimum returns, as well as a minority interest in future cash flows.

The preferred financing resulted in a reallocation of a portion of stockholders equity to noncontrolling interest, resulting in a $69 million day-one reduction in stockholders equity. The transaction resulted in the Company receiving net liquidity of approximately $170 million, net of approximately $30 million in paydowns under the Company's Bank Credit Facility. The preferred financing provides the ability to draw down up to $29 million additional commitments from GS for future advances to the portfolio, if any, at the Company's same advance rate.

The Company and its affiliates control the continuing investment and portfolio management of such investments and thus continues to consolidate these investments on the Consolidated Balance Sheet at March 31, 2021. The preferred financing provides for a disproportionate allocation of profits and losses, and thus each party's share of earnings or loss is determined using a balance sheet approach known as the HLBV method. Under the HLBV method, earnings and losses are recognized based on the change in each party's capital account from the beginning of the period in question to the end of the period, adjusting for the effects of distributions and new investments. The entity measures each party's capital account assuming that the subsidiary was liquidated or sold at book value.

For the three months ended March 31, 2021, the Company has drawn-down additional funds of $1.9 million from GS and completed $10.7 million in cash distributions to GS. The noncontrolling interest in investment entities on the Company's consolidated balance sheet includes $248.9 million representing GS's investment at March 31, 2021 under the HLBV method.

14. Fair Value

Determination of Fair Value

The following is a description of the valuation techniques used to measure fair value of assets 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 either 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, or pending sales prices, if applicable. This fair value measurement is generally based on unobservable inputs and, as such, is classified as Level 3 of the fair value hierarchy, unless the PE Investments are valued based on pending sales prices, which are classified as Level 2 of the fair value hierarchy. The Company considers cash flow and NAV information provided by general partners of the underlying funds ("GP NAV") and the implied yields of those funds in valuing its PE Investments. The Company also considers the values derived from the valuation model as a percentage of GP NAV, and compares the resulting percentage of GP NAV to precedent transactions, independent research, industry reports as well as pricing from executed purchase and sale agreements related to the disposition of its PE Investments. The Company may, as a result of that comparison, apply a mark-to-market adjustment. The Company has not elected the practical expedient to measure the fair value of its PE Investments using the NAV of the underlying funds.

Real Estate Securities

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, dealer bid or an internal price. Situations where management applies adjustments based on or using unobservable inputs and 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.

Investing VIEs

As discussed in Note 5, "Real Estate Securities, Available for Sale," the Company has elected the fair value option for the financial assets and liabilities of the consolidated Investing VIEs. The Investing VIEs are "static," that is no reinvestment is permitted and there is very limited active management of the underlying assets. The Company is required to determine whether the fair value of the financial assets or the fair value of the financial liabilities of the Investing VIEs are more observable, but in either case, the methodology results in the fair value of the assets of the securitization trusts being equal to the fair value of their liabilities. The Company has determined that the fair value of the liabilities of the securitization trusts are more observable, since market prices for the liabilities are available from a third-party pricing service or are based on quoted prices provided by dealers who make markets in similar financial instruments. The financial assets of the securitization trusts are not readily marketable and their fair value measurement requires information that may be limited in availability.

In determining the fair value of the trusts' financial liabilities, the dealers will consider contractual cash payments and yields expected by market participants. Dealers also incorporate common market pricing methods, including a spread measurement to the treasury curve or interest rate swap curve as well as underlying characteristics of the particular security including coupon, periodic and life caps, collateral type, rate reset period and seasoning or age of the security. The Company's collateralized mortgage obligations are classified as Level 2 of the fair value hierarchy, where a third-party pricing service or broker quotations are available and are based on observable valuation inputs, and as Level 3 of the fair value hierarchy, where internal price is utilized based on or using unobservable inputs. In accordance with ASC 810, *Consolidation*, the assets of the securitization trusts are an aggregate value derived from the fair value of the trust's liabilities, and the Company has determined that the valuation of the trust's assets in their entirety including its retained interests from the securitizations (eliminated in consolidation in accordance with U.S. GAAP) should be classified as Level 3 of the fair value hierarchy.

Derivatives

Derivative instruments consist of interest rate contracts and foreign exchange contracts that are generally traded over-the-counter, and are valued using a third-party service provider. Quotations on over-the counter derivatives are not adjusted and are generally valued using observable inputs such as contractual cash flows, yield curve, foreign currency rates and credit spreads, and are classified as Level 2 of the fair value hierarchy. Although credit valuation adjustments, such as the risk of default, rely on Level 3 inputs, these inputs are not significant to the overall valuation of its derivatives. As a result, derivative valuations in their entirety are classified as Level 2 of the fair value hierarchy.

Fair Value Hierarchy

Financial assets 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 table presents financial assets that were accounted for at fair value on a recurring basis as of March 31, 2021 and December 31, 2020 by level within the fair value hierarchy (dollars in thousands):

	March 31, 2021				December 31, 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Investments in unconsolidated ventures - PE Investments	$ —	$ —	$ 6,522	$ 6,522	$ —	$ 5	$ 6,878	$ 6,883
Real estate securities, available for sale	—	4,137	—	4,137	—	10,389	—	10,389
Mortgage loans held in securitization trusts, at fair value	—	—	1,742,141	1,742,141	—	—	1,768,069	1,768,069
Other assets - derivative assets	—	107		107	—	386	—	386
Liabilities:								
Mortgage obligations issued by securitization trusts, at fair value	$ —	$ 1,673,969	$ —	$ 1,673,969	$ —	$ 1,708,534	$ —	$ 1,708,534
Other liabilities - derivative liabilities	—	24	—	24	—	37	—	37

The following table presents the changes in fair value of financial assets which are measured at fair value on a recurring basis using Level 3 inputs to determine fair value for the three months ended March 31, 2021 and year ended December 31, 2020 (dollars in thousands):

	Three Months Ended March 31, 2021		Year Ended December 31, 2020	
	Investments in unconsolidated ventures - PE Investments	Mortgage loans held in securitization trusts[(1)]	Investments in unconsolidated ventures - PE Investments	Mortgage loans held in securitization trusts[(1)]
Beginning balance	$ 6,878	$ 1,768,069	$ 8,858	$ 1,872,970
Distributions/paydowns	(278)	(7,128)	(2,649)	(76,719)
Equity in earnings	(78)	—	669	—
Unrealized gain (loss) in earnings	—	(18,800)	—	(28,182)
Ending balance	$ 6,522	$ 1,742,141	$ 6,878	$ 1,768,069

[(1)] For the three months ended March 31, 2021, the Company recorded an unrealized loss of $18.8 million related to mortgage loans held in securitization trusts, at fair value and an unrealized gain of $27.4 million related to mortgage obligations issued by securitization trusts, at fair value.

As of March 31, 2021 and December 31, 2020, the Company utilized a discounted cash flow model, comparable precedent transactions and other market information to quantify Level 3 fair value measurements on a recurring basis. As of March 31, 2021 and December 31, 2020, the key unobservable inputs used in the analysis of PE Investments included discount rates with a range of 11.0% to 12.0% and timing and amount of expected future cash flows. As of March 31, 2021 and December 31, 2020, the key unobservable inputs used in the valuation of mortgage obligations issued by securitization trusts included yields ranging from 21.2% to 46.8% and 21.1% to 53.7%, respectively, and a weighted average life of 4.4 years and 5.0 years, respectively. Significant increases or decreases in any one of the inputs described above in isolation may result in significantly different fair value of the financial assets and liabilities using such Level 3 inputs.

For the three months ended March 31, 2021 and March 31, 2020, the Company recorded a net unrealized gain of $8.6 million and a net unrealized loss of $19.5 million related to mortgage loans held in and mortgage obligations issued by securitization trusts, at fair value. These amounts, when incurred, are recorded as unrealized gain (loss) on mortgage loans and obligations held in securitization trusts, net in the consolidated statements of operations.

Fair Value Option

The Company may elect to apply the fair value option of accounting for certain of its financial assets or liabilities due to the nature of the instrument at the time of the initial recognition of the investment. The Company elected the fair value option for PE Investments and eligible financial assets and liabilities of its consolidated Investing VIEs because management believes it is a more useful presentation for such investments. The Company determined recording the PE 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. As of March 31, 2021 and December 31, 2020, the Company has elected not to apply the fair value option for any other eligible financial assets or liabilities.

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 March 31, 2021 and December 31, 2020 (dollars in thousands):

	March 31, 2021			December 31, 2020		
	Principal Amount	Carrying Value	Fair Value	Principal Amount	Carrying Value	Fair Value
Financial assets:[1]						
Loans and preferred equity held for investment, net	$ 2,626,284	$ 2,575,517 [2]	$ 2,586,091	$ 2,225,856	$ 2,183,497 [2]	$ 2,189,006
Financial liabilities:[1]						
Securitization bonds payable, net	$ 840,423	$ 835,688	$ 840,423	$ 840,423	$ 835,153	$ 840,423
Mortgage and other notes payable, net	774,271	773,709	774,271	1,025,455	1,022,757	1,025,455
Master repurchase facilities	787,923	787,923	787,923	535,224	535,224	535,224

[1] The fair value of other financial instruments not included in this table is estimated to approximate their carrying value.
[2] Excludes future funding commitments of $209.4 million and $163.0 million as of March 31, 2021 and December 31, 2020, respectively.

Disclosure about fair value of financial instruments is based on pertinent information available to management as of March 31, 2021. 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.

Loans and Preferred Equity Held for Investment, Net

For loans and preferred equity held for investment, net, fair values were determined: (i) 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; or (ii) based on discounted cash flow projections of principal and interest expected to be collected, which includes consideration of the financial standing of the borrower or sponsor as well as operating results of the underlying collateral. 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. Carrying values of loans and preferred equity held for investment are presented net of allowance for loan losses, where applicable.

Securitization Bonds Payable, Net

The Company's securitization bonds payable, net bear floating rates of interest. As of March 31, 2021, the Company believes the carrying value 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.

Mortgage and Other Notes Payable, Net

For mortgage and other notes payable, net, 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. These fair value measurements are based on observable inputs, and as such, are classified as Level 2 of the fair value hierarchy.

Master Repurchase Facilities

The Company has amounts outstanding under Master Repurchase Facilities. The Master Repurchase Facilities bear floating rates of interest. As of March 31, 2021, the Company believes the carrying value 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.

Other

The carrying values of cash and cash equivalents, receivables, and accrued and other liabilities approximate fair value due to their short term nature and credit risk, if any, are negligible.

Nonrecurring Fair Values

The Company measures fair value of certain assets on a nonrecurring basis when events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Adjustments to fair value generally result from the application of lower of amortized cost or fair value accounting for assets held for sale or write-down of asset values due to impairment.

The Company holds no assets carried at fair value on a nonrecurring basis at March 31, 2021 and December 31, 2020.

The following table summarizes the fair value write-downs to assets carried at nonrecurring fair values during the periods presented (dollars in thousands):

	Three Months Ended March 31,
	2020
Loans:	
Loans and preferred equity held for investment, net[1]	$ 2,346
Loans held for sale[1]	36,783
Total	$ 39,129

[1] See Note 3 "Loans and Preferred Equity Held for Investment, net" for further details.

The Company did not record any fair value write-downs to assets carried at nonrecurring fair values during the three months ended March 31, 2021.

15. Derivatives

The Company uses derivative instruments to manage the risk of changes in interest rates and foreign exchange rates, arising from both its business operations and economic conditions. Specifically, the Company enters into derivative instruments to manage differences in the amount, timing, and duration of the Company's known or expected cash receipts and cash payments, the values of which are driven by interest rates, principally relating to the Company's investments. Additionally, the Company's foreign operations expose the Company to fluctuations in foreign exchange rates. The Company enters into derivative instruments to protect the value or fix certain of these foreign-denominated amounts in terms of its functional currency, the U.S. dollar. Derivative instruments used in the Company's risk management activities may be designated as qualifying hedge accounting relationships designated hedges or non-designated hedges.

As of March 31, 2021 and December 31, 2020, fair value of derivative assets and derivative liabilities were as follows (dollars in thousands):

	Non-Designated Hedges	
	March 31, 2021	December 31, 2020
Derivative Assets		
Foreign exchange contracts	$ 107	$ 386
Included in other assets	$ 107	$ 386
Derivative Liabilities		
Interest rate contracts	$ (24)	$ (37)
Included in accrued and other liabilities	$ (24)	$ (37)

As of March 31, 2021, the Company's counterparties held $0.1 million in cash collateral.

The following table summarizes the Company's interest rate contracts as of March 31, 2021:

		Notional Amount (in thousands)	
Type of Derivatives	Notional Currency	Non-Designated	Range of Maturity Dates
Put Option	NOK	928,000	July 2021
Interest Rate Swap	USD	$ 109,302	April 2021 - July 2023

The table below represents the effect of the derivative financial instruments on the consolidated statements of operations and of comprehensive income (loss) for the three months ended March 31, 2021 and 2020 (dollars in thousands):

	Three Months Ended March 31,	
	2021	2020
Other gain (loss), net		
Non-designated foreign exchange contracts	$ (279)	$ (4,084)
Non-designated interest rate contracts	13	(16,370)
	$ (266)	$ (20,454)
Other income		
Non-designated foreign exchange contracts	—	8,738
	$ —	$ 8,738
Accumulated other comprehensive income (loss)		
Designated foreign exchange contracts	—	21,764
	$ —	$ 21,764

At the end of each quarter, the Company reassesses the effectiveness of its net investment hedges and as appropriate, dedesignates the portion of the derivative notional that is in excess of the beginning balance of its net investments as non-designated hedges. Any unrealized gain or loss on the dedesignated portion of net investment hedges is transferred into earnings, recorded in other gain (loss), net. During the three months ended March 31, 2021 and 2020, no gain (loss) was transferred from accumulated other comprehensive income (loss).

Offsetting Assets and Liabilities

The Company enters into agreements subject to enforceable netting arrangements with its derivative counterparties that allow the Company to offset the settlement of derivative assets and liabilities in the same currency by derivative instrument type or, in the event of default by the counterparty, to offset all derivative assets and liabilities with the same counterparty. The Company has elected not to net derivative asset and liability positions, notwithstanding the conditions for right of offset may have been met. The Company presents derivative assets and liabilities with the same counterparty on a gross basis on the consolidated balance sheets.

The following table sets forth derivative positions where the Company has a right of offset under netting arrangements with the same counterparty as of March 31, 2021 and December 31, 2020 (dollars in thousands):

	Gross Amounts of Assets (Liabilities) Included on Consolidated Balance Sheets	Net Amounts of Assets (Liabilities)
March 31, 2021		
Derivative Assets		
Foreign exchange contracts	$ 107	$ 107
	$ 107	$ 107
Derivative Liabilities		
Interest rate contracts	$ (24)	$ (24)
	$ (24)	$ (24)
December 31, 2020		
Derivative Assets		
Foreign exchange contracts	$ 386	$ 386
	$ 386	$ 386
Derivative Liabilities		
Interest rate contracts	$ (37)	$ (37)
	$ (37)	$ (37)

The Company did not offset any of its derivatives positions as of March 31, 2021 and December 31, 2020

16. Commitments and Contingencies

Lending Commitments

The Company has lending commitments to borrowers pursuant to certain loan agreements in which the borrower may submit a request for funding contingent on achieving certain criteria, which must be approved by the Company as lender, such as leasing, performance of capital expenditures and construction in progress with an approved budget. At March 31, 2021, assuming the terms to qualify for future fundings, if any, had been met, total unfunded lending commitments for loans and preferred equity held for investment was $203.0 million for senior loans and $6.5 million for mezzanine loans. Total unfunded commitments for equity method investments was $10.0 million.

Ground Lease Obligation

The Company's operating leases are ground leases acquired with real estate.

At March 31, 2021, the weighted average remaining lease term was 14.2 years for ground leases.

The following table presents lease expense, included in property operating expense, for the three months ended March 31, 2021 and 2020 (dollars in thousands):

	Three Months Ended March 31,	
	2021	2020
Operating lease expense:		
Minimum lease expense	$ 768	$ 804
	$ 768	$ 804

The operating lease liability was determined using a weighted average discount rate of 5.3%. The following table presents future minimum rental payments, excluding contingent rents, on noncancellable ground leases on real estate as of March 31, 2021 (dollars in thousands):

Remainder of 2021	$ 2,304
2022	3,099
2023	3,110
2024	2,213
2025	2,148
2026 and thereafter	19,327
Total lease payments	32,201
Less: Present value discount	10,495
Operating lease liability (Note 8)	$ 21,706

The following table presents future minimum rental payments, excluding contingent rents, on noncancellable ground leases on real estate as of December 31, 2020 (dollars in thousands):

2021	$ 3,071
2022	3,099
2023	3,110
2024	2,213
2025	2,148
2026 and thereafter	19,327
Total lease payments	32,968
Less: Present value discount	10,782
Operating lease liability (Note 8)	$ 22,186

Litigation and Claims

The Company may be involved in litigation and claims in the ordinary course of the business. As of March 31, 2021, the Company was not involved in any legal proceedings that are expected to have a material adverse effect on the Company’s results of operations, financial position or liquidity.

Internalization

Subsequent to March 31, 2021, the Company entered into the Termination Agreement with its Manager pursuant to which the Management Agreement terminated effective April 30, 2021, and the Company will no longer pay base management fees or incentive fees with respect to any period thereafter and made a one-time cash payment of $102.3 million to the Manager. This amount is included in due to related party on the Company’s consolidated balance sheet as of March 31, 2021. See Note 20, “Subsequent Events,” for further discussion of the Internalization.

Employment contracts

At March 31, 2021, the Company did not employ any personnel. Instead, the Company relied on the resources of its Manager and affiliates to conduct the Company’s operations. Subsequent to March 31, 2021, the Company entered into employment agreements with the Company’s senior management team, and in accordance with the terms of the Termination Agreement, the Company has extended offers of employment to certain employees that have contributed substantially to the Company’s investment, underwriting, portfolio and asset management, loan servicing, financial reporting, treasury, legal, tax, credit, risk and compliance responsibilities employment, which have been accepted. See Note 20, “Subsequent Events,” for further discussion of the Internalization.

17. Segment Reporting

Since the third quarter of 2019, the Company conducted its business through the following two portfolios and accompanying operating segments: the Core Portfolio, which consisted of the loan portfolio, CRE debt securities, net leased real estate and corporate; and the Legacy, Non-Strategic Portfolio segment, which consisted of direct investments in operating real estate, private equity investments, certain retail and other loans, as well as corporate-level asset management and other fees. Since then, the Company has resolved 56 investments in the Legacy, Non-Strategic Portfolio and the remaining Legacy, Non-Strategic Portfolio net asset value represented less than 1% of the total net book value at the end of 2020. As such, the Company has dissolved the separate segment reporting of the Legacy, Non-Strategic Portfolio segment as of the beginning of the first quarter of 2021. Prior periods have been recast to reflect these reportable segments for all periods presented.

During the first quarter of 2021, the Company realigned the business and reportable segment information to reflect how the CODM regularly review and manage the business. As a result, the Company presents its business as one portfolio and the following business segments:

- Senior and Mezzanine Loans and Preferred Equity—CRE debt investments including senior mortgage loans, mezzanine loans, and preferred equity interests as well as participations in such loans. The segment also includes ADC loan arrangements accounted for as equity method investments.
- Net Leased and Other Real Estate—direct investments in CRE with long-term leases to tenants on a net lease basis, where such tenants generally will be responsible for property operating expenses such as insurance, utilities, maintenance, capital expenditures and real estate taxes. It also includes other real estate, currently consisting of three investments with direct ownership in commercial real estate with an emphasis on properties with stable cash flow.
- CRE Debt Securities—investments currently consisting of BBB and some BB rated CMBS (including Non-Investment Grade “B-pieces” of a CMBS securitization pool), or CRE CLOs (including the junior tranches thereof, collateralized by pools of CRE debt investments). It also includes two sub-portfolios of private equity funds.
- Corporate—includes corporate-level asset management and other fees including expenses related to the Bank Credit Facility, related party and general and administrative expenses.

There were no changes in the structure of the Company’s internal organization that prompted the change in reportable segments. Prior period amounts have been revised to conform to the current year presentation. Accordingly, the Company realigned the discussion and analysis of its portfolio and results of operations to reflect these reportable segments.

The Company primarily generates revenue from net interest income on the loan, preferred equity and securities portfolios, rental and other income from its net leased, hotel, multi-tenant office, and multifamily real estate assets, as well as equity in earnings of unconsolidated ventures. CRE debt securities include the Company’s investment in the subordinate tranches of the securitization trusts which are eliminated in consolidation. 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.

The following tables present segment reporting for the three months ended March 31, 2021 and 2020 (dollars in thousands):

	Senior and Mezzanine Loans and Preferred Equity	CRE Debt Securities	Net Leased and Other Real Estate	Corporate[1]	Total
Three Months Ended March 31, 2021					
Net interest income (expense)	$ 22,919	$ 2,353	$ —	$ (1,040)	$ 24,232
Property and other income (expense)	(1)	53	25,796	(81)	25,767
Management fee expense	—	—	—	(7,258)	(7,258)
Property operating expense	—	—	(8,111)	—	(8,111)
Transaction, investment and servicing expense	(689)	(167)	(114)	(1,318)	(2,288)
Interest expense on real estate	—	—	(8,633)	—	(8,633)
Depreciation and amortization	—	—	(9,539)	—	(9,539)
Provision for loan losses	(3,225)	—	—	—	(3,225)
Administrative expense	(248)	(780)	(31)	(11,536)	(12,595)
Restructuring charges	—	—	—	(109,171)	(109,171)
Unrealized gain on mortgage loans and obligations held in securitization trusts, net	—	8,638	—	—	8,638
Other gain (loss), net	—	(859)	9,226	—	8,367
Income (loss) before equity in earnings of unconsolidated ventures and income taxes	18,756	9,238	8,594	(130,404)	(93,816)
Equity in earnings (loss) of unconsolidated ventures	(2,400)	(78)	—	—	(2,478)
Income tax benefit	—	1,777	24	—	1,801
Net income (loss)	$ 16,356	$ 10,937	$ 8,618	$ (130,404)	$ (94,493)

	Senior and Mezzanine Loans and Preferred Equity	CRE Debt Securities	Net Leased and Other Real Estate	Corporate[1]	Total
Three Months Ended March 31, 2020					
Net interest income (expense)	$ 24,850	$ 5,543	$ 9	$ (2,546)	$ 27,856
Property and other income	52	72	61,793	5	61,922
Management fee expense	—	—	—	(7,946)	(7,946)
Property operating expense	(1)	—	(22,530)	—	(22,531)
Transaction, investment and servicing expense	(873)	(7)	(200)	(2,054)	(3,134)
Interest expense on real estate	—	—	(13,078)	—	(13,078)
Depreciation and amortization	—	—	(17,976)	—	(17,976)
Provision for loan losses	(69,932)	—	—	—	(69,932)
Impairment of operating real estate	—	—	(4,126)	—	(4,126)
Administrative expense	(337)	(535)	(91)	(6,075)	(7,038)
Unrealized gain (loss) on mortgage loans and obligations held in securitization trusts, net	—	(19,906)	—	454	(19,452)
Other loss, net	—	(16,336)	(3,734)	(92)	(20,162)
Income (loss) before equity in earnings of unconsolidated ventures and income taxes	(46,241)	(31,169)	67	(18,254)	(95,597)
Equity in earnings (losses) of unconsolidated ventures	15,954	1,213	—	—	17,167
Income tax benefit (expense)	(361)	(1,548)	198	—	(1,711)
Net income (loss)	$ (30,648)	$ (31,504)	$ 265	$ (18,254)	$ (80,141)

[1] Includes income earned from the CRE securities purchased at a discount, recognized using the effective interest method had the transaction been recorded as an available for sale security, at amortized cost. During the three months ended March 31, 2020, $0.5 million, was attributable to discount accretion income and was eliminated in consolidation in the corporate segment. The corresponding interest expense is recorded in net interest income in the Corporate column.

The following table presents total assets by segment as of March 31, 2021 and December 31, 2020 (dollars in thousands):

Total Assets	Senior and Mezzanine Loans and Preferred Equity[(1)]	CRE Debt Securities[(2)]	Net Leased and Other Real Estate	Corporate[(3)]	Total
March 31, 2021	$ 2,163,316	$ 1,694,228	$ 917,496	$ 1,406,310	$ 6,181,350
December 31, 2020	1,929,937	1,720,624	1,261,137	1,300,239	6,211,937

(1) Includes investments in unconsolidated ventures totaling $349.4 million and $366.5 million as of March 31, 2021 and December 31, 2020, respectively.
(2) Includes PE Investments totaling $6.5 million and $6.9 million as of March 31, 2021 and December 31, 2020, respectively.
(3) Includes cash, unallocated receivables, deferred costs and other assets, net and the elimination of the subordinate tranches of the securitization trusts in consolidation.

Geography

Geography is generally defined as the location in which the income producing assets reside or the location in which income generating services are performed. Geography information on total income includes equity in earnings of unconsolidated ventures. Geography information on total income and long lived assets are presented as follows (dollars in thousands):

	Three Months Ended March 31,	
	2021	2020
Total income by geography:		
United States	$ 70,951	$ 124,953
Europe	6,401	20,795
Total[(1)]	$ 77,352	$ 145,748

	March 31, 2021	December 31, 2020
Long-lived assets by geography:		
United States	$ 606,079	$ 600,767
Europe	311,935	314,190
Total[(2)]	$ 918,014	$ 914,957

(1) Includes interest income, interest income on mortgage loans held in securitization trusts, property and other income and equity in earnings of unconsolidated ventures.
(2) Long-lived assets are comprised of real estate and real estate related intangible assets, and excludes financial instruments and assets held for sale.

18. Earnings Per Share

The Company's net income (loss) and weighted average shares outstanding for the three months ended March 31, 2021 and 2020 consist of the following (dollars in thousands, except per share data):

	Three Months Ended March 31,	
	2021	2020
Net loss	$ (94,493)	$ (80,141)
Net (income) loss attributable to noncontrolling interests:		
Investment Entities	226	(523)
Operating Partnership	1,953	1,892
Net income (loss) attributable to Colony Credit Real Estate, Inc. common stockholders	$ (92,314)	$ (78,772)
Numerator:		
Net income allocated to participating securities (non-vested shares)	$ (192)	$ (322)
Net Loss attributable to common stockholders	$ (92,506)	$ (79,094)
Denominator:		
Weighted average shares outstanding	129,781	128,487
Net loss per common share - basic and diluted	$ (0.71)	$ (0.62)

19. Restructuring Charges

Subsequent to March 31, 2021, the Company entered into the Termination Agreement with its Manager pursuant to which the Company internalized its management function effective as of, and the Company will no longer pay base management fees or incentive fees with respect to any period after April 30, 2021, and the Company made a one-time cash payment of $102.3 million to the Manager. The Company incurred a total of $109.2 million of restructuring costs for the three months ended March 31, 2021, which was paid by the Company in April 2021. The additional restructuring costs of $6.9 million consist primarily of fees paid for legal and investment banking advisory services. The one-time payment of $102.3 million to the Manager is recorded in due to related party on the Company's consolidated balance sheet as of March 31, 2021, as negotiations were substantially complete and the termination was agreed to thereafter on April 5, 2021. Refer to Note 1, "Business and Organization," for further detail.

20. Subsequent Events

Internalization

On April 30, 2021, the Company completed the Internalization of the Company's management and operating functions and terminated its relationship with its Manager, a subsidiary of Colony Capital, in accordance with the Termination Agreement. The Company paid the Manager a one-time termination fee of $102.3 million and the Company will no longer pay management or incentive fees to the Manager for any post-closing period. Refer to Note 1, "Business and Organization," and Note 19, "Restructuring Charges," for further detail.

Dividends

On April 15, 2021, the Company paid a quarterly cash dividend of $0.10 per share of Class A common stock for the quarter ending March 31, 2021, to stockholders of record on March 31, 2021.

On April 30, 2021, the Board of Directors approved a $0.14 quarterly dividend for the second quarter of 2021, payable on July 15, 2021 to stockholders of record as of June 30, 2021.

Investment Sales

Subsequent to March 31, 2021, the Company sold its retained investments in the subordinate tranches of one securitization trust for $28.7 million in total proceeds. The Company will realize a gain of approximately $8.8 million in connection with the sale during the second quarter of 2021 and deconsolidate the securitization trust with gross assets and liabilities of approximately $0.8 billion and $0.8 billion, respectively. During the first quarter of 2021, the company recorded a fair value adjustment for the unrealized gain of $8.8 million, which is presented in unrealized gain (loss) on mortgage loans and obligations held in securitization trusts, net, reported on the consolidated statement of operations.

Subsequent to March 31, 2021, the Company executed a purchase and sale agreement to sell a portion of its ownership interest in “West Mixed-use” and received $3.5 million in gross proceeds. Refer to Note 4, “Investments in Unconsolidated Ventures,” for more detail.

Loan Originations

Subsequent to March 31, 2021, the Company originated four senior loans with a total commitment of $108.9 million.

Bank Credit Facility

In April 2021, the Company entered into a fourth amendment to the Company’s Bank Credit Facility to, among other things, reduce the aggregate amount of lender commitments from $450 million to $300 million. Refer to Note 9, “Debt,” for further details.

Master Repurchase Facilities

In April 2021, the Company entered into an amendment under the Company’s Master Repurchase Facility with Bank 1 and Bank 8 to extend the maturity date by three years and two years, respectively.

In May 2021, the Company entered into an amendment under its Master Repurchase Facility with Bank 9 to extend the maturity date by three years.

Additionally, in April 2021, the Company entered into amendments under six of the Company’s Master Repurchase Facilities to: (i) permit the guarantor and the OP to consummate the Internalization; and (ii) reduce the minimum tangible net worth covenant requirement from $1.5 billion to $1.35 billion upon consummation of the Internalization. Refer to Note 9, “Debt,” for further details.

Hedging Activity

In April 2021, the Company entered into a series of USD-NOK forward swaps for the total notional amount of 274 million NOK in order to minimize foreign currency cash flow risk on the Stavenger, Norway Net Lease. These quarterly forward swaps are over the next three years through May 2024, where the Company has agreed to sell NOK and buy USD at a locked in forward curve rate.

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

The following discussion should be read in conjunction with our unaudited consolidated financial statements and the accompanying notes thereto, which are included in Item 1 of this Quarterly Report, as well as the information contained in our Form 10-K for the year ended December 31, 2020, which is accessible on the SEC's website at www.sec.gov.

Introduction

We are a commercial real estate ("CRE") credit real estate investment trust ("REIT") focused on originating, acquiring, financing and managing a diversified portfolio consisting primarily of CRE debt investments and net leased properties predominantly in the United States. CRE debt investments primarily consist of first mortgage loans, which we expect to be our primary investment strategy. Additionally, we may also selectively originate mezzanine loans and preferred equity investments, which may include profit participations. The mezzanine loans and preferred equity investments may be in conjunction with our origination of corresponding first mortgages on the same properties. Net leased properties consist of CRE properties with long-term leases to tenants on a net-lease basis, where such tenants generally will be responsible for property operating expenses such as insurance, utilities, maintenance capital expenditures and real estate taxes. We will continue to target net leased equity investments on a selective basis. Additionally, we currently have investments in CRE debt securities primarily consisting of commercial mortgage-backed securities ("CMBS") (including "B-pieces" of a CMBS securitization pool) or CRE collateralized loan obligations ("CLOs") (including the junior tranches collateralized by pools of CRE debt investments). We have continued to reduce our CMBS holdings since the second quarter of 2020, and have one CMBS security available for sale in addition to our "B-pieces" of a CMBS securitization pool at March 31, 2021. Any future investments in CRE debt securities would be selective and opportunistic.

We were organized in the state of Maryland on August 23, 2017 and maintain key offices in New York, New York and Los Angeles, California. We elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, beginning with our taxable year ended December 31, 2018. We conduct all our activities and hold substantially all our assets and liabilities through our operating subsidiary, Credit RE Operating Company, LLC (the "OP"). At March 31, 2021, we owned 97.7% of the OP, as its sole managing member. The remaining 2.3% is owned as noncontrolling interests.

The Internalization

On April 30, 2021, we completed the internalization of the Company's management and operating functions and terminated our relationship with CLNC Manager, LLC (the "Manager"), a subsidiary of Colony Capital, Inc. ("Colony Capital"), in accordance with that termination agreement dated April 4, 2021 between the Company, the OP, the Manager and Colony Capital Investment Advisors, LLC (the "Termination Agreement," and the transactions contemplated thereunder, the "Internalization"). We have paid the Manager a one-time termination fee of $102.3 million. Therefore, we will no longer pay management or incentive fees to the Manager for any post-closing period and we will assume general and administrative expenses directly. We anticipate a savings in operating costs as a result of the Internalization. Further, in connection with the Internalization, certain affiliates of ours and the Manager entered into a transition services agreement to facilitate an orderly internalization transition of the management of our operations and, in addition, we will provide affiliates of the Manager with certain limited transition services.

The Company's executive team remains unchanged, including Michael J. Mazzei, Chief Executive Officer and President; Andrew E. Witt, Chief Operating Officer; Frank V. Saracino, Chief Financial Officer, Chief Accounting Officer and Treasurer; and David A. Palamé, General Counsel and Secretary. As a result of the Company's 2021 Annual Meeting of Stockholders, Colony Capital no longer has affiliated representatives on our board of directors. The Company's board of directors is comprised of five members, including our four incumbent independent directors, led by Catherine D. Rice, our Independent Chairperson, Vernon Schwartz, John Westerfield and Winston W. Wilson, and Michael J. Mazzei, the Company's Chief Executive Officer and President. Additionally, certain professionals that have contributed substantially to our investment, underwriting, portfolio and asset management, loan servicing, financial reporting, treasury, legal, tax, credit, risk and compliance responsibilities are seamlessly moving forward as direct employees of the Company.

Our senior management team has extensive experience managing and investing in our target assets and other real estate-related investments through a variety of credit cycles and market conditions. The clarity in organizational structure and dedicated management and employee base achieved through the Internalization solidifies the footprint and corresponding network developed by our investment and asset management teams, with proprietary market knowledge, sourcing capabilities and the local presence required to identify, execute and manage new originations and existing investments on behalf of the Company. Our real estate investment platform and relationships allow us to source, underwrite, structure and manage investment opportunities as well as to access debt and equity capital to fund our operations. We have fully integrated investment and portfolio management, finance and administration functions, including legal, compliance, human resources, investor relations, asset valuation, credit and risk management and information technology services. The Company has a captive, fully functional, asset management company that engages primarily in loan servicing for performing, sub-performing and non-performing commercial loans, including senior secured loans, revolving lines of credit, loan participations, subordinated loans, unsecured loans and mezzanine debt. Our asset management company is a commercial special servicer rated by both Standard & Poor's and Fitch's rating services.

Our Target Assets

As we entered the first quarter of 2021 and started to see some COVID-19 related uncertainties dissipate and market conditions improve, we have selectively pursued new investments. These new investments are first mortgage loans eligible for collateralized loan obligation securitizations.

Our investment strategy is to originate and selectively acquire our target assets, which consist of the following:

- ***CRE Debt Investments:***
  - ***Senior Mortgage Loans.*** Our primary focus is originating and selectively acquiring senior mortgage loans that are backed by CRE assets. These loans are secured by a first mortgage lien on a commercial property and provide mortgage financing to a commercial property developer or owner. Going forward, we expect to increase our exposure to senior mortgage loans as a percentage of our overall portfolio. The loans may vary in duration, bear interest at a fixed or floating rate and amortize, if at all, over varying periods, often with a balloon payment of principal at maturity. Senior mortgage loans may include junior participations in our originated senior loans for which we have syndicated the senior participations to other investors and retained the junior participations for our portfolio. We believe these junior participations are more like the senior mortgage loans we originate than other loan types given their credit quality and risk profile.
- ***Mezzanine Loans and Preferred Equity:***
  - ***Mezzanine Loans.*** We may originate or acquire mezzanine loans, which are structurally subordinate to senior loans, but senior to the borrower's equity position. Mezzanine loans may be structured such that our return accrues and is added to the principal amount rather than paid on a current basis. We may also pursue equity participation opportunities in instances when the risk-reward characteristics of the investment warrant additional upside participation in the possible appreciation in value of the underlying assets securing the investment.
  - ***Preferred Equity.*** We may make investments that are subordinate to senior and mezzanine loans, but senior to the common equity in the mortgage borrower. Preferred equity investments may be structured such that our return accrues and is added to the principal amount rather than paid on a current basis. We also may pursue equity participation opportunities in preferred equity investments, like such participations in mezzanine loans.
- ***Net Leased and Other Real Estate.*** We may also invest directly in well-located commercial real estate with long-term leases to tenants on a net lease basis, where such tenants generally will be responsible for property operating expenses such as insurance, utilities, maintenance capital expenditures and real estate taxes. In addition, tenants of our properties typically pay rent increases based on: (1) increases in the consumer price index (typically subject to ceilings), (2) fixed increases, or (3) additional rent calculated as a percentage of the tenants' gross sales above a specified level. We believe that a portfolio of properties under long-term, net lease agreements generally produces a more predictable income stream than many other types of real estate portfolios, while continuing to offer the potential for growth in rental income.
- ***CRE Debt Securities.*** Our investments consist of bonds comprising certain tranches of CRE securitization pools, such as CMBS (including Non-Investment Grade "B-pieces" of a CMBS securitization pool). These bonds have been investment grade or below investment grade and are collateralized by CRE debt, typically secured by senior mortgage loans and may be fixed rate or floating rate securities. Due to their first-loss position, CMBS B-pieces are typically offered at a discount to par. These investments typically carry a 10-year weighted average life due to prepayment restrictions. We will continue to manage and monitor our remaining CMBS investments and since the second quarter of 2020 we have substantially reduced the number of CMBS investments. In addition, we have also fully paid down amounts under our CMBS repurchase agreements. Any future investments in CRE Debt Securities would be selective and opportunistic.

The allocation of our capital among our target assets will depend on prevailing market conditions at the time we invest and may change over time in response to different prevailing market conditions. In addition, in the future, we may invest in assets other than our target assets or change our target assets. With respect to all our investments, we invest so as to maintain our qualification as a REIT for U.S. federal income tax purposes and our exclusion or exemption from regulation under the Investment Company Act of 1940, as amended (the "Investment Company Act").

We believe that events in the financial markets from time to time, including the current and potential impacts of the COVID-19 pandemic, have created and will create significant dislocation between price and intrinsic value in certain asset classes as well as a supply and demand imbalance of available credit to finance these assets. We believe that our in-depth understanding of CRE and real estate-related investments, in-house underwriting, asset management and resolution capabilities, provides an extensive platform to regularly evaluate our investments and determine primary, secondary or alternative disposition strategies. This includes intermediate servicing and negotiating, restructuring of non-performing investments, foreclosure considerations, management or development of owned real estate, in each case to reposition and achieve optimal value realization for the Company and its stockholders. Depending on the nature of the underlying investment, we may pursue repositioning strategies through judicious capital investment in order to extract maximum value from the investment or recognize unanticipated losses to reinvest resulting liquidity in higher-yielding performing investments.

Our Business Segments

Since the third quarter of 2019, we conducted our business through the following two portfolios and accompanying operating segments: the Core Portfolio which consisted of the loan portfolio, CRE debt securities, net leased real estate and corporate; and the Legacy, Non-Strategic Portfolio segment which consisted of direct investments in operating real estate, private equity investments, certain retail and other loans, as well as corporate-level asset management and other fees. Since then, we have resolved 56 investments in our Legacy, Non-Strategic Portfolio and our remaining Legacy, Non-Strategic Portfolio net asset value represents less than 1% of our total net book value at the end of 2020. As such, we have dissolved the separate segment reporting of the Legacy, Non-Strategic Portfolio as of the beginning of the first quarter of 2021.

During the first quarter of 2021, the Company realigned the business and reportable segment information to reflect how the Chief Operating Decision Makers (“CODM”) regularly review and manage the business. As a result, we present our business as one portfolio and the following business segments:

- Senior and Mezzanine Loans and Preferred Equity—CRE debt investments including senior mortgage loans, mezzanine loans, and preferred equity interests as well as participations in such loans. The segment also includes acquisition, development and construction (“ADC”) arrangements accounted for as equity method investments.

- Net Leased and Other Real Estate—direct investments in commercial real estate with long-term leases to tenants on a net lease basis, where such tenants generally will be responsible for property operating expenses such as insurance, utilities, maintenance, capital expenditures and real estate taxes. It also includes other real estate, currently consisting of three investments with direct ownership in commercial real estate, with an emphasis on properties with stable cash flow.

- CRE Debt Securities— securities investments currently consisting of BBB and some BB rated CMBS (including Non-Investment Grade “B-pieces” of a CMBS securitization pool) or CRE CLOs (including the junior tranches thereof, collateralized by pools of CRE debt investments). It also includes two sub-portfolios of private equity funds.

- Corporate—includes corporate-level asset management and other fees including expenses related to our secured revolving credit facility (the “Bank Credit Facility”), related party and general and administrative expenses.

There were no changes in the structure of our internal organization that prompted the change in reportable segments. Prior year amounts have been revised to conform to the current year presentation. Accordingly, we realigned the discussion and analysis of our portfolio and results of operations to reflect these reportable segments.

Significant Developments

During the three months ended March 31, 2021 and through May 5, 2021, significant developments affecting our business and results of operations of our portfolio included the following:

Capital Resources

- On April 30, 2021, we completed the Internalization, consisting of the internalization of our management and operating functions and terminated our relationship with the Manager, a subsidiary of Colony Capital, in accordance with the Termination Agreement. We paid the Manager a one-time termination fee of $102.3 million, and we will no longer pay management or incentive fees to the Manager for any post-closing period;
- As of the date of this report, we have approximately $443 million of liquidity, consisting of $330 million cash on hand and $113 million available on our Bank Credit Facility;
- Amended our Bank Credit Facility to permit the Internalization and reduced the minimum tangible net worth covenant, increased our ability to make restricted payments such as dividends and stock buybacks and removed material restrictions on new investments, subject to covenant compliance, increased the maximum amount available for

borrowing to 100% of the borrowing base value and reduced the aggregate amount of lender commitments from $450 million to $300 million. See "Liquidity and Capital Resources" below for further discussion;
- Additionally, amended our six Master Repurchase Facilities to permit the Internalization and reduce the minimum tangible net worth covenants, along with extending the maturity date on five Master Repurchase Facilities. See "Liquidity and Capital Resources" below for further discussion;
- Declared and paid a first quarter $0.10 per share dividend on April 15, 2021;
- In April 2021, declared a second quarter dividend of $0.14, payable on July 15, 2021 to stockholders of record as of June 30, 2021.

Our Portfolio

- Originated 19 senior mortgage loans with a total commitment of $583.9 million;
- Sold one industrial portfolio that generated gross and net proceeds of $335.0 million and $81.8 million, respectively. We recognized a gain on sale of $11.8 million;
- In April 2021, we sold our retained investments in the subordinate tranches of one securitization trust for $28.7 million in total proceeds. We will realize a gain of approximately $8.8 million in connection with the sale during the second quarter of 2021 and deconsolidate the securitization trust with gross assets and liabilities of approximately $0.8 billion and $0.8 billion, respectively;
- Sold a portion of our ownership interest in a mezzanine loan held in a joint venture and received $3.5 million in gross proceeds; in connection with the sale we recognized a fair value loss adjustment totaling $3.8 million;
- Placed a senior loan and preferred equity investment secured by a hotel in San Jose, California ("San Jose Hotel") on nonaccrual status in March 2021. See "San Jose, California Hotel Senior Loan and Preferred Equity" in "Our Portfolio" below.

Results of Operations

Our Portfolio

- Generated U.S. GAAP net loss of $92.3 million, or $(0.71) per share and Distributable Earnings of $13.8 million, or $0.10 per share during the three months ended March 31, 2021.

Impact of COVID-19

Considerable uncertainty still surrounds COVID-19 and its potential effects, and the extent of and effectiveness of any responses taken on a national and local level. Accordingly, the COVID-19 pandemic has negatively impacted CRE credit REITs across the industry, as well as other companies that own and operate commercial real estate investments, including our company. As we manage the impact and uncertainties of the COVID-19 pandemic, cash preservation, liquidity and investment and portfolio management are our key priorities.

We continue to work closely with our borrowers and tenants to address the impact of COVID-19 on their business. To the extent that certain borrowers are experiencing significant financial dislocation we have and may continue to consider the use of interest and other reserves and/or replenishment obligations of the borrower and/or guarantors to meet current interest payment obligations, for a limited period. Similarly, we have and may in the future evaluate converting certain current interest payment obligations to payment-in-kind as a potential bridge period solution. We have in limited cases allowed some portions of current interest to convert to payment-in-kind.

The COVID-19 pandemic has created uncertainties that have and may continue to negatively impact our future operating results, liquidity and financial condition. However, we believe there are too many uncertainties to predict and quantify the continuing impact. The potential concerns and risks include, but are not limited to, mortgage borrowers ability to make monthly payments, lessees' capacity to pay their rent, and the resulting impact on us to meet our obligations. Therefore, there can be no assurances that we will not need to take impairment charges in future quarters or experience further declines in revenues and net income, which could be material.

Our Portfolio

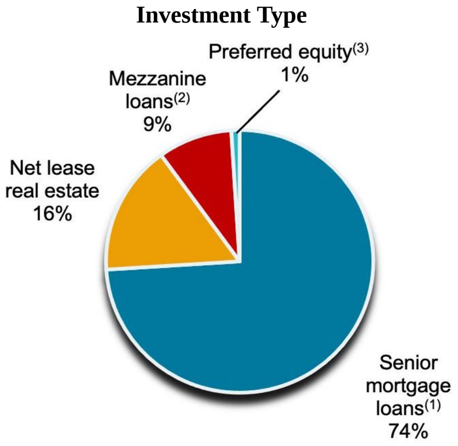
As of March 31, 2021, our portfolio consisted of 86 investments representing approximately $3.5 billion in book value (excluding cash, cash equivalents and certain other assets). Our senior and mezzanine loans and preferred equity consisted of 64 senior mortgage loans, mezzanine loans, preferred equity investments and other loans and had a weighted average cash coupon of 4.5% and a weighted average all-in unlevered yield of 5.3%. Our net leased real estate consisted of approximately 4.5 million total square feet of space and total first quarter 2021 net operating income ("NOI") of that portfolio was approximately $12.2 million.

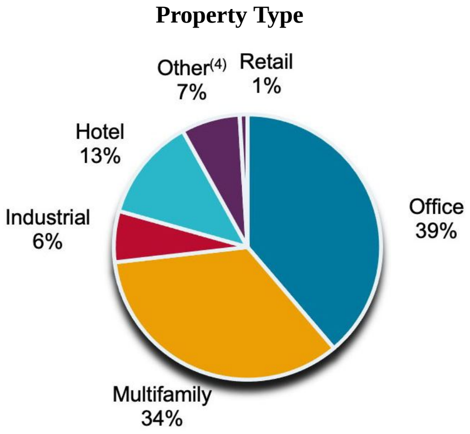
As of March 31, 2021, our portfolio consisted of the following investments (dollars in thousands):

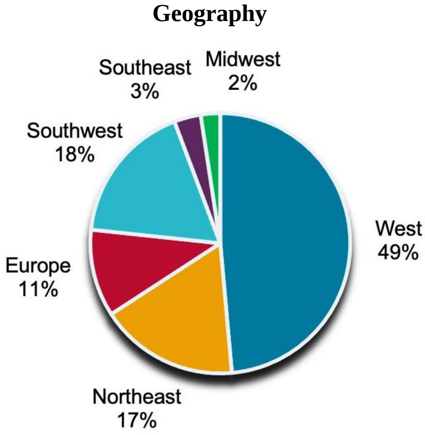
	Count[1]	Book value (Consolidated)	Book value (at CLNC share)[2]	Net book value (Consolidated)[3]	Net book value (at CLNC share)[4]
Our Portfolio					
Senior mortgage loans[5]	48	$ 2,514,258	$ 2,409,380	$ 810,532	$ 705,654
Mezzanine loans[5]	10	364,950	280,801	364,950	280,801
Preferred equity[5][6]	6	44,778	40,630	44,778	40,630
Subtotal	64	2,923,986	2,730,811	1,220,260	1,027,085
Net leased real estate	9	700,637	502,949	204,697	155,725
Other real estate	3	209,973	196,023	7,022	6,493
CRE debt securities	9	72,309	72,309	72,309	72,309
Private equity interests	1	6,522	6,522	6,522	6,522
Total/Weighted average Our Portfolio	86	$ 3,913,427	$ 3,508,614	$ 1,510,810	$ 1,268,134

[1] Count for net leased real estate represents number of investments.
[2] Book value at our share represents the proportionate book value based on ownership by asset as of March 31, 2021.
[3] Net book value represents book value less any associated financing as of March 31, 2021.
[4] Net book value at our share represents the proportionate book value based on asset ownership less any associated financing based on ownership as of March 31, 2021.
[5] Senior mortgage loans, mezzanine loans, and preferred equity include investments in joint ventures whose underlying interest is in a loan or preferred equity.
[6] Preferred equity balances include $17.0 million of book value at our share attributable to related equity participation interests.

The following charts illustrate the diversification of our portfolio (not including CRE debt securities) based on investment type, underlying property type, and geography, as of March 31, 2021 (percentages based on book value at our share, which represents the proportionate book value based on our ownership by asset):







[1] Senior mortgage loans include junior participations in our originated senior mortgage loans for which we have syndicated the senior participations to other investors and retained the junior participations for our portfolio and contiguous mezzanine loans where we own both the senior and junior loan positions. We believe these investments are more similar to the senior mortgage loans we originate than other loan types given their credit quality and risk profile.

[2] Mezzanine loans include other subordinated loans.

[3] Preferred equity balances include $17.0 million of book value at our share attributable to related equity participation interests.

[4] Other includes commercial and residential development and predevelopment assets.

Underwriting Process

We use an investment and underwriting process that has been developed by our senior management team leveraging their extensive commercial real estate expertise over many years and real estate cycles. The underwriting process 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.

Loan Risk Rankings

In addition to reviewing loans and preferred equity held for investment for impairment quarterly, we evaluate loans and preferred equity held for investment to determine if an allowance for loan loss should be established. In conjunction with this review, we assess the risk factors of each senior and mezzanine loans and preferred equity and assign a risk ranking based on a variety of factors, including, without limitation, underlying real estate performance and asset value, values of comparable properties, durability and quality of property cash flows, sponsor experience and financial wherewithal, and the existence of a risk-mitigating loan structure. Additional key considerations include loan-to-value ratios, debt service coverage ratios, loan structure, real estate and credit market dynamics, and risk of default or principal loss. Based on a five-point scale, our loans and preferred equity held for investment are rated "1" through "5," from less risk to greater risk. At the time of origination or purchase, loans and preferred equity held for investment are ranked as a "3" and will move accordingly going forward based on the ratings which are defined as follows:

1. *Very Low Risk*—The loan is performing as agreed. The underlying property performance has exceeded underwritten expectations with very strong NOI, debt service coverage ratio, debt yield and occupancy metrics. Sponsor is investment grade, very well capitalized, and employs a very experienced management team.

2. *Low Risk*—The loan is performing as agreed. The underlying property performance has met or exceeds underwritten expectations with high occupancy at market rents, resulting in consistent cash flow to service the debt. Strong sponsor that is well capitalized with experienced management team.

3. *Average Risk*—The loan is performing as agreed. The underlying property performance is consistent with underwriting expectations. The property generates adequate cash flow to service the debt, and/or there is enough reserve or loan structure to provide time for sponsor to execute the business plan. Sponsor has routinely met its obligations and has experience owning/operating similar real estate.

4. *High Risk/Delinquent/Potential for Loss*—The loan is in excess of 30 days delinquent and/or has a risk of a principal loss. The underlying property performance is behind underwritten expectations. Loan covenants may require occasional waivers/modifications. Sponsor has been unable to execute its business plan and local market fundamentals have deteriorated. Operating cash flow is not sufficient to service the debt and debt service payments may be coming from sponsor equity/loan reserves.

5. *Impaired/Defaulted/Loss Likely*—The loan is in default or a default is imminent, and has a high risk of a principal loss, or has incurred a principal loss. The underlying property performance is significantly worse than underwritten expectation and sponsor has failed to execute its business plan. The property has significant vacancy and current cash flow does not support debt service. Local market fundamentals have significantly deteriorated resulting in depressed comparable property valuations versus underwriting.

As mentioned above, management considers several risk factors when assigning our risk ranking each quarter. For the quarter ended March 31, 2021, management believes the extended impact of the COVID-19 pandemic remains uncertain, and therefore continues to represent a significant risk to our portfolio. As such, the quarter-end average rating is 3.6, which is consistent with the year ended December 31, 2020.

Senior and Mezzanine Loans and Preferred Equity

Our senior and mezzanine loans and preferred equity consists of senior mortgage loans, mezzanine loans and preferred equity interests, some of which have equity participation interests.

The following table provides a summary of our senior and mezzanine loans and preferred equity based on our internal risk rankings as of March 31, 2021 (dollars in thousands):

		Carrying Value (at CLNC share)[(1)]				
Risk Ranking	**Count[(2)]**	**Senior mortgage loans[(3)]**	**Mezzanine loans**	**Preferred equity**	**Total**	**% of Our Portfolio**
3	37	$ 1,222,002	$ 129,889	$ 19,623	$ 1,371,514	50.3 %
4	18	1,031,389	15,504	16,200	1,063,093	38.9 %
5	8	183,568	107,829	4,807	296,204	10.8 %
	63	$ 2,436,959	$ 253,222	$ 40,630	$ 2,730,811	100.0 %
Weighted average risk ranking						3.6

(1) Carrying value at our share represents the proportionate book value based on ownership by asset as of March 31, 2021.
(2) Count excludes one equity method participation held in a joint venture with a de minimis carry value (at CLNC share) which was not assigned a risk ranking.
(3) Includes one mezzanine loan totaling $27.6 million where we are also the senior lender.

The following table provides asset level detail for our senior and mezzanine loans and preferred equity as of March 31, 2021 (dollars in thousands):

	Collateral type	Origination Date	City, State	Carrying value[1]	Principal balance	Coupon type	Cash Coupon[2]	Unlevered all-in yield[3]	Extended maturity date	Loan-to-value[4]	Q1 Risk ranking[5]
Senior loans											
Loan 1	Multifamily	6/21/2019	Milpitas, CA	$ 179,909	$ 180,293	Floating	3.1%	5.5%	7/9/2024	72%	3
Loan 2[7]	Hotel	1/2/2018	San Jose, CA	160,700	173,485	n/a [7]	n/a [7]	n/a [7]	1/9/2023	62%	5
Loan 3	Office	12/7/2018	Carlsbad, CA	115,736	116,000	Floating	3.7%	6.0%	12/9/2023	73%	3
Loan 4	Industrial	9/19/2019	New York, NY	115,621	116,000	Floating	3.1%	5.8%	9/19/2024	76%	4
Loan 5	Hotel	6/28/2018	Berkeley, CA	114,889	120,000	Floating	3.2%	5.2%	7/9/2025	66%	4
Loan 6[6]	Multifamily	6/18/2019	Santa Clara, CA	104,729	105,918	Floating	4.4%	7.3%	6/18/2024	64%	4
Loan 7	Office	5/31/2019	Stamford, CT	102,064	102,998	Floating	3.5%	5.8%	6/9/2025	71%	4
Loan 8	Multifamily	4/11/2019	Various - U.S.	87,832	92,000	Floating	3.0%	5.8%	4/9/2024	65%	4
Loan 9	Office	6/27/2018	Burlingame, CA	73,209	73,254	Floating	2.8%	4.7%	7/9/2023	61%	4
Loan 10	Hotel	6/25/2018	Englewood, CO	72,178	74,400	Floating	3.5%	5.3%	7/9/2023	69%	4
Loan 11	Office	8/28/2018	San Jose, CA	71,661	71,694	Floating	2.5%	4.3%	8/28/2025	75%	3
Loan 12	Office	1/19/2021	Phoenix, AZ	71,427	72,460	Floating	3.6%	4.4%	2/9/2026	70%	3
Loan 13	Other (Mixed-use)	10/24/2019	Brooklyn, NY	70,568	72,459	Floating	3.4%	5.9%	11/9/2024	66%	3
Loan 14	Office	4/5/2019	Long Island City, NY	62,523	63,202	Floating	3.3%	5.7%	4/9/2024	58%	4
Loan 15	Office	5/29/2019	Long Island City, NY	60,269	64,380	Floating	3.5%	6.0%	6/9/2024	59%	4
Loan 16	Office	2/13/2019	Baltimore, MD	55,939	56,199	Floating	3.5%	6.2%	2/9/2024	74%	4
Loan 17	Office	7/12/2019	Washington, D.C.	55,840	56,081	Floating	2.8%	5.7%	8/9/2024	68%	4
Loan 18	Multifamily	12/23/2020	Salt Lake City, UT	50,531	51,100	Floating	3.2%	4.0%	1/9/2026	68%	3
Loan 19	Multifamily	7/1/2019	Phoenix, AZ	45,872	45,817	Floating	2.7%	5.0%	7/9/2024	76%	3
Loan 20	Multifamily	3/1/2021	Richardson, TX	42,599	43,227	Floating	3.4%	3.8%	3/9/2026	75%	3
Loan 21	Multifamily	12/21/2020	Austin, TX	40,453	41,073	Floating	3.7%	5.0%	1/9/2026	54%	3
Loan 22	Multifamily	2/8/2019	Las Vegas, NV	40,053	40,086	Floating	3.2%	5.7%	2/9/2024	71%	4
Loan 23	Multifamily	2/3/2021	Arlington, TX	38,860	39,220	Floating	3.6%	4.9%	2/9/2026	81%	3
Loan 24	Multifamily	3/22/2021	Fort Worth, TX	37,234	37,650	Floating	3.5%	4.1%	4/9/2026	83%	3
Loan 25	Multifamily	4/26/2018	Oxnard, CA	36,516	36,500	Floating	5.2%	6.5%	5/9/2021	71%	4
Loan 26	Multifamily	3/25/2021	Fort Worth, TX	35,906	36,300	Floating	3.3%	3.9%	4/9/2026	82%	3
Loan 27	Multifamily	12/29/2020	Fullerton, CA	34,402	34,860	Floating	3.8%	4.8%	1/9/2026	70%	3
Loan 28	Office	6/16/2017	Miami, FL	33,726	33,434	Floating	4.9%	5.6%	7/9/2022	68%	3
Loan 29	Multifamily	3/16/2021	Fremont, CA	30,897	31,312	Floating	3.5%	4.3%	4/9/2026	76%	3
Loan 30	Office	3/28/2019	San Jose, CA	30,580	30,596	Floating	3.0%	5.7%	4/9/2024	64%	3
Loan 31	Multifamily	3/31/2021	Mesa, AZ	28,818	29,240	Floating	3.7%	4.4%	4/9/2026	83%	3
Loan 32	Multifamily	1/29/2021	Charlotte, NC	23,085	23,500	Floating	3.5%	4.1%	2/9/2026	76%	3
Loan 33[6][7]	Other (Mixed-use)	10/17/2018	Dublin, Ireland	22,868	34,282	n/a [7]	n/a [7]	n/a [7]	12/31/2023	94%	5
Loan 34	Office	9/16/2019	San Francisco, CA	22,863	22,951	Floating	3.2%	5.9%	10/9/2024	72%	3
Loan 35	Multifamily	3/25/2021	San Jose, CA	22,198	22,650	Floating	3.7%	4.1%	4/9/2026	70%	3
Loan 36	Office	9/26/2019	Salt Lake City, UT	22,148	22,381	Floating	2.7%	5.0%	10/9/2024	72%	4
Loan 37	Office	2/26/2019	Charlotte, NC	20,623	20,709	Floating	3.4%	6.0%	3/9/2024	56%	3
Loan 38	Office	8/27/2019	San Francisco, CA	20,567	20,623	Floating	2.8%	5.6%	9/9/2024	73%	3
Loan 39	Multifamily	2/25/2021	Raleigh, NC	20,357	20,683	Floating	3.3%	4.0%	3/9/2026	76%	3
Loan 40	Hotel	7/30/2020	Bloomington, MN	19,059	19,500	Floating	3.0%	4.8%	11/9/2021	64%	3
Loan 41	Office	10/29/2020	Denver, CO	18,444	18,708	Floating	3.6%	4.7%	11/9/2025	64%	3
Loan 42	Multifamily	3/31/2021	San Antonio, TX	18,366	18,600	Floating	3.1%	3.6%	4/9/2026	77%	3
Loan 43	Multifamily	11/24/2020	Tucson, AZ	13,888	14,032	Floating	3.6%	4.7%	12/9/2025	75%	3
Loan 44	Multifamily	2/8/2019	Las Vegas, NV	13,871	13,884	Floating	3.2%	5.7%	2/9/2024	71%	3
Loan 45	Multifamily	3/31/2021	Albuquerque, NM	13,504	13,725	Floating	3.4%	3.9%	4/9/2026	76%	3
Loan 46	Multifamily	3/5/2021	Tucson, AZ	12,946	13,100	Floating	3.7%	4.3%	3/9/2026	72%	3

	Collateral type	Origination Date	City, State	Carrying value[1]	Principal balance	Coupon type	Cash Coupon[2]	Unlevered all-in yield[3]	Extended maturity date	Loan-to-value[4]	Q1 Risk ranking[5]
Loan 47	Multifamily	2/11/2021	Provo, UT	11,842	12,003	Floating	3.8%	4.6%	3/9/2026	71%	3
Loan 48	Multifamily	2/25/2021	Louisville, KY	11,210	11,386	Floating	3.9%	4.4%	3/9/2026	74%	3
Total/Weighted average senior loans				$ 2,409,380	$ 2,463,955			4.9%	9/20/2024	69%	3.6
Mezzanine loans											
Loan 49[6][7]	Other (Mixed-use)	9/1/2020	Los Angeles, CA	$ 97,881	$ 162,243	n/a [7]	n/a [7]	n/a [7]	7/9/2023	62% - 88%	5
Loan 50[6]	Multifamily	12/26/2018	Santa Clarita, CA	57,499	59,677	Fixed	7.0%	13.8%	12/26/2024	56% - 84%	3
Loan 51[6]	Multifamily	12/3/2019	Milpitas, CA	34,744	35,253	Fixed	8.0%	13.3%	12/3/2024	49% - 71%	3
Loan 52	Multifamily	7/11/2019	Placentia, CA	29,236	30,097	Fixed	8.0%	13.3%	7/11/2024	51% - 84%	3
Loan 53[6]	Hotel	9/23/2019	Berkeley, CA	27,578	29,290	Fixed	9.0%	11.5%	7/9/2025	66% - 81%	4
Loan 54	Hotel	1/9/2017	New York, NY	11,182	12,000	Floating	11.0%	11.5%	9/9/2022	63% - 76%	4
Loan 55[7]	Other (Mixed-use)	6/29/2015	Rolling Hills Estates, CA	8,691	9,607	n/a [7]	n/a [7]	n/a [7]	6/29/2021	n/a	5
Loan 56[6]	Office	7/20/2018	Dublin, Ireland	8,412	7,931	Fixed	n/a	12.5%	12/20/2021	45% - 68%	3
Loan 57	Multifamily	7/30/2014	Various - TX	4,321	4,509	Fixed	9.5%	9.5%	8/11/2024	71% - 83%	4
Loan 58[7]	Other (Mixed-use)	3/19/2013	San Rafael, CA	1,257	—	n/a [7]	n/a [7]	n/a [7]	3/31/2021	32% - 86%	5
Total/Weighted average mezzanine loans				$ 280,801	$ 350,607			8.0%	2/27/2024	57% - 81%	3.9
Preferred equity & other loans											
Loan 59[6][8]	Office	8/22/2018	Las Vegas, NV	$ 18,842	$ 19,010	Fixed	8.0%	15.3%	9/9/2023	n/a	3
Loan 60[6]	Industrial	9/1/2016	Various - U.S.	16,200	—	n/a	n/a	n/a	9/2/2027	n/a	4
Loan 61[7]	Hotel	8/17/2020	San Jose, CA	4,686	4,686	n/a [7]	n/a [7]	n/a [7]	4/9/2022	n/a	5
Loan 62	Office	7/20/2018	Dublin, Ireland	781	—	n/a	n/a	n/a	12/20/2021	n/a	3
Loan 63[7]	Other (Mixed-use)	6/29/2015	Rolling Hills Estates, CA	121	—	n/a [7]	n/a [7]	n/a [7]	6/29/2021	n/a	n/a
Loan 64[8]	Hotel	10/24/2014	Austin, TX	—	—	n/a	n/a	n/a	n/a	n/a	n/a
Total/Weighted average preferred equity & other loans[9]				$ 40,630	$ 23,696			7.1%	1/26/2025	n/a	3.6
Total/Weighted average senior and mezzanine loans and preferred equity - Our Portfolio				$ 2,730,811	$ 2,838,258			5.3%	9/1/2024	n/a	3.6

(1) Represents carrying values at our share as of March 31, 2021.
(2) Represents the stated coupon rate for loans; for floating rate loans, does not include USD 1-month London Interbank Offered Rate ("LIBOR") which was 0.11% as of March 31, 2021.
(3) In addition to the stated cash coupon rate, unlevered all-in yield includes non-cash payment in-kind interest income and the accrual of origination, extension and exit fees. Unlevered all-in yield for the loan portfolio assumes the applicable floating benchmark rate as of March 31, 2021 for weighted average calculations.
(4) Except for construction loans, senior loans reflect the initial loan amount divided by the as-is value as of the date the loan was originated, or the principal amount divided by the appraised value as of the date of the most recent as-is appraisal. Mezzanine loans include attachment loan-to-value and detachment loan-to-value, respectively. Attachment loan-to-value reflects initial funding of loans senior to our position divided by the as-is value as of the date the loan was originated, or the principal amount divided by the appraised value as of the date of the most recent appraisal. Detachment loan-to-value reflects the cumulative initial funding of our loan and the loans senior to our position divided by the as-is value as of the date the loan was originated, or the cumulative principal amount divided by the appraised value as of the date of the most recent appraisal.
(5) On a quarterly basis, the Company's senior and mezzanine loans and preferred equity are rated "1" through "5," from less risk to greater risk. Represents risk ranking as of March 31, 2021.
(6) Construction senior loans' loan-to-value reflect the total commitment amount of the loan divided by the as completed appraised value, or the total commitment amount of the loan divided by the projected total cost basis. Construction mezzanine loans include attachment loan-to-value and detachment loan-to-value, respectively. Attachment loan-to-value reflects the total commitment amount of loans senior to our position divided by as-completed appraised value, or the total commitment amount of loans senior to our position divided by projected total cost basis. Detachment loan-to-value reflect the cumulative commitment amount of our loan and the loans senior to our position divided by as-completed appraised value, or the cumulative commitment amount of our loan and loans senior to our position divided by projected total cost basis.
(7) Loans 2, 33, 49, 55, 58, 61 and 63 are on nonaccrual status as of March 31, 2021; as such, no income is being recognized.
(8) Represents equity participation interests related to senior loans, mezzanine loans and/or preferred equity investments.
(9) Weighted average calculation for preferred equity excludes equity participation interests.

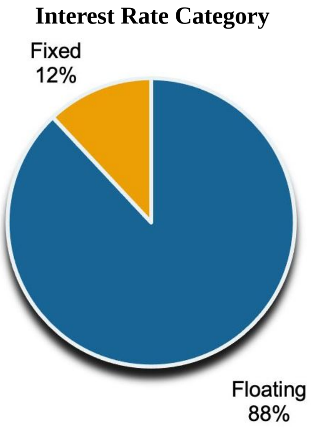
The following table details the types of properties securing our senior and mezzanine loans and preferred equity and geographic distribution as of March 31, 2021 (dollars in thousands):

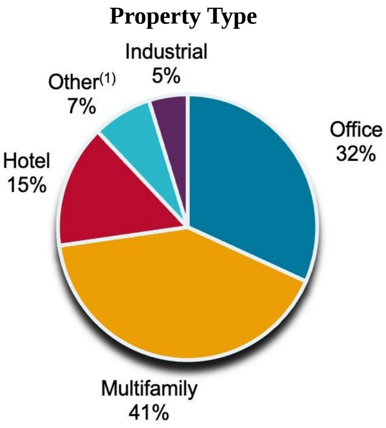
		Book value (at CLNC share)			
Collateral property type	Count	Senior mortgage loans	Mezzanine loans and preferred equity	Total	% of Total
Multifamily	29	$ 995,879	$ 125,798	$ 1,121,677	41.1 %
Office	19	837,594	28,059	865,653	31.7 %
Hotel	8	366,825	43,447	410,272	15.0 %
Other[1]	6	93,461	107,927	201,388	7.4 %
Industrial / Self Storage	2	115,621	16,200	131,821	4.8 %
Total	64	$ 2,409,380	$ 321,431	$ 2,730,811	100.0 %

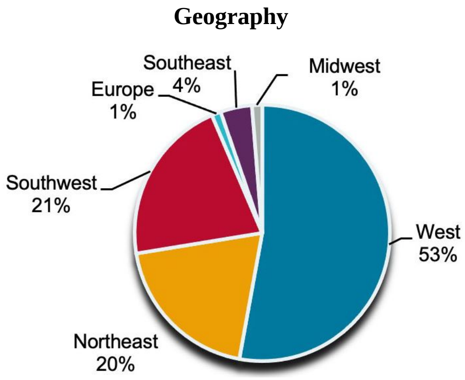
		Book value (at CLNC share)			
Region	Count	Senior mortgage loans	Mezzanine loans and preferred equity	Total	% of Total
US West	28	$ 1,163,400	$ 280,535	$ 1,443,935	52.9 %
US Southwest	18	572,226	4,321	576,547	21.1 %
US Northeast	8	522,825	11,182	534,007	19.5 %
US Southeast	5	109,002	—	109,002	4.0 %
US Midwest	2	19,059	16,200	35,259	1.3 %
Europe	3	22,868	9,193	32,061	1.2 %
Total	64	$ 2,409,380	$ 321,431	$ 2,730,811	100.0 %

[1] Other includes commercial and residential development and predevelopment assets.

The following charts illustrate the diversification of our senior and mezzanine loans and preferred equity based on interest rate category, property type, and geography as of March 31, 2021 (percentages based on book value at our share, which represents the proportionate book value based on our ownership by asset):







[1] Other includes commercial and residential development and predevelopment assets.

Due to the continued impact of COVID-19, we expect some borrowers may continue to experience difficulties making their loan payments over the next several quarters. We are particularly concerned with and focused on loans collateralized by hotels as well as mezzanine loans and preferred equity investments that are subordinate to senior loans provided by other lenders such as our Los Angeles Construction Loan and Preferred Equity Investment discussed below. Failure of our borrowers to meet their loan obligations will not only impact our financial results but may also trigger repayments under our master repurchase facilities. Our asset management team speaks with borrowers on a reasonably current basis, and seeks to identify issues and address potential value preserving solutions, which may include a loan modification.

We have five loans on nonaccrual status as of March 31, 2021, of which we received cash interest payments from these loans of $1.4 million and applied the cash interest collected as a reduction to the loan's carrying value. Refer to loan 2, loan 33, loan 49, loan 55, loan 58, loan 61 and loan 63 in the asset level detail table above for further details.

At March 31, 2021 our current expected credit loss reserve ("CECL") calculated by our probability of default ("PD")/loss given default ("LGD") model for our outstanding loans and future loan funding commitments is $41.7 million, which is 1.5% of the aggregate commitment amount of our loan portfolio. This represents an increase of $3.2 million from $38.5 million at December 31, 2020, which is primarily driven by new loan originations during the first quarter of 2021.

Asset Specific Summaries: Senior and Mezzanine Loans and Preferred Equity

Los Angeles, California Mixed-Use Project—Third Party $275 Million Construction Mezzanine Loan Upsize and Retained B-Participation Investment

	Loan Type	Collateral type	Origination Date	Carrying value	Principal balance	Coupon type	Cash Coupon	Unlevered all-in yield	Extended maturity date	Loan-to-value	Q1 Risk ranking
Loan 49	Mezzanine	Other (Mixed-use)	9/1/2020	$ 97,881	$ 162,243	n/a	n/a	n/a	7/9/2023	62% – 88%	5

In July 2017, we originated a $189.0 million commitment to an approximately $574 million mezzanine loan and preferred equity investment in a development project in Los Angeles County, which includes a hospitality and retail renovation and a new condominium tower construction (the "Mixed-use Project"). Our investment interests are held through a joint venture (the "Colony Mezzanine Lender") with affiliates of Colony Capital.

In April 2020, the senior mortgage lender notified the borrower developer that the Mixed-use Project loan funding was out of balance, due to cost overruns from certain hard and soft costs and senior loan interest reserve shortfalls projected through completion. To address the out of balance circumstance during the second quarter of 2020, the Colony Mezzanine Lender made two protective advances to the senior mortgage lender totaling $69.1 million, of which our share was $28.5 million. The Colony Mezzanine Lender placed this investment on nonaccrual status.

In June 2020, the senior mortgage lender funded a third protective advance of $15.5 million. Additionally, the loans held by the senior mortgage lender and Colony Mezzanine Lender, respectively, matured on July 9, 2020.

On September 1, 2020, in cooperation with the borrower and the EB-5 lender, the Colony Mezzanine Lender and senior mortgage lender secured $275 million of additional mezzanine financing from a third-party mezzanine lender (the "Senior Mezzanine Lender"). To consummate the new mezzanine financing, the Colony Mezzanine Lender simplified its investment interest by converting its existing preferred equity principal and accrued interest into the existing mezzanine loan, transferred the mezzanine loan to the Senior Mezzanine Lender, who subsequently increased the mezzanine loan amount by $275 million to an approximately $821 million total mezzanine loan (the “Upsized Mezzanine Loan”). The Senior Mezzanine Lender holds a $275 million A-participation and the Colony Mezzanine Lender (including our interest) continues to hold an approximately $546 million B-participation interest in the Upsized Mezzanine Loan at the Mixed-use Project. The Senior Mezzanine Lender is the sole administrative agent and Upsized Mezzanine Loan owner. The Upsized Mezzanine Loan closing and revised budget addressed certain amendments to maturity dates to complete and sell the hotel by July 2021 and modifications to certain borrower extension tests to facilitate completion of the Mixed-use Project. The Colony Mezzanine Lender’s B-participation investment continues to carry an interest rate of 12.90% per annum, consistent with our interest rate prior to this mezzanine refinancing event. The B-participation investment is a subordinate interest to the A-participation interest in respect to payments of principal and interest. The new $275 million financing commitment covers current capital requirements at the Mixed-use Project and includes both $65 million of interest reserves to cover A-participation interest payments and $100 million reserved for future funding obligations, in furtherance of a revised construction budget to be made by the Senior Mezzanine Lender and senior mortgage lender only. The Colony Mezzanine Lender is no longer subject to future funding commitments in accordance with the revised budget. As previously reported, the Colony Mezzanine Lender had a remaining unfunded commitment of $39.3 million, of which our share was $14.5 million.

During the three months ended June 30, 2020, we placed the mezzanine loans and preferred equity investment on nonaccrual status and recorded our proportionate share of a fair value loss adjustment totaling $89.3 million. Having completed the Upsized Mezzanine Loan refinancing, among other factors, for the remainder of 2020 we continued to maintain the nonaccrual status and fair value loss adjustment on our proportionate share of the Colony Mezzanine Lender’s B-participation investment. During the three months ended March 31, 2021, there was no change in accrual status or fair value.

The hotel portion of the development has been completed and the temporary certificate of occupancy was granted in October 2020. Recently, the borrower initiated a sales process for the hotel component of the mixed-use project. In addition, certain hotel and tower condominium sales have closed since December 2020, with $24 million in aggregate proceeds used to pay down the senior mortgage construction loan.

Notwithstanding the Upsized Mezzanine Loan closing, including a revised budget, amendments to maturity dates and extension tests and reserves for future funding, and a potential targeted hotel sale in the third quarter of 2021, it is possible that additional cost overruns, actual and potential construction delays, delays in the hotel opening, the provision of full services and/or diminished hotel and conference facility demand, delays in selling the hotel and/or slower pace of condominium sales, greater negative carry costs than currently projected or other factors, individually or together, may occur and be further impacted by COVID-19 and could negatively impact the overall value of the Mixed-use Project, including our continuing interest in the B-participation investment.

Dublin, Ireland Senior Predevelopment Loan

	Loan Type	Collateral type	Origination Date	Carrying value	Principal balance	Coupon type	Cash Coupon	Unlevered all-in yield	Extended maturity date	Loan-to-value	Q1 Risk ranking
Loan 33	Senior	Other (Mixed-use)	10/17/2018	$ 22,868	$ 34,282	n/a	n/a	n/a	12/31/2023	94%	5

We hold a $189.2 million co-lender interest (61%) in a Euro-denominated senior mortgage loan in the amount of $310.2 million USD. Our investment interests are held through a joint venture that includes private investment vehicles managed by Colony Capital (the “Colony Senior Lenders”). The senior mortgage is for a fully entitled land acquisition for a mixed-use development project in Dublin, Ireland (Project Dockland).

The land has planning permission for 420 apartments and approximately 380,000 square feet of offices, but the project borrower has applied for planning permission to increase these numbers to approximately 1,000 total residential units across two towers of 40 and 44 stories and 540,000 square feet of offices. These applications are currently under review by the Irish government zoning authorities. Pre-letting discussions are ongoing in respect to the office building.

While the Project Dockland schedule had been extended by approximately six to nine months, as previously disclosed, the majority of enabling works commenced in July 2020 and were on track to be completed in January 2021. The enabling works are currently on hold due to new restrictions (closure of construction sites) imposed by the Irish government in early January 2021. While such restrictions have lasted until April 2021, construction sites are gradually reopening, starting with residential sites first. The aforementioned delay and/or further delays may limit the ability of the borrower to obtain a senior secured development construction facility within the expected timeline as initially underwritten. We and our senior mortgage co-lenders regularly engage in discussions with the borrower to address continuing developments at the project.

The combination of project delays, the permitting process and uncertain market conditions as a result of COVID-19 (including adverse impacts on demand for office and residential space), continue to negatively impact the Colony Senior Lenders' investment interest and elevated concerns regarding the ability to secure an anchor tenant and realize the full amount of the existing senior mortgage loan. During the three months ended September 30, 2020, we placed the senior mortgage loan on nonaccrual status. During the three months ended December 31, 2020, we continued to maintain nonaccrual status and recorded our proportionate share of a fair value loss adjustment totaling $64.0 million, of which $57.7 million was allocated to our Company and $6.4 million was allocated to our partner in the "*5-Investment Preferred Financing.*" Refer to "Liquidity and Capital Resources" section for further discussion.

Project Dockland's fair value was based on a weighted average probability analysis of potential resolutions based on a number of factors which included the inability to secure an anchor tenant in a timely manner or at all, the lack of clarity around the timing of entitlements and continuing uncertain market conditions as a result of COVID-19. The loan's initial maturity date was December 31, 2020, and we have extended the loan to June 2021. We are working with the borrower and evaluating options, however uncertainties regarding development, permitting, leasing, and exit strategies may continue to impact our investment. During the three months ended March 31, 2021, there was no change in accrual status or fair value.

During the second quarter of 2020, we completed an asset level preferred financing on five assets which included Project Dockland. Refer to "Liquidity and Capital Resources" section for further discussion regarding the "*5-Investment Preferred Financing.*"

San Jose, California Hotel Senior Loan and Preferred Equity

	Loan Type	Collateral type	Origination Date	Carrying value	Principal balance	Coupon type	Cash Coupon	Unlevered all-in yield	Extended maturity date	Loan-to-value	Q1 Risk ranking
Loan 2	Senior	Hotel	1/2/2018	$ 160,700	$ 173,485	n/a	n/a	n/a	1/9/2023	62%	5
Loan 61	Preferred Equity	Hotel	8/17/2020	4,686	4,686	n/a	n/a	n/a	4/9/2022	n/a	5

We originated a $173.5 million senior loan for the sponsor's purchase of the San Jose Hotel. The loan included an initial funding of $166.6 million with an additional $6.9 million of future advances. At closing, the borrower contributed approximately $90.0 million of equity toward the acquisition.

The onset of the COVID-19 pandemic in the spring of 2020 created challenges across the hospitality industry. The global reduction in business travel directly impacted operations at the San Jose Hotel, which is located in the heart of downtown San Jose. Low occupancy led to weaker financial performance. In the fourth quarter of 2020, the borrower requested to terminate the existing hotel management agreement and pay the manager liquidated damages in accordance therewith, but the manager refused to acknowledge the termination of its management agreement. The principal of the borrower funded approximately $18.6 million to the borrower during 2020. Faced with the manager's refusal to take mutually agreeable action and additional losses that the borrower has indicated that it lacked available cash to fund, the borrower closed the hotel and filed for Chapter 11 bankruptcy in March 2021. The borrower has obtained bankruptcy court orders authorizing it to reject the existing hotel management agreement, and to solicit proposals for (a) subordinate financing to support the asset, and (b) a new contract with a new hotel manager to re-brand the hotel as a business-travel destination. The borrower is also seeking immediate determination of the amount of any damages owing to the former manager. We have entered into a restructuring support agreement with the borrower regarding the bankruptcy process, in our capacity as the sole senior secured creditor. The bankruptcy proceeding and rulings, the continued impact of COVID-19 on business travel, and other risks associated with a new hotel manager may negatively impact the value of our investment interest. During the three months ended March 31, 2021, we placed the senior loan and preferred equity investment on nonaccrual status.

Berkeley, California Hotel Senior Loan and Mezzanine Loan

	Loan Type	Collateral type	Origination Date	Carrying value	Principal balance	Coupon type	Cash Coupon	Unlevered all-in yield	Extended maturity date	Loan-to-value	Q1 Risk ranking
Loan 5	Senior	Hotel	6/28/2018	$ 114,889	$ 120,000	Floating	3.2%	5.2%	7/9/2025	66%	4
Loan 53	Mezzanine	Hotel	9/23/2019	27,578	29,290	Fixed	9.0%	11.5%	7/9/2025	66% -81%	4

We originated a $109.8 million senior loan in 2018 to replace the sponsor's existing financing on a hotel located in Berkeley, California (the "Berkeley Hotel"). The hotel includes meeting space, full-service restaurants and tennis club facilities. The loan included an initial funding of $98.8 million with an additional $11.0 million of future advances. The sponsor purchased the Berkeley Hotel in 2014 for a purchase price of $89.5 and has spent a significant amount on capital improvements. In September 2019, we upsized the senior loan to $120.0 million and provided a $29.3 million mezzanine loan to facilitate the sponsor's acquisition of a third party's equity interest in the property. Due to the COVID-19 pandemic the Berkeley Hotel was closed from April through July of 2020, during which time the loan stayed current through the combination of borrower reserves and lender advances from the mezzanine loan.

Subsequently, the hotel partially re-opened and began generating cash flow from operations, but cash flows are currently insufficient to fully cover the debt service payment. The borrower has supported any debt service shortfalls out-of-pocket. During January 2021 through April 2021, the Berkeley Hotel has experienced improved operating performance. COVID-19 cases in California continue to impact occupancy significantly, which may influence future borrower actions and support at the Berkeley Hotel and have a negative impact on performance of the asset and the value of our investment interest.

Long Island City, New York Office Senior Loans

	Loan Type	Collateral type	Origination Date	Carrying value	Principal balance	Coupon type	Cash Coupon	Unlevered all-in yield	Extended maturity date	Loan-to-value	Q1 Risk ranking
Loan 14	Senior	Office	4/5/2019	$ 62,523	$ 63,202	Floating	3.3%	5.7%	4/9/2024	58%	4
Loan 15	Senior	Office	5/29/2019	60,269	64,380	Floating	3.5%	6.0%	6/9/2024	59%	4

We originated two senior mortgage loans on two transitional office properties to the same sponsorship group. However, the borrowing entities are unrelated and the loans are neither cross-collateralized nor cross defaulted.

The New York City metro office markets have experienced substantial increases in vacancy rates due to the COVID-19 pandemic. The Long Island City market has experienced further increases in vacancy as newly developed or renovated properties have become available for leasing. This has had a negative impact on both the sponsor’s business plans and leasing activity for these two properties. As such, the underlying individual property cash flows are insufficient to cover their respective debt service payments. In March 2021, we agreed to shift future funding advances from the tenant improvements and leasing costs account to be used for interest carry and operations shortfalls for a period of six months on Loan 14 and twelve months on Loan 15. However, it is possible that these uncertain market conditions and borrower actions may result in a future valuation impairment or investment loss.

Student Housing Loan, Various - US

	Loan Type	Collateral type	Origination Date	Carrying value	Principal balance	Coupon type	Cash Coupon	Unlevered all-in yield	Extended maturity date	Loan-to-value	Q1 Risk ranking
Loan 8	Senior	Multifamily	4/11/2019	$ 87,832	$ 92,000	Floating	3.0%	5.8%	4/9/2024	65%	4

We originated a $92.0 million senior loan to refinance a portfolio of three cross-collateralized student housing properties. The prolonged effect of the COVID-19 pandemic has put stress on the student housing market and forced one of the three schools serviced by the portfolio to hold classes 100% remotely during the 2020-2021 academic year, drastically decreasing revenue.

We have agreed to forbear the tax and replacement reserve requirements from April 2021 to September 2021, while the borrower pursues a sale of all three properties. The borrower has provided accelerated remedies in the event of default after the forbearance period. Recent broker opinions of values for the three assets in aggregate indicate expected proceeds exceed the debt amount. However, it is possible that uncertain market conditions and borrower actions may result in a future valuation impairment or investment loss.

Other Impairment of Loans and Preferred Equity Held in Joint Ventures

During the second quarter of 2020 we recognized our proportionate share of a fair value loss adjustment totaling $7.0 million reducing the carrying value to $10.8 million from $17.8 million on one mezzanine loan secured by a mixed-use development project (“West Mixed-use”) of which we own 50.0% of the joint venture. The change in fair value was a result of revised sale expectations and its impact on repayment proceeds. During the first quarter of 2021, we recognized our proportionate share of an additional fair value loss adjustment totaling $3.8 million, which was based on a recent purchase and sale agreement which was executed in April 2021.

Payment-In-Kind (“PIK”) Interest Income

We have debt investments in our portfolio that contain a PIK provision. Contractual PIK interest, which represents contractually deferred interest added to the loan balance that is due at the end of the loan term, is generally recorded on an accrual basis to the extent such amounts are expected to be collected. During the three months ended March 31, 2021, we recorded total PIK interest of $3.5 million. We will generally cease accruing PIK interest if there is insufficient value to support the accrual or management does not expect the borrower to be able to pay all principal and interest due.

CRE Debt Securities

The following table presents an overview of our CRE debt securities as of March 31, 2021 (dollars in thousands):

			Weighted Average[1]			
CRE Debt Securities by ratings category[2]	Number of Securities	Book value	Cash coupon	Unlevered all-in yield	Remaining term	Ratings
Non-investment grade rated (BB)	1	$ 4,137	— %	— %	5.0	BB | B
"B-pieces" of CMBS securitization pools	8	68,172	2.4 %	10.6 %	4.4	—
Total/Weighted Average	9	$ 72,309	2.3 %	10.0 %	4.4	—

[1] Weighted average metrics weighted by book value, except for cash coupon which is weighted by principal balance.
[2] As of March 31, 2021, all CRE debt securities consisted of CMBS.

In April 2021, we sold our retained investments in the subordinate tranches of one securitization trust for $28.7 million in total proceeds. We will realize a gain of approximately $8.8 million in connection with the sale during the second quarter of 2021 and deconsolidate the securitization trust with gross assets and liabilities of approximately $0.8 billion and $0.8 billion, respectively.

Net Leased and Other Real Estate

Our net leased real estate investment strategy focuses on direct ownership in commercial real estate with an emphasis on properties with stable cash flow, which may be structurally senior to a third-party partner's equity. In addition, we may own net leased real estate investments through joint ventures with one or more partners. As part of our net leased real estate strategy, we explore a variety of real estate investments including multi-tenant office, multifamily, student housing and industrial. These properties are typically well-located with strong operating partners and we believe offer both attractive cash flow and returns. Additionally, we have three investments in direct ownership of commercial real estate with an emphasis on properties with stable cash flow, which may be structurally senior to a third-party partner's equity. We own these operating real estate investments through joint ventures with one or more partners. These properties are typically well-located with strong operating partners.

As of March 31, 2021, $699.0 million, or 19.9% of our assets were invested in net leased and other real estate properties and these properties were 94.0% occupied. The following table presents our net leased and other real estate investments as of March 31, 2021 (dollars in thousands):

	Count	Carrying Value[1]	NOI for the three months ended March 31, 2021[2]
Net leased real estate	9	$ 502,949	$ 9,073
Other real estate	3	196,023	3,114
Total/Weighted average net leased and other real estate	12	$ 698,972	$ 12,187

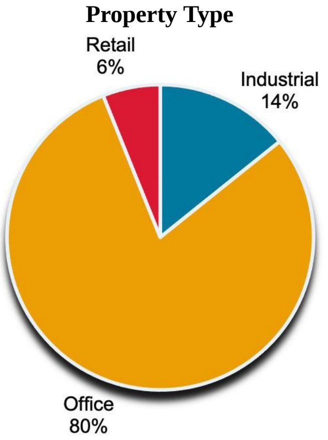
[1] Represents carrying values at our share as of March 31, 2021; includes real estate tangible assets, deferred leasing costs and other intangible assets less intangible liabilities.
[2] Excludes NOI of $1.6 million that relates to properties that have been sold. Please refer to "Non-GAAP Supplemental Financial Measures" for further information on NOI.

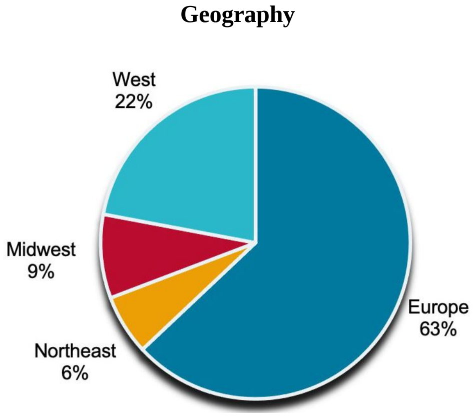
The following table provides asset-level detail of our net leased and other real estate as of March 31, 2021:

	Collateral type	City, State	Number of Properties	Number of Buildings	Rentable square feet ("RSF") / units/keys	Weighted average % leased[1]	Weighted average lease term (yrs)[2]
Net leased real estate							
Net lease 1	Office	Stavenger, Norway	1	26	1,290,926 RSF	100%	9.7
Net lease 2	Industrial	Various - U.S.	2	2	740,065 RSF	100%	17.3
Net lease 3	Office	Aurora, CO	1	1	183,529 RSF	100%	1.6
Net lease 4	Office	Indianapolis, IN	1	1	338,000 RSF	100%	9.7
Net lease 5	Retail	Various - U.S.	7	7	319,600 RSF	100%	2.8
Net lease 6	Office	Rockaway, NJ	1	1	121,038 RSF	100%	1.7
Net lease 7	Retail	Keene, NH	1	1	45,471 RSF	100%	7.8
Net lease 8	Retail	Fort Wayne, IN	1	1	50,000 RSF	100%	3.3
Net lease 9	Retail	South Portland, ME	1	1	52,900 RSF	100%	2.3
Total/Weighted average net leased real estate			16	41	3,141,529 RSF	100%	9.5
Other real estate							
Other real estate 1	Office	Creve Coeur, MO	7	7	847,604 RSF	93%	3.7
Other real estate 2	Office	Warrendale, PA	5	5	496,414 RSF	82%	4.3
Other real estate 3	Hotel	Coraopolis, PA	1	1	318 Keys	n/a	—
Total/Weighted average other real estate			13	13	n/a	88%	3.9
Total/Weighted average net leased and other real estate			29	54			

[1] Represents the percent leased as of March 31, 2021. Weighted average calculation based on carrying value at our share as of March 31, 2021.
[2] Based on in-place leases (defined as occupied and paying leases) as of March 31, 2021 and assumes that no renewal options are exercised. Weighted average calculation based on carrying value at our share as of March 31, 2021.

The following charts illustrate the concentration of our net leased real estate portfolio based on property type and geography as of March 31, 2021 (percentages based on book value at our share, which represents the proportionate book value based on our ownership by asset):





Stavenger, Norway Office Net Lease

	Collateral type	City, State	Number of Properties	Number of Buildings	Rentable square feet (“RSF”) / units/keys	Weighted average % leased	Weighted average lease term (yrs)
Net lease 1	Office	Stavenger, Norway	1	26	1,290,926 RSF	100%	9.7

In July 2018, we acquired a class A office campus in Stavenger, Norway (the “Norway Net Lease”) for $320 million. The office campus consists of 26 buildings, which includes rentable square footage of 1.3 million feet. This property is 100% occupied by a single tenant that is rated investment grade AA-/Aa2 from S&P and Moody’s, respectively. The property serves as their global headquarters. The Norway Net Lease requires the tenant to pay for all real estate related expenses, including operational expenditures, capital expenditures and municipality taxes. The Net Lease has a weighted average remaining lease term of 9.7 years and the tenant has the option to extend for two 5-year periods at the same terms with rent adjusted to market rent. The Net Lease also has annual rent increases based on the Norwegian CPI Index. Our tenant has injected a significant amount of capital into improvements of the property over the past 10 years. Financing on the Norway Net Lease consists of a mortgage payable of $170.1 million with a fixed rate of 3.91%, which matures in June 2025. The tenant has made all rent payments and is current on all its financial obligations under the lease. Both the lease payments and mortgage debt service are NOK denominated currency. We have one year put options of NOK for the notional amount of $92 million at a cost of $1.9 million. In April 2021, we entered into a series of USD-NOK forward swaps for the total notional amount of 274 million NOK in order to minimize our foreign currency cash flow risk. These quarterly forward swaps are over the next three years through May 2024, where we have agreed to sell NOK and buy USD at a locked in forward curve rate.

Results of Operations

In the first quarter of 2021, we elected to change our basis of comparison to compare the current quarter to the immediately preceding sequential quarter, rather than to the same quarter in the previous year. As this is the first filing in which this change is made, we are providing both comparisons. We believe comparing the current quarter to the immediately preceding sequential quarter provides a more meaningful analysis and relevant and informative representation of the changes in our operating results over time, given our business is not seasonal.

The following table summarizes our results of operations for the three months ended March 31, 2021 and December 31, 2020 (dollars in thousands):

	Three Months Ended March 31,	Three Months Ended December 31,	Increase (Decrease)	
	2021	2020	Amount	%
Net interest income				
Interest income	$ 34,374	$ 34,848	$ (474)	(1.4)%
Interest expense	(12,495)	(12,128)	(367)	3.0 %
Interest income on mortgage loans held in securitization trusts	19,689	30,905	(11,216)	(36.3)%
Interest expense on mortgage obligations issued by securitization trusts	(17,336)	(29,325)	11,989	(40.9)%
Net interest income	24,232	24,300	(68)	(0.3)%
Property and other income				
Property operating income	25,722	37,124	(11,402)	(30.7)%
Other income	45	757	(712)	(94.1)%
Total property and other income	25,767	37,881	(12,114)	(32.0)%
Expenses				
Management fee expense	7,258	7,503	(245)	(3.3)%
Property operating expense	8,111	10,868	(2,757)	(25.4)%
Transaction, investment and servicing expense	2,288	2,307	(19)	(0.8)%
Interest expense on real estate	8,633	11,759	(3,126)	(26.6)%
Depreciation and amortization	9,539	13,000	(3,461)	(26.6)%
Provision for loan losses	3,225	(1,724)	4,949	n.m
Impairment of operating real estate	—	9,302	(9,302)	(100.0)%
Administrative expense	12,595	6,983	5,612	80.4 %
Restructuring charges	109,171	—	109,171	n.m
Total expenses	160,820	59,998	(8,349)	n.m
Other income (loss)				
Unrealized gain (loss) on mortgage loans and obligations held in securitization trusts, net	8,638	(8,932)	17,570	n.m
Other gain, net	8,367	11,390	(3,023)	(26.5)%
Income (loss) before equity in earnings of unconsolidated ventures and income taxes	(93,816)	4,641	10,714	n.m
Equity in earnings (loss) of unconsolidated ventures	(2,478)	(65,284)	62,806	(96.2)%
Income tax benefit (expense)	1,801	(646)	2,447	n.m
Net loss	$ (94,493)	$ (61,289)	$ (33,204)	n.m

Comparison for Three Months Ended March 31, 2021 and December 31, 2020

Net Interest Income

Interest income

Interest income decreased by $0.5 million to $34.4 million for the three months ended March 31, 2021, as compared to the three months ended December 31, 2020. The decrease was primarily due to $1.7 million, related to loan payoffs, $1.3 million due to one loan placed on non-accrual status and $0.4 million in one-time fees earned during the fourth of quarter of 2020. This was partially offset by $3.2 million due to loan originations.

Interest expense

Interest expense increased by $0.4 million to $12.5 million for the three months ended March 31, 2021, as compared to the three months ended December 31, 2020. The decrease is primarily due to sales of CRE debt securities and loan payoffs. This was partially offset by new loans originations.

Net interest income on mortgage loans and obligations held in securitization trusts, net

Net interest income on mortgage loans and obligations held in securitization trusts, net increased by $0.8 million for the three months ended March 31, 2021, as compared to the three months ended December 31, 2020. This was primarily due to increased interest income on the retained investments in the subordinate tranches of two securitization trusts in the first quarter of 2021.

Property and other income

Property operating income

Property operating income decreased by $11.4 million to $25.7 million for the three months ended March 31, 2021, as compared to the three months ended December 31, 2020. The decrease was primarily due to real estate properties sold in 2020 and the sale of an industrial portfolio in January 2021.

Other income

Other income decreased by $0.7 million for the three months ended March 31, 2021, as compared to the three months ended December 31, 2020. The decrease was due to real estate sales during the year ended December 31, 2020.

Expenses

Management fee expense

Management fee expense decreased for the three months ended March 31, 2021 as compared to the three months ended December 31, 2020 by a de minimis amount.

Property operating expense

Property operating expense decreased by $2.8 million to $8.1 million for the three months ended March 31, 2021, as compared to the three months ended December 31, 2020. The decrease was primarily due to real estate properties sold in 2020 and the sale of an industrial portfolio in January 2021.

Transaction, investment and servicing expense

Transaction, investment and servicing expense decreased for the three months ended March 31, 2021 as compared to the three months ended December 31, 2020 by a de minimis amount.

Interest expense on real estate

Interest expense on real estate decreased by $3.1 million to $8.6 million for the three months ended March 31, 2021, as compared to the three months ended December 31, 2020 primarily due to a $3.2 million decrease due to the sale of real estate properties in 2020 and the sale of an industrial portfolio in January 2021.

Depreciation and amortization

Depreciation and amortization expense decreased by $3.5 million to $9.5 million for the three months ended March 31, 2021, as compared to the three months ended December 31, 2020. This was primarily due to a $4.1 million decrease resulting from the sale of an industrial building slightly offset by a $0.4 million increase resulting from fixed asset additions during the three months ended March 31, 2021.

Provision for loan losses

Provision for loan losses increased by $4.9 million during the three months ended March 31, 2021, as compared to the three months ended December 31, 2020, primarily due to an increase in CECL reserves recorded in accordance with ASU No. 2016-13, *Financial Instruments-Credit Losses.*

Impairment of operating real estate

Impairment of operating real estate decreased by $9.3 million for the three months ended March 31, 2021, as compared to the three months ended December 31, 2020. There were no impairments assessed during the three months ended March 31, 2021.

Administrative expense

Administrative expense increased by $5.6 million to $12.6 million for the three months ended March 31, 2021, as compared to the three months ended December 31, 2020. This was due to higher stock compensation expense of $4.2 million and employee compensation expense of $2.0 million partially offset by $0.3 million in lower costs allocated to us by our Manager.

Restructuring charges

During the three months ended March 31, 2021, we recorded $109.2 million in restructuring costs related to the termination of our Management Agreement with our Manager. This consisted of a one-time cash payment of $102.3 million to our Manager paid on April 30, 2021 and $6.9 million in additional restructuring costs consisting primarily of fees paid for legal and investment banking advisory services.

Other income (loss)

Unrealized gain (loss) on mortgage loans and obligations held in securitization trusts, net

During the three months ended March 31, 2021, we recorded an unrealized gain of $8.6 million on mortgage loans and obligations held in securitization trusts, net which represents the change in fair value of the assets and liabilities of the securitization trusts consolidated as a result of our investment in the subordinate tranches of these securitization trusts.

Other gain, net

During the three months ended March 31, 2021, we recorded other gain, net of $8.4 million, primarily due to a realized gain of $11.8 million on the sale of an industrial portfolio. This was partially offset by a realized loss of $1.0 million recorded on one CRE CMBS security, in which the fair value dropped below the amortized cost basis. During the three months ended December 31, 2020, we recorded other gain, net of $11.4 million, primarily due to a $9.7 million realized gain on the sale of nine CRE CMBS securities.

Equity in earnings (loss) of unconsolidated ventures

Equity in earnings of unconsolidated ventures increased by $62.8 million to a loss of $2.5 million for the three months ended March 31, 2021, as compared to the three months ended December 31, 2020. This was primarily due to the Company recording its proportionate share of a $64.0 million fair value loss adjustment relating to one unconsolidated venture during the three months ended December 31, 2020.

Income tax benefit (expense)

Income tax benefit (expense) increased by $2.4 million to a benefit of $1.8 million for the three months ended March 31, 2021, as compared to the three months ended December 31, 2020, primarily due to a tax capital loss carryback relating to private equity investments.

The following table summarizes our portfolio results of operations for the three months ended March 31, 2021 and 2020 (dollars in thousands):

	Three Months Ended March 31,		Increase (Decrease)	
	2021	2020	Amount	%
Net interest income				
Interest income	$ 34,374	$ 46,104	$ (11,730)	(25.4)%
Interest expense	(12,495)	(20,744)	8,249	(39.8)%
Interest income on mortgage loans held in securitization trusts	19,689	20,555	(866)	(4.2)%
Interest expense on mortgage obligations issued by securitization trusts	(17,336)	(18,059)	723	(4.0)%
Net interest income	24,232	27,856	(3,624)	(13.0)%
Property and other income				
Property operating income	25,722	52,513	(26,791)	(51.0)%
Other income	45	9,409	(9,364)	(99.5)%
Total property and other income	25,767	61,922	(36,155)	(58.4)%
Expenses				
Management fee expense	7,258	7,946	(688)	(8.7)%
Property operating expense	8,111	22,531	(14,420)	(64.0)%
Transaction, investment and servicing expense	2,288	3,134	(846)	(27.0)%
Interest expense on real estate	8,633	13,078	(4,445)	(34.0)%
Depreciation and amortization	9,539	17,976	(8,437)	(46.9)%
Provision for loan losses	3,225	69,932	(66,707)	(95.4)%
Impairment of operating real estate	—	4,126	(4,126)	n.m.
Administrative expense	12,595	7,038	5,557	79.0 %
Restructuring charges	109,171	—	109,171	n.m.
Total expenses	160,820	145,761	15,059	10.3 %
Other income (loss)				
Unrealized gain (loss) on mortgage loans and obligations held in securitization trusts, net	8,638	(19,452)	28,090	n.m
Other gain (loss), net	8,367	(20,162)	28,529	n.m
Loss before equity in earnings of unconsolidated ventures and income taxes	(93,816)	(95,597)	1,781	(1.9)%
Equity in earnings (loss) of unconsolidated ventures	(2,478)	17,167	(19,645)	n.m
Income tax benefit (expense)	1,801	(1,711)	3,512	n.m
Net loss	$ (94,493)	$ (80,141)	$ (14,352)	n.m.

Comparison of Three Months Ended March 31, 2021 and March 31, 2020

Net Interest Income

Interest income

Interest income decreased by $11.7 million to $34.4 million for the three months ended March 31, 2021 as compared to the three months ended March 31, 2020. The decrease was primarily due to $10.2 million related to the repayment and sale of loans throughout 2020 and 2021 and $4.1 million related to sales of CRE securities and the placement of the remaining CRE securities on cost recovery status during the second quarter of 2020. This was offset by a $2.9 million increase from late 2020 and 2021 due to loan originations.

Interest expense

Interest expense decreased by $8.2 million to $12.5 million for the three months ended March 31, 2021 as compared to the three months ended March 31, 2020. The decrease was primarily due to $3.1 million related to paydowns of financing on our Bank Credit Facility and Master Repurchase Facilities, $3.0 million due to lower LIBOR rates on our securitization, as well as $1.5 million due to fully paying down our CMBS Credit Facilities. This was partially offset by a $1.0 million increase from fourth quarter 2020 and 2021 loan originations.

Net interest income on mortgage loans and obligations held in securitization trusts, net

Net interest income on mortgage loans and obligations held in securitization trusts, net decreased by $0.1 million for the three months ended March 31, 2021, as compared to the three months ended March 31, 2020, This was primarily due to decreased interest income on the retained investments in the subordinate tranches of two securitization trusts in the first quarter of 2021.

Property and other income

Property operating income

Property operating income decreased by $26.8 million to $25.7 million for the three months ended March 31, 2021, as compared to the three months ended March 31, 2020. The decrease was primarily due to real estate properties sold throughout 2020 and the sale of an industrial portfolio in January 2021.

Other income

Other income of $9.4 million for the three months ended March 31, 2020 was primarily attributable to unwinding certain NOK FX forward contracts during the quarter.

Expenses

Management fee expense

Management fee expense decreased by $0.7 million for the three months ended March 31, 2021, as compared to the three months ended March 31, 2020. The decrease was due to the reduction in stockholders' equity (as defined in the Management Agreement) as of March 31, 2021 compared to March 31, 2020.

Property operating expense

Property operating expense decreased by $14.4 million to $8.1 million for the three months ended March 31, 2021, as compared to the three months ended March 31, 2020. The decrease was primarily due to real estate properties sold throughout 2020 and the sale of an industrial portfolio in January 2021.

Transaction, investment and servicing expense

Transaction, investment and servicing expense decreased by $0.8 million to $2.3 million for the three months ended March 31, 2021, as compared to the three months ended March 31, 2020, primarily due to higher legal costs associated with exploring the internalization of management of the Company in the first quarter of 2020 partially offset by higher franchise taxes related to the taxable gain on sale of an industrial portfolio in 2021.

Interest expense on real estate

Interest expense on real estate decreased by $4.4 million to $8.6 million for the three months ended March 31, 2021, as compared to the three months ended March 31, 2020. The decrease was primarily due to real estate properties sold throughout 2020 and the sale of an industrial portfolio in January 2021.

Depreciation and amortization

Depreciation and amortization expense decreased by $8.4 million to $9.5 million for the three months ended March 31, 2021, as compared to the three months ended March 31, 2020. The decrease was primarily due to real estate properties sold throughout 2020 and the sale of an industrial portfolio in January 2021.

Provision for loan losses

Provision for loan losses decreased by $66.7 million for the three months ended March 31, 2021, as compared to the three months ended March 31, 2020. This was due to specific loan impairments of $40.9 million and incremental CECL reserves of $29.0 million for the three months ended March 31, 2020.

Impairment of operating real estate

Impairment of operating real estate was $4.1 million for the three months ended March 31, 2020. The impairment resulted from a reduction in the estimated holding period of certain properties sold during the period.

Administrative expense

Administrative expense increased by $5.6 million to $12.6 million for the three months ended March 31, 2021, as compared to the three months ended March 31, 2020. This increase was primarily due to higher stock compensation expense of $4.0 million and employee compensation of $2.0 million partially offset by lower indirect costs reimbursed to the Manager of $0.2 million.

Restructuring charges

During the three months ended March 31, 2021, we recorded $109.2 million in restructuring costs related to the termination of our Management Agreement with the Manager. This consisted of a one-time cash payment of $102.3 million to the Manager paid on April 30, 2021 and $6.9 million in additional restructuring costs consisting primarily of fees paid for legal and investment banking advisory services.

Other income (loss)

Unrealized gain (loss) on mortgage loans and obligations held in securitization trusts, net

During the three months ended March 31, 2021, we recorded an unrealized gain of $8.6 million on mortgage loans and obligations held in securitization trusts, net which represents the change in fair value of the assets and liabilities of the securitization trusts consolidated as a result of our investment in the subordinate tranches of these securitization trusts.

Other gain (loss), net

During the three months ended March 31, 2021, we recorded other gain, net of $8.4 million primarily due to a realized gain of $11.8 million on the sale of an industrial portfolio. During the three months ended March 31, 2020, we recorded other loss, net of $20.2 million primarily due to a $16.3 million unrealized loss on non-designated interest rate swap contracts and a $4.1 million unrealized loss on non-designated foreign exchange contracts.

Equity in earnings (loss) of unconsolidated ventures

Equity in earnings (losses) of unconsolidated ventures decreased by $19.6 million for the three months ended March 31, 2021, as compared to the three months ended March 31, 2020. This was primarily due to placing three loans held in joint ventures on non-accrual status which resulted in lower income of $12.7 million and three asset sales of $5.3 million.

Income tax benefit (expense)

Income tax benefit (expense) decreased by $3.5 million to an income tax benefit of $1.8 million for the three months ended March 31, 2021, as compared to the three months ended March 31, 2020, primarily due to a tax capital loss carryback relating to private equity investments.

Non-GAAP Supplemental Financial Measures

Distributable Earnings

We present Distributable Earnings, which is a non-GAAP supplemental financial measure of our performance. We believe that Distributable Earnings provides meaningful information to consider in addition to our net income and cash flow from operating activities determined in accordance with U.S. GAAP, and this metric is a useful indicator for investors in evaluating and comparing our operating performance to our peers and our ability to pay dividends. We elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, beginning with our taxable year ended December 31, 2018. As a REIT, we are required to distribute substantially all of our taxable income and we believe that dividends are one of the principal reasons investors invest in credit or commercial mortgage REITs such as our company. Over time, Distributable Earnings has been a useful indicator of our dividends per share and we consider that measure in determining the dividend, if any, to be paid. This supplemental financial measure also helps us to evaluate our performance excluding the effects of certain transactions and U.S. GAAP adjustments that we believe are not necessarily indicative of our current portfolio and operations. For information on the fees we paid the Manager, see Note 10, “Related Party Arrangements” to our consolidated financial statements included in this Form 10-Q.

We define Distributable Earnings as U.S. GAAP net income (loss) attributable to our common stockholders (or, without duplication, the owners of the common equity of our direct subsidiaries, such as our OP) and excluding (i) non-cash equity compensation expense, (ii) the expenses incurred in connection with our formation or other strategic transactions, (iii) the incentive fee, (iv) acquisition costs from successful acquisitions, (v) gains or losses from sales of real estate property and impairment write-downs of depreciable real estate, including unconsolidated joint ventures and preferred equity investments, (vi) CECL reserves determined by probability of default/loss given default (“PD/LGD”) model, (vii) depreciation and amortization, (viii) any unrealized gains or losses or other similar non-cash items that are included in net income for the current quarter, regardless of whether such items are included in other comprehensive income or loss, or in net income, (ix) one-time events pursuant to changes in U.S. GAAP and (x) certain material non-cash income or expense items that in the judgment of management should not be included in Distributable Earnings. For clauses (ix) and (x), such exclusions shall only be applied after approval by a majority of our independent directors. Distributable Earnings include provision for loan losses when realized. Loan losses are realized when such amounts are deemed nonrecoverable at the time the loan is repaid, or if the underlying asset is sold following foreclosure, or if we determine that it is probable that all amounts due will not be collected; realized loan losses to be included in Distributable Earnings is the difference between the cash received, or expected to be received, and the book value of the asset.

Distributable Earnings does not represent net income or cash generated from operating activities and should not be considered as an alternative to U.S. GAAP net income or an indication of our cash flows from operating activities determined in accordance with U.S. GAAP, a measure of our liquidity, or an indication of funds available to fund our cash needs. In addition, our methodology for calculating Distributable Earnings may differ from methodologies employed by other companies to calculate the same or similar non-GAAP supplemental financial measures, and accordingly, our reported Distributable Earnings may not be comparable to the Distributable Earnings reported by other companies.

The following table presents a reconciliation of net income (loss) attributable to our common stockholders to Distributable Earnings attributable to our common stockholders and noncontrolling interest of the Operating Partnership (dollars and share amounts in thousands, except per share data) for the three months ended March 31, 2021:

	Three Months Ended March 31, 2021
Net loss attributable to Colony Credit Real Estate, Inc. common stockholders	$ (92,314)
Adjustments:	
Net loss attributable to noncontrolling interest of the Operating Partnership	(1,953)
Non-cash equity compensation expense	4,262
Transaction costs	109,171
Depreciation and amortization	9,758
Net unrealized loss (gain):	
Other unrealized gain on investments	(8,372)
CECL reserves	3,225
Gains on sales of real estate and preferred equity	(9,782)
Adjustments related to noncontrolling interests	(175)
Distributable Earnings attributable to Colony Credit Real Estate, Inc. common stockholders and noncontrolling interest of the Operating Partnership	$ 13,820
Distributable Earnings per share[1]	$ 0.10
Weighted average number of common shares and OP units[1]	132,857

[1] We calculate Distributable Earnings (Loss) per share, a non-GAAP financial measure, based on a weighted-average number of common shares and OP units (held by members other than us or our subsidiaries). For the three months ended March 31, 2021, weighted average number of common shares includes 3.1 million OP units.

NOI

We believe NOI to be a useful measure of operating performance of our net leased and other real estate portfolios as they are more closely linked to the direct results of operations at the property level. NOI excludes historical cost depreciation and amortization, which are based on different useful life estimates depending on the age of the properties, as well as adjustments for the effects of real estate impairment and gains or losses on sales of depreciated properties, which eliminate differences arising from investment and disposition decisions. Additionally, by excluding corporate level expenses or benefits such as interest expense, any gain or loss on early extinguishment of debt and income taxes, which are incurred by the parent entity and are not directly linked to the operating performance of the Company’s properties, NOI provides a measure of operating performance independent of the Company’s capital structure and indebtedness. However, the exclusion of these items as well as others, such as capital expenditures and leasing costs, which are necessary to maintain the operating performance of the Company’s properties, and transaction costs and administrative costs, may limit the usefulness of NOI. 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 involves subjective judgment and discretion and may differ from the methodologies used by other companies, when calculating the same or similar supplemental financial measures and may not be comparable with other companies.

The following tables present a reconciliation of net income (loss) on our net leased and other real estate portfolios attributable to our common stockholders to NOI attributable to our common stockholders (dollars in thousands) for the three months ended March 31, 2021:

	Three Months Ended March 31, 2021
Net income attributable to Colony Credit Real Estate, Inc. common stockholders[1]	$ 9,098
Adjustments:	
Net loss attributable to noncontrolling interests in investment entities	(132)
Amortization of above- and below-market lease intangibles	183
Interest income	9
Interest expense on real estate	8,632
Other income	(34)
Transaction, investment and servicing expense	(12)
Depreciation and amortization	9,539
Administrative expense	31
Other gain on investments, net	(9,496)
Income tax benefit	(25)
NOI attributable to noncontrolling interest in investment entities	(3,998)
Total NOI, at share	$ 13,795

[1] Net income (loss) attributable to Colony Credit Real Estate, Inc. common stockholders excludes $101.4 million of net loss attributable to non-net leased and other real estate investments. The total net loss attributable to Colony Credit Real Estate, Inc.'s common stockholders was $92.3 million for the three months ended March 31, 2021.

Liquidity and Capital Resources

Overview

Our primary liquidity needs include commitments to repay borrowings, finance our assets and operations, meet future funding obligations, make distributions to our stockholders and fund other general business needs. We use significant cash to make additional investments, meet commitments to existing investments, repay the principal of and interest on our borrowings and pay other financing costs, make distributions to our stockholders and fund our operations, which includes making payments to the Manager in accordance with the Management Agreement through April 30, 2021.

Our primary sources of liquidity include cash on hand, cash generated from our operating activities and cash generated from asset sales and investment maturities. However, subject to maintaining our qualification as a REIT and our Investment Company Act exclusion, we may use several sources to finance our business, including bank credit facilities (including term loans and revolving facilities), master repurchase facilities and securitizations, as described below. In addition to our current sources of liquidity, there may be opportunities from time to time to access liquidity through public offerings of debt and equity securities. We also invested in a number of our assets through co-investments with other investment vehicles managed by affiliates of Colony Capital and/or third parties, which has and may allow us to pool capital to access larger transactions and diversify investment exposure.

Financing Strategy

We have a multi-pronged financing strategy that includes an up to $300 million ($450 million as of March 31, 2021) secured revolving credit facility, up to approximately $2.1 billion in secured revolving repurchase facilities, $840 million in non-recourse securitization financing, $699 million in commercial mortgages and $75 million in other asset-level financing structures. In addition, we may use other forms of financing, including additional warehouse facilities, public and private secured and unsecured debt issuances and equity or equity-related securities issuances by us or our subsidiaries. We may also finance a portion of our investments through the syndication of one or more interests in a whole loan. We will seek to match the nature and duration of the financing with the underlying asset's cash flow, including using hedges, as appropriate.

Debt-to-Equity Ratio

The following table presents our debt-to-equity ratio:

	March 31, 2021	December 31, 2020
Debt-to-equity ratio[1]	1.1x	1.0x

[1] Represents (i) total outstanding secured debt less cash and cash equivalents of $430.3 million and $474.8 million at March 31, 2021 and December 31, 2020, respectively to (ii) total equity, in each case, at period end.

Potential Sources of Liquidity

The COVID-19 pandemic has had a significant impact on our business, and we have taken actions since its onset to protect our liquidity. However, the pandemic's impact on the financial condition of our borrowers and their ability to make their monthly mortgage payments and remain in compliance with loan covenants and terms is uncertain, and the failure of our borrowers to meet their loan obligations may trigger repayments under our Bank Credit Facility and Master Repurchase Facilities.

Additionally, if our operating real estate lessees are unable to make monthly rent payments, we would be unable to make our monthly mortgage payments which could result in defaults under these obligations or trigger repayments under our Bank Credit Facility. If these events were to occur, we may not have sufficient available cash to repay amounts due.

Bank Credit Facilities

We use bank credit facilities (including term loans and revolving facilities) to finance our business. These financings may be collateralized or non-collateralized and may involve one or more lenders. Credit facilities typically have maturities ranging from two to five years and may accrue interest at either fixed or floating rates.

On February 1, 2018, the OP (together with certain subsidiaries of the OP from time to time party thereto as borrowers, collectively, the "Borrowers") entered into a credit agreement (the "Bank Credit Facility") with JPMorgan Chase Bank, N.A., as administrative agent, and the several lenders from time to time party thereto (the "Lenders"), pursuant to which the Lenders agreed to provide a revolving credit facility.

On April 5, 2021, we entered into a fourth amendment to the Bank Credit Facility to: (i) permit the OP to consummate the Internalization; (ii) reduce the minimum tangible net worth covenant requirement from $1.5 billion to $1.35 billion upon consummation of the Internalization; (iii) increase our ability to make restricted payments including additional dividends and stock buybacks and the removal all material restrictions on new investments, in each case, so long as no default exists and the OP is in compliance with the financial covenants; (iv) increase the maximum amount available for borrowing from 90% to 100% of borrowing base value; and (v) reduce the aggregate amount of lender commitments from $450 million to $300 million.

Advances under the Bank Credit Facility accrue interest at a per annum rate equal to, at the applicable Borrower's election, either a LIBOR rate plus a margin of 2.25%, or a base rate determined according to a prime rate or federal funds rate plus a margin of 1.25%. An unused commitment fee at a rate of 0.25% or 0.35%, per annum, depending on the amount of facility utilization, applies to un-utilized borrowing capacity under the Bank Credit Facility. Amounts owing under the Bank Credit Facility may be prepaid at any time without premium or penalty, subject to customary breakage costs in the case of borrowings with respect to which a LIBOR rate election is in effect.

The maximum amount available for borrowing at any time under the Bank Credit Facility is limited to a borrowing base valuation of certain investment assets, with the valuation of such investment assets generally determined according to a percentage of adjusted net book value. As of the date hereof, the borrowing base valuation is sufficient to support the outstanding borrowings. The Bank Credit Facility will mature on February 1, 2022, unless the OP elects to exercise the extension options for up to two additional terms of six months each, subject to the terms and conditions in the Bank Credit Facility, resulting in a latest maturity date of February 1, 2023.

The obligations of the Borrowers under the Bank Credit Facility are guaranteed by substantially all material wholly owned subsidiaries of the OP pursuant to a Guarantee and Collateral Agreement with the OP and certain subsidiaries of the OP in favor of JPMorgan Chase Bank, N.A., as administrative agent (the "Guarantee and Collateral Agreement") and, subject to certain exceptions, secured by a pledge of substantially all equity interests owned by the Borrowers and the guarantors, as well as by a security interest in deposit accounts of the Borrowers and the Guarantors (as such terms are defined in the Guarantee and Collateral Agreement) in which the proceeds of investment asset distributions are maintained.

The Bank Credit Facility contains various affirmative and negative covenants, including, among other things, the obligation of the Company to maintain REIT status and be listed on the NYSE, and limitations on debt, liens and restricted payments. In addition, the Bank Credit Facility includes the following financial covenants applicable to the OP and its consolidated subsidiaries: (a) consolidated tangible net worth of the OP must be greater than or equal to the sum of (i) $1.35 billion and (ii) 75% of the proceeds received by the OP from any offering of its common equity and of the proceeds from any offering by the Company of its common equity to the extent such proceeds are contributed to the OP, excluding any such proceeds that are contributed to the OP within ninety (90) days of receipt and applied to acquire capital stock of the OP; (b) the OP's earnings before interest, income tax, depreciation, and amortization plus lease expenses to fixed charges for any period of four (4) consecutive fiscal quarters must be not less than 1.50 to 1.00; (c) the OP's interest coverage ratio must be not less than 3.00 to 1.00; and (d) the OP's ratio of consolidated total debt to consolidated total assets must be not more than 0.70 to 1.00. The Bank Credit Facility also includes customary events of default, including, among other things, failure to make payments when due, breach of covenants or representations, cross default to material indebtedness or material judgment defaults, bankruptcy matters involving any Borrower or any Guarantor and certain change of control events. The occurrence of an event of default will limit the ability of the OP and its subsidiaries to make distributions and may result in the termination of the credit facility, acceleration of repayment obligations and the exercise of remedies by the Lenders with respect to the collateral.

Master Repurchase Facilities and CMBS Credit Facilities

Currently, our primary source of financing is our Master Repurchase Facilities, which we use to finance the origination of senior loans, and CMBS Credit Facilities, which we use to finance the purchase of securities. Repurchase agreements effectively allow us to borrow against loans, participations and securities that we own in an amount generally equal to (i) the market value of such loans, participations and/or securities multiplied by (ii) the applicable advance rate. Under these agreements, we sell our loans, participations and securities to a counterparty and agree to repurchase the same loans and securities from the counterparty at a price equal to the original sales price plus an interest factor. During the term of a repurchase agreement, we receive the principal and interest on the related loans, participations and securities and pay interest to the lender under the master repurchase agreement. We intend to maintain formal relationships with multiple counterparties to obtain master repurchase financing on favorable terms.

During the first quarter of 2021, we entered into an amendment under our Master Repurchase Facility with Bank 3 and Bank 7 to extend the maturity date by two years and three years, respectively.

In April 2021, we entered into an amendment under our Master Repurchase Facility with Bank 1 and Bank 8 to extend the maturity date by three years and two years, respectively.

In May 2021, we entered into an amendment under our Master Repurchase Facility with Bank 9 to extend the maturity date by three years.

Additionally, in April 2021, we entered into amendments under our six Master Repurchase Facilities to: (i) permit the guarantor to consummate the Internalization; and (ii) reduce the minimum tangible net worth covenant requirement from $1.5 billion to $1.35 billion upon consummation of the Internalization.

The following table presents a summary of our Master Repurchase and Bank Credit Facilities as of March 31, 2021 (dollars in thousands):

	Maximum Facility Size	Current Borrowings	Weighted Average Final Maturity (Years)	Weighted Average Interest Rate
Master Repurchase Facilities				
Bank 1	$ 400,000	$ 122,333	2.1	LIBOR + 1.97%
Bank 2	21,353	19,353	1.5	LIBOR + 2.50%
Bank 3	600,000	231,058	1.1	LIBOR + 2.12%
Bank 7	500,000	199,700	3.1	LIBOR + 2.09%
Bank 8	250,000	127,480	0.2	LIBOR + 1.96%
Bank 9	300,000	87,999	2.6	LIBOR + 1.94%
Total Master Repurchase Facilities	2,071,353	787,923		
Bank Credit Facility	450,000	—	1.8	LIBOR + 2.25%
Total Facilities	$ 2,521,353	$ 787,923		

Securitizations

We may seek to utilize non-recourse long-term securitizations of our investments in mortgage loans, especially loan originations, to the extent consistent with the maintenance of our REIT qualification and exclusion from the Investment Company Act in order to generate cash for funding new investments. This would involve conveying a pool of assets to a special purpose vehicle (or the issuing entity), which would issue one or more classes of non-recourse notes pursuant to the terms of an indenture. The notes would be secured by the pool of assets. In exchange for the transfer of assets to the issuing entity, we would receive the cash proceeds on the sale of non-recourse notes and a 100% interest in the equity of the issuing entity. The securitization of our portfolio investments might magnify our exposure to losses on those portfolio investments because any equity interest we retain in the issuing entity would be subordinate to the notes issued to investors and we would, therefore, absorb all of the losses sustained with respect to a securitized pool of assets before the owners of the notes experience any losses.

In October 2019, we executed a securitization transaction through our subsidiaries, CLNC 2019-FL1, which resulted in the sale of $840 million of investment grade notes. The securitization reflects an advance rate of 83.5% at a weighted average cost of funds of LIBOR plus 1.59%, and is collateralized by a pool of 20 senior loans, which we originated.

CLNC 2019-FL1 includes a two-year reinvestment feature that allows us to contribute existing or newly originated loan investments in exchange for proceeds from repayments or repurchases of loans held in CLNC 2019-FL1, subject to the satisfaction of certain conditions set forth in the indenture. In addition to existing eligible loans available for reinvestment, the continued origination of securitization eligible loans is required to ensure that we reinvest the available proceeds within CLNC 2019-FL1. During the three months ended March 31, 2021 and through May 5, 2021, two loans held in CLNC 2019-FL1 were either fully or partially repaid, totaling $41.2 million. We replaced the repaid loan by contributing existing loan investments of equal value.

Additionally, CLNC 2019-FL1 contains note protection tests that can be triggered as a result of contributed loan defaults, losses, and certain other events outlined in the indenture, beyond established thresholds. A note protection test failure that is not remedied can result in the redirection of interest proceeds from the below investment grade tranches to amortize the most senior outstanding tranche. While we continue to closely monitor all loan investments contributed to CLNC 2019-FL1, a deterioration in the performance of an underlying loan could negatively impact our liquidity position.

5-Investment Preferred Financing

On June 5, 2020, we entered into a preferred financing arrangement (on a portfolio of five of our underlying investment interests) (the “5-Investment Preferred Financing”) from investment vehicles managed by Goldman Sachs (“GS”). The preferred financing provided $200 million of proceeds at closing.

The preferred financing is limited to (i) our interests in four co-investments alongside investment funds managed by affiliates of the Manager, each of which are financings on underlying development projects (including residential, office and/or mixed-use components), and (ii) a wholly-owned triple-net industrial distribution center investment leased to a national grocery chain. The preferred financing provides GS a 10% preferred return and certain other minimum returns, as well as a minority interest in future cash flows.

The transaction resulted in net liquidity to us of approximately $170 million, net of approximately $30 million in paydowns under the Company’s Bank Credit Facility. The preferred financing provides the ability to draw down up to an additional $29 million of commitments from GS for future advances to the portfolio, if any, at our same advance rate.

The following table presents a summary of the five assets included in the portfolio financing as of March 31, 2021 (dollars in thousands):

City, State	Collateral	Asset Type / #[1]	GS [2]	CLNC [2]	Total
Dublin, Ireland	Mixed Use	Loan 33	$ 104,895	$ 22,869	$ 127,764
Various, US	Industrial	Net Leased 2	55,816	20,177	75,993
Rolling Hills, CA	Single Family Development	Loan 56 and 63	40,420	8,812	49,232
Dublin, Ireland	Office	Loans 55 and 62	42,163	9,192	51,355
San Rafael, CA	Mixed Use	Loan 58	5,766	1,257	7,023
Total Net Assets			$ 249,060	$ 62,307	$ 311,367

(1) For further details on each asset included in the portfolio financing please refer to “Our Portfolio” in the section titled “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

(2) The portfolio financing recognized $0.2 million in expenses for the period ended March 31, 2021 that are excluded from the assets shown in the table above.

We and our affiliates control the continuing investment and portfolio management of such investments and such investments are consolidated on our consolidated balance sheet at March 31, 2021. The preferred financing provides for a disproportionate allocation of profits and losses and the share of income or loss is determined using a balance sheet approach known as the hypothetical liquidation at book value (“HLBV”) method. Under the HLBV method, earnings and losses are recognized based on how an entity would allocate and distribute its cash if it were to sell all of its assets and settle its liabilities for their carrying amounts and liquidate at the reporting date. Under the HLBV method, we could record, in any period, more or less income than may be generated in the case of an actual liquidation. The preferred financing resulted in a reallocation of a portion of stockholders equity to noncontrolling interest, resulting in a $69 million day one reduction in stockholders equity. The noncontrolling interest in investment entities on our consolidated balance sheet includes $248.9 million representing GS's investment at March 31, 2021 under the HLBV method.

The following table presents a summary of the members' capital for the period ended March 31, 2021 (dollars in thousands):

	GS	CLNC	Total
Beginning Balance - January 1, 2021	$ 259,524	$ 71,085	$ 330,609
Contributions [(1)]	983	889	1,872
Distributions [(2)]	(10,741)	—	(10,741)
Profit / (Loss) allocation [(3)]	(861)	(9,704)	(10,565)
Ending Balance - March 31, 2021	$ 248,905	$ 62,270	$ 311,175

(1) Future advances on Loan 55 and Loan 62.
(2) Distribution from Net Lease 2 totaled $10.3 million and Loan 56 and Loan 63 totaled $0.4 million.
(3) Losses during the period were driven by $8.1 million in foreign currency translation on our two Dublin, Ireland investments, and the $3.8 million fair value adjustment, of which $3.4 million was allocated to CLNC and $0.4 million was allocated to GS, on our San Rafael, CA mixed-use Loan 58. These losses were offset by gains in other investments in the portfolio.

Other potential sources of financing

In the future, we may also use other sources of financing to fund the acquisition of our target assets, including secured and unsecured forms of borrowing and selective wind-down and dispositions of assets. We may also seek to raise equity capital or issue debt securities in order to fund our future investments.

Cash Flows

The following presents a summary of our consolidated statements of cash flows for the three months ended March 31, 2021 and 2020 (dollars in thousands):

	Three Months Ended March 31,		
Cash flow provided by (used in):	**2021**	**2020**	**Change**
Operating activities	$ 1,660	$ 57,204	$ (55,544)
Investing activities	(38,334)	275,363	(313,697)
Financing activities	(18,533)	26,524	(45,057)

Operating Activities

Cash inflows from operating activities are generated primarily through interest received from loans receivable and securities, property operating income from our real estate portfolio, and distributions of earnings received from unconsolidated ventures. This is partially offset by payment of interest expenses for credit facilities and mortgages payable, and operating expenses supporting our various lines of business, including property management and operations, loan servicing and workout of loans in default, investment transaction costs, as well as general administrative costs.

Our operating activities generated net cash inflows of $1.7 million and $57.2 million for the three months ended March 31, 2021 and 2020, respectively. Net cash provided by operating activities decreased $55.5 million for the three months ended March 31, 2021 compared to the three months ended March 31, 2020, primarily due to lower net property operating income and net interest income earned resulting from sales of real estate properties and loans throughout 2020.

We believe cash flows from operations, available cash balances and our ability to generate cash through short- and long-term borrowings are sufficient to fund our operating liquidity needs.

Investing Activities

Investing activities include cash outlays for acquisition of real estate, disbursements on new and/or existing loans, and contributions to unconsolidated ventures, which are partially offset by repayments and sales of loan receivables, distributions of capital received from unconsolidated ventures, proceeds from sale of real estate, as well as proceeds from maturity or sale of securities.

Investing activities generated net cash outflows of $38.3 million for the three months ended March 31, 2021. Net cash used in investing activities in 2021 resulted primarily from originations and future advances on our loans and preferred equity held for investment, net of $432.9 million and contributions to investments in unconsolidated ventures of $1.8 million partially offset by proceeds from sales of real estate of $332.0 million, repayments on loan and preferred equity held for investment of $41.3 million and proceeds from sale of real estate securities, available for sale of $5.1 million.

Investing activities generated net cash inflows of $275.4 million for the three months ended March 31, 2020. Net cash provided by investing activities in 2020 resulted primarily from proceeds from sale of real estate of $160.8 million, repayment on loan and preferred equity held for investment of $160.1 million, net receipts on settlement of derivative instruments of $19.6 million and distributions in excess of cumulative earnings from unconsolidated ventures of $16.5 million, partially offset by future advances on our loans and preferred equity held for investment, net of $37.5 million, change in escrow deposits of $25.0 million, investments in unconsolidated ventures of $16.7 million and additions to real estate of $11.3 million.

Financing Activities

We finance our investing activities largely through borrowings secured by our investments along with capital from third party or affiliated co-investors. We also have the ability to raise capital in the public markets through issuances of common stock, as well as draw upon our corporate credit facility, to finance our investing and operating activities. Accordingly, we incur cash outlays for payments on third party debt, dividends to our common stockholders as well as distributions to our noncontrolling interests.

Financing activities used net cash of $18.5 million for the three months ended March 31, 2021. Net cash used in financing activities in 2021 resulted primarily from repayment of mortgage notes of $251.8 million, repayment of credit facilities of $76.8 million, and distributions to noncontrolling interests in the amount of $10.8 million. This was partially offset by of borrowings from credit facilities in the amount of $329.3 million.

Financing activities generated net cash inflow of $26.5 million for the three months ended March 31, 2020. Net cash provided by financing activities in 2020 resulted primarily from borrowings from credit facilities of $250.0 million and borrowings from mortgage notes of $2.3 million, partially offset by repayment of credit facilities of $88.8 million, repayment of mortgage notes of $76.6 million, distributions paid on common stock and common stock to noncontrolling interests of $38.5 million and distributions to noncontrolling interests of $11.0 million.

Contractual Obligations, Commitments and Contingencies of the Company

The following table sets forth the known contractual obligations of the Company on an undiscounted basis. This table excludes obligations of the Company that are not fixed and determinable, including the Management Agreement (dollars in thousands):

		Payments Due by Period			
	Total	Less than a Year	1-3 Years	3-5 Years	More than 5 Years
Bank credit facility[1]	$ 2,918	$ 1,575	$ 1,343	$ —	$ —
Secured debt[2]	1,808,741	190,444	553,674	792,658	271,965
Securitization bonds payable[3]	912,622	49,391	782,627	80,604	—
Ground lease obligations[4]	32,199	3,075	6,051	4,265	18,808
	$ 2,756,480	$ 244,485	$ 1,343,695	$ 877,527	$ 290,773
Lending commitments[5]	219,414				
Total	$ 2,975,894				

[1] Future interest payments were estimated based on the applicable index at March 31, 2021 and unused commitment fee of 0.35% per annum, assuming principal is repaid on the current maturity date of February 2022.

[2] Amounts include minimum principal and interest obligations through the initial maturity date of the collateral assets. Interest on floating rate debt was determined based on the applicable index at March 31, 2021.

[3] The timing of future principal payments was estimated based on expected future cash flows of underlying collateral loans. Repayments are estimated to be earlier than contractual maturity only if proceeds from underlying loans are repaid by the borrowers.

[4] The Company assumed noncancelable operating ground leases as lessee or sublessee in connection with net lease properties acquired through the CLNY Contributions. The amounts represent minimum future base rent commitments through initial expiration dates of the respective leases, excluding any contingent rent payments. Rents paid underground leases are recoverable from tenants.

[5] Future lending commitments may be subject to certain conditions that borrowers must meet to qualify for such fundings. Commitment amount assumes future fundings meet the terms to qualify for such fundings.

Our Investment Strategy

Our objective is to generate consistent and attractive risk-adjusted returns to our stockholders. We seek to achieve this objective primarily through cash distributions and the preservation of invested capital. We believe our diversified investment strategy across the CRE capital stack provides flexibility through economic cycles to achieve attractive risk-adjusted returns. This approach is driven by a disciplined investment strategy, focused on:

- capitalizing on asset level underwriting experience and market analytics to identify investments with attractive risk-return profiles;
- primarily originating and structuring CRE senior mortgage loans and selective investments in mezzanine loans and preferred equity with attractive return profiles relative to the underlying value and financial operating performance of the real estate collateral, given the strength and quality of the sponsorship;
- structuring transactions with a prudent amount of leverage, if any, given the risk of the underlying asset's cash flows, attempting to match the structure and duration of the financing with the underlying asset's cash flows, including through the use of hedges, as appropriate.
- identifying net leased real estate investments based on property location and purpose, tenant credit quality, market lease rates and potential appreciation of, and alternative uses for, the real estate; and
- selectively identifying appropriate CRE debt securities investments based on the performance of the underlying real estate assets, the impact of such performance on the credit return profile of the investments and our expected return on the investments;

The period for which we intend to hold our investments will vary depending on the type of asset, interest rates, investment performance, micro and macro real estate environment, capital markets and credit availability, among other factors. We generally expect to hold debt investments until the stated maturity and equity investments in accordance with each investment's proposed business plan. We may sell all or a partial ownership interest in an investment before the end of the expected holding period if we believe that market conditions have maximized its value to us or the sale of the asset would otherwise be in the best interests of our stockholders.

Our investment strategy is dynamic and flexible, enabling us to adapt to shifts in economic, real estate and capital market conditions and to exploit market inefficiencies. We may expand or change our investment strategy or target assets over time in response to opportunities available in different economic and capital market conditions. This flexibility in our investment strategy allows us to employ a customized, solutions-oriented approach, which we believe is attractive to borrowers and tenants. We believe that our diverse portfolio, our ability to originate, acquire and manage our target assets and the flexibility of our investment strategy positions us to capitalize on market inefficiencies and generate attractive long-term risk-adjusted returns for our stockholders through a variety of market conditions and economic cycles.

Underwriting, Asset and Risk Management

We closely monitor our portfolio and actively manages risks associated with, among other things, our assets and interest rates. Prior to investing in any particular asset, the underwriting team, in conjunction with third party providers, undertakes a rigorous asset-level due diligence process, involving intensive data collection and analysis, to ensure that we understand fully the state of the market and the risk-reward profile of the asset. Beginning in 2021, our investment and portfolio management and risk assessment practices diligence the environmental, social and governance ("ESG") standards of our business counterparties, including borrowers, sponsors, partners and service providers, and that of our investment assets and underlying collateral, which may include sustainability initiatives, recycling, energy efficiency and water management, volunteer and charitable efforts, anti-money laundering and know-your-client policies, and diversity, equity and inclusion practices in workforce leadership, composition and hiring practices. Prior to making a final investment decision, we focus on portfolio diversification to determine whether a target asset will cause our portfolio to be too heavily concentrated with, or cause too much risk exposure to, any one borrower, real estate sector, geographic region, source of cash flow for payment or other geopolitical issues. If we determine that a proposed acquisition presents excessive concentration risk, it may determine not to acquire an otherwise attractive asset.

For each asset that we acquire, our asset management team engages in active management of the asset, the intensity of which depends on the attendant risks. The asset manager works collaboratively with the underwriting team to formulate a strategic plan for the particular asset, which includes evaluating the underlying collateral and updating valuation assumptions to reflect changes in the real estate market and the general economy. This plan also generally outlines several strategies for the asset to extract the maximum amount of value from each asset under a variety of market conditions. Such strategies may vary depending on the type of asset, the availability of refinancing options, recourse and maturity, but may include, among others, the restructuring of non-performing or sub-performing loans, the negotiation of discounted pay-offs or other modification of the terms governing a loan, and the foreclosure and management of assets underlying non-performing loans in order to reposition them for profitable disposition. We continuously track the progress of an asset against the original business plan to ensure that the attendant risks of continuing to own the asset do not outweigh the associated rewards. Under these circumstances, certain assets will require intensified asset management in order to achieve optimal value realization.

Our asset management team engages in a proactive and comprehensive on-going review of the credit quality of each asset it manages. In particular, for debt investments on at least an annual basis, the asset management team will evaluate the financial wherewithal of individual borrowers to meet contractual obligations as well as review the financial stability of the assets securing such debt investments. Further, there is ongoing review of borrower covenant compliance including the ability of borrowers to meet certain negotiated debt service coverage ratios and debt yield tests. For equity investments, the asset management team, with the assistance of third-party property managers, monitors and reviews key metrics such as occupancy, same store sales, tenant payment rates, property budgets and capital expenditures. If through this analysis of credit quality, the asset management team encounters declines in credit not in accord with the original business plan, the team evaluates the risks and determine what changes, if any, are required to the business plan to ensure that the attendant risks of continuing to hold the investment do not outweigh the associated rewards.

In addition, the audit committee of our Board of Directors, in consultation with management, periodically reviews our policies with respect to risk assessment and risk management, including key risks to which we are subject, including credit risk, liquidity risk and market risk, and the steps that management has taken to monitor and control such risks.

Critical Accounting Policies

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP, which requires the use of estimates and assumptions that involve the exercise of judgment and that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. There have been no material changes to our critical accounting policies since the filing of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

Recent Accounting Updates

For recent accounting updates, refer to Note 2, “Summary of Significant Accounting Policies” in our accompanying consolidated financial statements included in Part I, Item 1, “Financial Statement.”

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our primary market risks are interest rate risk, prepayment risk, extension risk, credit risk, real estate market risk, capital market risk and foreign currency risk, either directly through the assets held or indirectly through investments in unconsolidated ventures, with each risk heightened as a result of the ongoing and numerous adverse impacts of the COVID-19 pandemic. As stated in the “Impact of COVID-19” section in “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations,” we are taking steps to mitigate certain risks associated with COVID-19, however the extent to which the COVID-19 pandemic impacts us, our business, our borrowers and our tenants will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the scope, severity and duration of the pandemic, the actions taken to contain the pandemic or mitigate its impact, and the direct and indirect economic efforts of the pandemic and containment measures, among others.

Interest Rate Risk

Interest rate risk relates to the risk that the future cash flow of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is highly sensitive to many factors, including governmental, monetary and tax policies, domestic and international economic and political considerations and other factors beyond our control. Credit curve spread risk is highly sensitive to the dynamics of the markets for loans and securities we hold. Excessive supply of these assets combined with reduced demand will cause the market to require a higher yield. This demand for higher yield will cause the market to use a higher spread over the U.S. Treasury securities yield curve, or other benchmark interest rates, to value these assets.

As U.S. Treasury securities are priced to a higher yield and/or the spread to U.S. Treasuries used to price the assets increases, the price at which we could sell some of our fixed rate financial assets may decline. Conversely, as U.S. Treasury securities are priced to a lower yield and/or the spread to U.S. Treasuries used to price the assets decreases, the value of our fixed rate financial assets may increase. Fluctuations in LIBOR may affect the amount of interest income we earn on our floating rate borrowings and interest expense we incur on borrowings indexed to LIBOR, including under credit facilities and investment-level financing.

We utilize a variety of financial instruments on some of our investments, including interest rate swaps, caps, floors and other interest rate exchange contracts, in order to limit the effects of fluctuations in interest rates on their operations. The use of these types of derivatives to hedge interest-earning assets and/or interest-bearing liabilities carries certain risks, including the risk that losses on a hedge position will reduce the funds available for distribution and that such losses may exceed the amount invested in such instruments. A hedge may not perform its intended purpose of offsetting losses of rising interest rates. Moreover, with respect to certain of the instruments used as hedges, there is exposure to the risk that the counterparties may cease making markets and quoting prices in such instruments, which may inhibit the ability to enter into an offsetting transaction with respect to an open position. Our profitability may be adversely affected during any period as a result of changing interest rates.

As of March 31, 2021, a hypothetical 100 basis point increase in the applicable interest rate benchmark on our loan portfolio would decrease interest income by $11.5 million annually, net of interest expense.

Prepayment risk

Prepayment risk is the risk that principal will be repaid at a different rate than anticipated, resulting in a less than expected return on an investment. As prepayments of principal are received, any premiums paid on such assets are amortized against interest income, while any discounts on such assets are accreted into interest income. Therefore, an increase in prepayment rates has the following impact: (i) accelerates amortization of purchase premiums, which reduces interest income earned on the assets; and conversely, (ii) accelerates accretion of purchase discounts, which increases interest income earned on the assets.

Extension risk

The weighted average life of assets is projected based on assumptions regarding the rate at which borrowers will prepay or extend their mortgages. If prepayment rates decrease or extension options are exercised by borrowers at a rate that deviates significantly from projections, the life of fixed rate assets could extend beyond the term of the secured debt agreements. This in turn could negatively impact liquidity to the extent that assets may have to be sold and losses may be incurred as a result.

Credit risk

Investment in loans held for investment is subject to a high degree of credit risk through exposure to loss from loan defaults. Default rates are subject to a wide variety of factors, including, but not limited to, borrower financial condition, property performance, property management, supply/demand factors, construction trends, consumer behavior, regional economics, interest rates, the strength of the U.S. economy and other factors beyond our control, all of which have and may continue to be detrimentally impacted by the COVID-19 pandemic. All loans are subject to a certain probability of default. We manage credit risk through the underwriting process, acquiring investments at the appropriate discount to face value, if any, and establishing loss assumptions. Performance of the loans is carefully monitored, including those held through joint venture investments, as well as external factors that may affect their value.

We are also subject to the credit risk of the tenants in our properties, including business closures, occupancy levels, meeting rent or other expense obligations, lease concessions, and ESG standards and practices among other factors, all of which have and may continue to be detrimentally impacted by the COVID-19 pandemic. We seek to undertake a rigorous credit evaluation of the tenants prior to acquiring properties. This analysis includes an extensive due diligence investigation of the tenants’ businesses, as well as an assessment of the strategic importance of the underlying real estate to the respective tenants’ core business operations. Where appropriate, we may seek to augment the tenants’ commitment to the properties by structuring various credit enhancement mechanisms into the underlying leases. These mechanisms could include security deposit requirements or guarantees from entities that are deemed credit worthy.

We are working closely with our borrowers and tenants to address the impact of COVID-19 on their business. Our in-depth understanding of CRE and real estate-related investments, and in-house underwriting, asset management and resolution capabilities, provides us and management with a sophisticated full-service platform to regularly evaluate our investments and determine primary, secondary or alternative strategies to manage the credit risks described above. This includes intermediate servicing and complex and creative negotiating, restructuring of non-performing investments, foreclosure considerations, intense management or development of owned real estate, in each case to manage the risks faced to achieve value realization events in our interests and our stockholders. Solutions considered due to the impact of the COVID-19 pandemic may include defensive loan or lease modifications, temporary interest or rent deferrals or forbearances, converting current interest payment obligations to payment-in-kind, repurposing reserves and/or covenant waivers. Depending on the nature of the underlying investment and credit risk, we may pursue repositioning strategies through judicious capital investment in order to extract value from the investment or limit losses.

There can be no assurance that the measures taken will be sufficient to address the negative impact the COVID-19 pandemic may have on our future operating results, liquidity and financial condition.

Real estate market risk

We are exposed to the risks generally associated with the commercial real estate market. The market values of commercial real estate are subject to volatility and may be affected adversely by a number of factors, including, but not limited to, national, regional and local economic conditions, as well as changes or weakness in specific industry segments, and other macroeconomic factors beyond our control, including the COVID-19 pandemic, which have and may continue to affect occupancy rates, capitalization rates and absorption rates. This in turn could impact the performance of tenants and borrowers. We seek to manage these risks through their underwriting due diligence and asset management processes and the solutions oriented process described above.

Capital markets risk

We are exposed to risks related to the debt capital markets, specifically the ability to finance our business through borrowings under secured revolving repurchase facilities, secured and unsecured warehouse facilities or other debt instruments. We seek to mitigate these risks by monitoring the debt capital markets to inform their decisions on the amount, timing and terms of their borrowings.

The COVID-19 pandemic has had a direct and volatile impact on the global markets, including the commercial real estate equity and debt capital markets. The disruption caused by the COVID-19 pandemic has led to a negative impact on asset valuations and significant constraints on liquidity in the capital markets, which have led to restrictions on lending activity, downward pressure on covenant compliance and requirements to post margin or repayments under master repurchase financing arrangements. Our Master Repurchase Facilities are partial recourse, and margin call provisions do not permit valuation adjustments based on capital markets events; rather they are limited to collateral-specific credit marks generally determined on a commercially reasonable basis. We have timely met margin calls, primarily under our CMBS Credit Facilities.

We have amended our Bank Credit Facility and Master Repurchase Facilities to adjust certain covenants (such as the tangible net worth covenant), reduce advance rates on certain financed assets, obtain margin call holidays and permitted modification flexibilities, in an effort to mitigate the risk of future compliance issues, including margin calls, under our financing arrangements.

We continue to explore similar solutions with financing counterparties to strengthen our financing arrangements, with the understanding that any existing or future amendments may not be sufficient to fully address the impacts of COVID-19 on our business or financing arrangements.

Foreign Currency Risk

We have foreign currency rate exposures related to our foreign currency-denominated investments held by our foreign subsidiaries. Changes in foreign currency rates can adversely affect the fair values and earning of our non-U.S. holdings. We generally mitigate this foreign currency risk by utilizing currency instruments to hedge our net investments in our foreign subsidiaries. The type of hedging instruments that we employ on our foreign subsidiary investments are put options.

At March 31, 2021, we had approximately NOK 763.0 million and €152.4 million or a total of $268.0 million, in net investments in our European subsidiaries. A 1.0% change in these foreign currency rates would result in a $2.7 million increase or decrease in translation gain or loss included in other comprehensive income in connection with our European subsidiaries.

A summary of the foreign exchange contracts in place at March 31, 2021, including notional amount and key terms, is included in Note 15, “Derivatives,” to Part I, Item 1, “Financial Statement.” The maturity dates of these instruments approximate the projected dates of related cash flows for specific investments. Termination or maturity of currency hedging instruments may result in an obligation for payment to or from the counterparty to the hedging agreement. We are exposed to credit loss in the event of non-performance by counterparties for these contracts. To manage this risk, we select major international banks and financial institutions as counterparties and perform a quarterly review of the financial health and stability of our trading counterparties. Based on our review at March 31, 2021, we do not expect any counterparty to default on its obligations.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed in our Exchange Act reports is 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 our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As required by Rule 13a-15(b) under the Exchange Act, our management carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of March 31, 2021, our disclosure controls and procedures were effective at providing reasonable assurance regarding the reliability of the information required to be disclosed by us in reports that we file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms.

Changes in Internal Control over Financial Reporting

There have been no changes in our 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, our internal control over financial reporting.

PART II

Item 1. Legal Proceedings

Neither the Company nor the Manager is currently subject to any material legal proceedings. We anticipate that we may from time to time be involved in legal actions arising in the ordinary course of business, the outcome of which we would not expect to have a material adverse effect on our financial position, results of operations or cash flow.

Item 1A. Risk Factors

In addition to the other information in this Quarterly Report on Form 10-Q, you should carefully consider the risks described in our Annual Report on Form 10-K for the year ended December 31, 2020, in Part I, Item 1A, Risk Factors, and in our other filings with the SEC. These factors may materially affect our business, financial condition and operating results. Except as described below, there have been no material changes to the risk factors relating to the Company disclosed in our Form 10-K for the year ended December 31, 2020.

In addition, in considering the forward-looking statements contained in this Form 10-Q and elsewhere, you should refer to the qualifications and limitations on our forward-looking statements that are described in Forward Looking Statements at the beginning of Part I, Item 2 of this Form 10-Q.

We terminated our relationship with our manager, which could delay or hinder implementation of our investment strategy. adversely affect our results of operations and financial condition and/or limit our ability to realize some or all of the targeted benefits of the Internalization.

On April 30, 2021, we completed the Internalization of our management and operating functions and terminated the management agreement with our external manager. Pursuant to the Internalization, we extended offers of employment to certain employees of our external manager who, prior to the Internalization, had contributed substantially to our investment, underwriting, portfolio and asset management, loan servicing, financial reporting, treasury, legal, tax, credit, risk and compliance responsibilities employment. Further, our executive team consists of individuals who were previously employed by, but are no longer affiliated with, the manager, specifically: Michael J. Mazzei, Chief Executive Officer and President; Andrew E. Witt, Chief Operating Officer; Frank V. Saracino, Chief Financial Officer, Chief Accounting Officer and Treasurer; and David A. Palamé, General Counsel and Secretary. Accordingly, we believe that our success depends significantly upon the experience, skill, resources, relationships and contacts of the executive officers and key personnel. The departure of any of these persons from our management team could have a material adverse effect on our performance. Taken together, our ability to achieve our stated objectives and to realize the expected cost savings through the Internalization may be impacted by increased overhead costs and/or management’s ability to focus on operating our business.

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

There were no sales of unregistered securities of our Company during the three months ended March 31, 2021, other than those previously disclosed in filings with the SEC.

The Company did not purchase any of its Class A common stock during the three months ended March 31, 2021.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Master Repurchase Facility - Wells Fargo Bank, National Association – Second Amendment to Master Repurchase and Securities Contract

On November 2, 2018, CLNC Credit 8, LLC (“WLS Seller”), an indirect subsidiary of the Company, entered into a Master Repurchase and Securities Contract (the “WLS Repurchase Agreement”) with Wells Fargo Bank, National Association (“Wells”). The WLS Repurchase Agreement provides up to $300.0 million to finance first mortgage loans, senior loan participations and other commercial mortgage loan debt instruments secured by commercial real estate, as described in more detail in the WLS Repurchase Agreement and related ancillary documents.

In connection with the WLS Repurchase Agreement, the OP, as guarantor, entered into a Guarantee Agreement with Wells (the “WLS Guarantee”), under which the OP agreed to a partial recourse guaranty of WLS Seller’s payment and performance obligations under the WLS Repurchase Agreement.

On May 4, 2021, the OP, WLS Seller and Wells entered into an Amendment No. 2 to Master Repurchase and Securities Contract (the “Second Amendment to WLS Repurchase Agreement”). The Second Amendment to WLS Repurchase Agreement extends the maturity date of the WLS Repurchase Agreement from November 2, 2021 to May 4, 2024 and provides WLS Seller with two successive one year extension options. The Second Amendment to WLS Repurchase Agreement also provides for the conversion of the benchmark floating rate of interest for purchased assets from LIBOR to an alternate index rate following the occurrence of certain transition events.

The foregoing summary does not purport to be a complete description and is qualified in its entirety by reference to (i) the Second Amendment to WLS Repurchase Agreement, which is filed as an exhibit to this Form 10-Q, and (ii) the WLS Repurchase Agreement and the WLS Guarantee, which are filed as exhibits to the Company’s Current Report on Form 8-K filed on November 7, 2018.

Item 6. Exhibits

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
2.1	Amended and Restated Master Combination Agreement, dated as of November 20, 2017, among Colony Capital Operating Company, LLC, NRF RED REIT Corp., NorthStar Real Estate Income Trust, Inc., NorthStar Real Estate Income Trust Operating Partnership, LP, NorthStar Real Estate Income II, Inc., NorthStar Real Estate Income Operating Partnership II, LP, Colony NorthStar Credit Real Estate, Inc. and Credit RE Operating Company, LLC (incorporated by reference to Exhibit 2.1 to the Company's Registration Statement on Form S-4 (No. 333-221685) effective December 6, 2017)
3.1	Articles of Amendment and Restatement of Colony NorthStar Credit Real Estate, Inc., as amended (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q (No. 001-38377) filed on August 09, 2018)
3.2	Third Amended and Restated Bylaws of Colony Credit Real Estate, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (No. 001-38377) filed on April 16, 2020)
10.1*	Sixth Omnibus Amendment, dated as of April 20, 2021, by and among MS Loan NT-I, LLC, MS Loan NT-II, LLC, CLNC Credit 1, LLC, CLNC Credit 2, LLC, CLNC Credit 1EU, LLC, CLNC Credit 1UK, LLC, Credit RE Operating Company, LLC and Morgan Stanley Bank, N.A.
10.2*	Amendment No. 1 to Master Repurchase and Securities Contract, dated as of November 1, 2019, by and between CLNC Credit 8, LLC and Wells Fargo Bank, National Association
10.3*	Amendment No. 2 to Master Repurchase and Securities Contract, dated as of May 4, 2021, by and between CLNC Credit 8, LLC and Wells Fargo Bank, National Association
31.1*	Certification by the Chief Executive Officer pursuant to 17 CFR 240.13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification by the Chief Financial Officer pursuant to 17 CFR 240.13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification by the Chief Executive Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification by the Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: May 6, 2021

COLONY CREDIT REAL ESTATE, INC.

By: /s/ Michael J. Mazzei

Michael J. Mazzei
Chief Executive Officer and President
(Principal Executive Officer)

By: /s/ Frank V. Saracino

Frank V. Saracino
Chief Financial Officer and Chief Accounting Officer
(Principal Accounting Officer)

Exhibit 10.1

Certain information in this document identified by brackets has been excluded from this Exhibit because it is both not material and is the type that the registrant treats as private and confidential.

SIXTH OMNIBUS AMENDMENT

THIS SIXTH OMNIBUS AMENDMENT, dated as of April 20, 2021 (this "Amendment"), by and between MS LOAN NT-I, LLC ("NT-I"), MS LOAN NT-II, LLC ("NT-II"), CLNC CREDIT 1, LLC ("Credit 1"), CLNC CREDIT 2, LLC ("Credit 2"), CLNC CREDIT 1UK, LLC ("Credit 1UK") and CLNC CREDIT 1EU, LLC ("Credit 1EU", together with NT-I, NT-II, Credit 1, Credit 2 and Credit 1UK, collectively, "Seller"), CREDIT RE OPERATING COMPANY, LLC, a Delaware limited liability company ("Guarantor"), and MORGAN STANLEY BANK, N.A., a national banking association ("Buyer") amends that certain Second Amended and Restated Master Repurchase and Securities Contract Agreement, dated April 23, 2019, by and between Buyer and Seller (as the same has been or may be further amended, modified and/or restated from time to time, the "Repurchase Agreement") and the other Transaction Documents as provided herein. Capitalized terms used but not otherwise defined herein shall have the meanings given to them in the Repurchase Agreement.

RECITALS

WHEREAS, the parties hereto wish to amend and modify the Repurchase Agreement and the other Transaction Documents as provided herein.

NOW THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Amendment of Repurchase Agreement.

a. The definition of "Facility Amount" in Section 2 of the Repurchase Agreement is hereby amended and restated in its entirety as follows:

"Facility Amount" shall mean $500,000,000 subject to any reduction in accordance with Section 9(b) hereof.

2. Provided no Event of Default is then continuing, upon written request of Seller and effective upon payment by Seller to Buyer of the Adjusted Upfront Fee (as defined below), the Facility Amount shall be increased by $100,000,000. The "Adjusted Upfront Fee" shall mean an amount equal to the product of (i) [**] multiplied by (ii) $100,000,000 multiplied by (iii) a fraction, the numerator of which is the number of days from the effective date of such increase in the Facility Amount to the Facility Termination Date and the denominator of which is the number of days from the commencement date of the then existing Extension Term to the Facility Termination Date. From and after the effective date of such increase in the Facility Amount, the definition of Facility Amount shall be deemed to be amended and restated in its entirety as follows:

"Facility Amount" shall mean $600,000,000 subject to any reduction in accordance with Section 9(b) hereof.

2. Amendment of Transaction Documents. From and after the date hereof, all references in the Repurchase Agreement and the other Transaction Documents to the Repurchase Agreement shall be deemed to refer to the Repurchase Agreement as amended and modified by this Amendment and as same may be further amended, modified and/or restated.

3. Reaffirmation of Representations and Warranties. Guarantor and Seller each hereby represents and warrants to Buyer that, as of the date hereof, (i) it has the power to execute, deliver and perform its respective obligations under this Amendment, (ii) this Amendment has been duly executed and delivered by it for good and valuable consideration, and constitutes its legal, valid and binding obligation enforceable against it in accordance with its terms subject to bankruptcy, insolvency, and other limitations on creditors' rights generally and to equitable principles, (iii) Seller is not in default under the Repurchase Agreement or any of the other Transaction Documents beyond any applicable notice and cure periods, and there are no defenses, offsets or counterclaims against Seller's obligations under the Repurchase Agreement or the other Transaction Documents, (iv) Guarantor is not in default under the Guaranty beyond any applicable notice and cure periods, and there are no defenses, offsets or counterclaims against its obligations under the Guaranty, and (v) neither the execution and delivery of this Amendment, nor the consummation by it of the transactions contemplated by this Amendment, nor compliance by it with the terms, conditions and provisions of this Amendment will conflict with or result in a breach of any of the terms, conditions or provisions of (A) its organizational documents, (B) any contractual obligation to which it is now a party or the rights under which have been assigned to it or the obligations under which have been assumed by it or to which its assets are subject or constitute a default thereunder, or result thereunder in the creation or imposition of any lien upon any of its assets, other than pursuant to this Amendment, (C) any judgment or order, writ, injunction, decree or demand of any court applicable to it, or (D) any applicable Requirement of Law, in the case of clauses (B)-(D) above, to the extent that such conflict or breach is reasonably likely to result in a Material Adverse Effect. Guarantor hereby represents and warrants to Buyer that all of the representations and warranties set forth in Article III of the Guaranty remain true and correct as of the date hereof.

4. Counterparts. This Amendment may be executed by each of the parties hereto in any number of separate counterparts, each of which shall be an original and all of which taken together shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment in Portable Document Format (PDF) or by facsimile transmission shall be effective as delivery of a manually executed original counterpart thereof.

5. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO THE CONFLICT OF LAW PRINCIPLES THEREOF.

6. Expenses. Seller hereby acknowledges and agrees that Seller shall be responsible for all reasonable out-of-pocket costs and expenses of Buyer in connection with

documenting and consummating the modifications contemplated by this Amendment, including, but not limited to, the reasonable fees and expenses of Buyer's external legal counsel.

7. Reaffirmation of Guaranty. Guarantor acknowledges and agrees that, except as modified hereby, the Guaranty remains unmodified and in full force and effect and enforceable in accordance with its terms.

8. Repurchase Agreement, Guaranty and Transaction Documents in Full Force and Effect. Except as expressly amended hereby, Seller and Guarantor acknowledge and agree that all of the terms, covenants and conditions of the Repurchase Agreement and the Transaction Documents remain unmodified and in full force and effect and are hereby ratified and confirmed in all respects.

[NO FURTHER TEXT ON THIS PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered as of the day and year first above written.

BUYER:

MORGAN STANLEY BANK, N.A.

By: /s/ Anthony Preisano
Name: Anthony Preisano
Title: Executive Director

[Signatures continue on the next page]

ACKNOWLEDGED AND AGREED
AS OF THE DATE FIRST SET FORTH ABOVE:

SELLER:

MS LOAN NT-I, LLC,
a Delaware limited liability company

By: /s/ David A. Palamé
Name: David A. Palamé
Title: Vice President

MS LOAN NT-II, LLC,
a Delaware limited liability company

By: /s/ David A. Palamé
Name: David A. Palamé
Title: Vice President

CLNC CREDIT 1, LLC,
a Delaware limited liability company

By: /s/ David A. Palamé
Name: David A. Palamé
Title: Vice President

CLNC CREDIT 2, LLC,
a Delaware limited liability company

By: /s/ David A. Palamé
Name: David A. Palamé
Title: Vice President

CLNC CREDIT 1EU, LLC,
a Delaware limited liability company

By: /s/ David A. Palamé
Name: David A. Palamé
Title: Vice President

CLNC CREDIT 1UK, LLC,
a Delaware limited liability company

By: /s/ David A. Palamé
Name: David A. Palamé
Title: Vice President

GUARANTOR:

CREDIT RE OPERATING COMPANY, LLC,

By: /s/ David A. Palamé
Name: David A. Palamé
Title: Vice President

Exhibit 10.2

AMENDMENT NO. 1 TO MASTER REPURCHASE AND SECURITIES CONTRACT

AMENDMENT NO. 1 TO MASTER REPURCHASE AND SECURITIES CONTRACT, dated as of November 1, 2019 (this "Amendment") by and between CLNC Credit 8, LLC, a Delaware limited liability company ("Seller") and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association ("Buyer"). Capitalized terms used but not otherwise defined herein shall have the meanings given to them in the Repurchase Agreement (as defined below).

RECITALS

WHEREAS, Seller and Buyer are parties to that certain Master Repurchase and Securities Contract, dated as of November 2, 2018 (as amended hereby, and as further amended, restated, supplemented or otherwise modified and in effect from time to time, the "Repurchase Agreement"); and

WHEREAS, Seller and Buyer have agreed, subject to the terms and conditions hereof, that the Repurchase Agreement shall be amended as set forth in this Amendment; and Credit RE Operating Company, LLC ("Guarantor") has agreed, subject to the terms and conditions hereof, to make the acknowledgements set forth herein.

NOW THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller and Buyer hereby agree as follows:

SECTION 1. Repurchase Agreement Amendments. The Repurchase Agreement is hereby amended as follows:

(a) Article 2 of the Repurchase Agreement is hereby amended by inserting the following new definitions in correct alphabetical order:

> "BHC Act Affiliate" has the meaning assigned to the term "affiliate" in, and shall be interpreted in accordance with, 12 U.S.C. § 1841(k).
>
> "Default Right" has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.
>
> "U.S. Special Resolution Regime" means each of (i) the Federal Deposit Insurance Act and the regulations promulgated thereunder and (ii) Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the regulations promulgated thereunder.

(b) Article 18 of the Repurchase Agreement is hereby amended by inserting the following new Section 18.25 at the end thereof in correct numerical order:

> "Section 18.25 Recognition of the U.S. Special Resolution Regimes

(a) In the event that Buyer becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer from Buyer of this Agreement and/or the Repurchase Documents, and any interest and obligation in or under this Agreement and/or the Repurchase Documents, will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if this Agreement and/or the Repurchase Documents, and any such interest and obligation, were governed by the laws of the United States or a state of the United States.

(b) In the event that Buyer or a BHC Act Affiliate of Buyer becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under this Agreement and/or the Repurchase Documents that may be exercised against Buyer are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if this Agreement and/or the Repurchase Documents were governed by the laws of the United States or a state of the United States."

SECTION 2. Conditions Precedent. This Amendment shall become effective on the date hereof provided that this Amendment is duly executed and delivered by each of Seller, Buyer and Guarantor.

SECTION 3. Representations and Warranties. On and as of the date first above written, Seller hereby represents and warrants to Buyer that (a) it is in compliance with all the terms and provisions set forth in the Repurchase Agreement on its part to be observed or performed, (b) after giving effect to this Amendment, no Default or Event of Default under the Repurchase Agreement has occurred and is continuing, and (c) after giving effect to this Amendment, the representations and warranties contained in Article 9 of the Repurchase Agreement are true and correct in all respects as though made on such date (except for any such representation or warranty that by its terms refers to a specific date other than the date first above written, in which case it shall be true and correct in all respects as of such other date).

SECTION 4. Acknowledgments of Guarantor. Guarantor hereby acknowledges the execution and delivery of this Amendment by Seller and Buyer and agrees that it continues to be bound by that certain Guarantee Agreement, dated as of November 2, 2018 (as may be amended, restated, supplemented or otherwise modified from time to time, the "Guarantee Agreement"), made by Guarantor in favor of Buyer, notwithstanding the execution and delivery of this Amendment and the impact of the changes set forth herein.

SECTION 5. Limited Effect. Except as expressly amended and modified by this Amendment, the Repurchase Agreement and each of the other Repurchase Documents shall continue to be, and shall remain, in full force and effect in accordance with their respective terms; provided, however, that upon the date hereof, (a) all references in the Repurchase Agreement to the "Repurchase Documents" shall be deemed to include, in any event, this Amendment, and (b) each reference to the "Repurchase Agreement" in any of the Repurchase Documents shall be deemed to be a reference to the Repurchase Agreement, as amended hereby.

SECTION 6. No Novation, Effect of Agreement. The parties hereto have entered into this Amendment solely to amend the terms of the Repurchase Agreement and do not intend this Amendment or the transactions contemplated hereby to be, and this Amendment and the transactions contemplated hereby shall not be construed to be, a novation of any of the obligations owning by Seller, Guarantor or any of their respective affiliates (the "Repurchase Parties") under or in connection with the Repurchase Agreement or any of the other Repurchase Documents. It is the intention of each of the parties hereto that (i) the perfection and priority of all security interests securing the payment of the obligations of the Repurchase Parties under the Repurchase Agreement are preserved and (ii) the liens and security interests granted under the Repurchase Agreement continue in full force and effect.

SECTION 7. Counterparts. This Amendment may be executed in counterparts, each of which so executed shall be deemed to be an original, but all of such counterparts shall together constitute but one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment in Portable Document Format (.PDF) or by facsimile transmission shall be effective as delivery of a manually executed original counterpart thereof.

SECTION 8. Costs and Expenses. Seller shall pay Buyer's reasonable actual out of pocket costs and expenses incurred in connection with the preparation, negotiation, execution and consummation of this Amendment in accordance with the Repurchase Agreement.

SECTION 9. Submission to Jurisdiction. Each party irrevocably and unconditionally (i) submits to the non-exclusive jurisdiction of any United States Federal or New York State court sitting in Manhattan, and any appellate court from any such court, solely for the purpose of any suit, action or proceeding brought to enforce its obligations under this Amendment or relating in any way to this Amendment and (ii) waives, to the fullest extent it may effectively do so, any defense of an inconvenient forum to the maintenance of such action or proceeding in any such court and any right of jurisdiction on account of its place of residence or domicile.

To the extent that either party has or hereafter may acquire any immunity (sovereign or otherwise) from any legal action, suit or proceeding, from jurisdiction of any court or from set off or any legal process (whether service or notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise) with respect to itself or any of its property, such party hereby irrevocably waives and agrees not to plead or claim such immunity in respect of any action brought to enforce its obligations under this Amendment or relating in any way to this Amendment.

The parties hereby irrevocably waive, to the fullest extent each may effectively do so, the defense of an inconvenient forum to the maintenance of such action or proceeding and irrevocably consent to the service of any summons and complaint and any other process by the mailing of copies of such process to them at their respective address specified in the Repurchase Agreement. The parties hereby agree that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Section 9 shall affect the right of Buyer to serve legal process in any other manner permitted by law or affect the right of Buyer to bring any action or proceeding against Seller or its property in the courts of other jurisdictions.

Section 10. WAIVER OF JURY TRIAL. EACH OF THE PARTIES HEREBY IRREVOCABLY WAIVES ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AMENDMENT.

Section 11. GOVERNING LAW. THIS AMENDMENT AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO THIS AMENDMENT, THE RELATIONSHIP OF THE PARTIES TO THIS AMENDMENT, AND/OR THE INTERPRETATION AND ENFORCEMENT OF THE RIGHTS AND DUTIES OF THE PARTIES TO THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS AND DECISIONS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE CHOICE OF LAW RULES THEREOF. THE PARTIES HERETO INTEND THAT THE PROVISIONS OF SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW SHALL APPLY TO THIS AMENDMENT.

[Signature Pages to Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered as of the day and year first above written.

BUYER:

WELLS FARGO BANK, NATIONAL ASSOCIATION,
a national banking association

By: /s/ Allen Lewis
Name: Allen Lewis
Title: Managing Director

SELLER:

CLNC CREDIT 8, LLC, a Delaware limited liability company

By: /s/ David A. Palamé
Name: David A. Palamé
Title: Vice President

Acknowledged:

CREDIT RE OPERATING COMPANY, LLC, a Delaware limited liability company

By: /s/ David A. Palamé
Name: David A. Palamé
Title: Vice President

Exhibit 10.3

AMENDMENT NO. 2 TO MASTER REPURCHASE AND SECURITIES CONTRACT

AMENDMENT NO. 2 TO MASTER REPURCHASE AND SECURITIES CONTRACT, dated as of May 4, 2021 (this “Amendment”) by and between CLNC Credit 8, LLC, a Delaware limited liability company (“Seller”) and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association (“Buyer”). Capitalized terms used but not otherwise defined herein shall have the meanings given to them in the Repurchase Agreement (as defined below).

RECITALS

WHEREAS, Seller and Buyer are parties to that certain Master Repurchase and Securities Contract, dated as of November 2, 2018 (as amended by Amendment No. 1 to Master Repurchase and Securities Contract, by and between Seller and Buyer, dated as of November 1, 2019, as amended hereby, and as further amended, restated, supplemented or otherwise modified and in effect from time to time, the “Repurchase Agreement”); and

WHEREAS, Seller and Buyer have agreed, subject to the terms and conditions hereof, that the Repurchase Agreement shall be amended as set forth in this Amendment; and Credit RE Operating Company, LLC (“Guarantor”) has agreed, subject to the terms and conditions hereof, to make the acknowledgements set forth herein.

NOW THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller and Buyer hereby agree as follows:

SECTION 1. Repurchase Agreement Amendments (Effective as of the Amendment Effective Date). The Repurchase Agreement is hereby amended as follows, with effectiveness as of the Amendment Effective Date:

(a) The defined term “Alternative Rate”, as set forth in Article 2 of the Repurchase Agreement, is hereby deleted in its entirety.

(b) Article 2 of the Repurchase Agreement is hereby amended by inserting the following new definitions in correct alphabetical order:

> “Benchmark”: Initially, LIBOR; provided that if a Benchmark Transition Event or an Early Opt-in Election, as applicable, and its related Benchmark Replacement Date have occurred with respect to LIBOR or the then-current Benchmark, then “Benchmark” means the applicable Benchmark Replacement to the extent that such Benchmark Replacement has become effective pursuant to clause (a) of Section 12.01.
>
> “Benchmark Replacement”: The first alternative set forth in the order below that can be determined by Buyer as of the Benchmark Replacement Date:
>
> (1) the sum of: (a) Term SOFR and (b) the Benchmark Replacement Adjustment;

(2) the sum of: (a) Compounded SOFR and (b) the Benchmark Replacement Adjustment;

(3) the sum of: (a) the alternate rate of interest that has been selected by Buyer as the replacement (including, without limitation, a temporary replacement determined by Buyer pursuant to Section 12.01(d)) for the then-current Benchmark for the Corresponding Tenor and (b) the Benchmark Replacement Adjustment;

provided that, in the case of clauses (1) and (2) above, such rate, or the underlying rates component thereof, is or are displayed on a screen or other information service that publishes such rate or rates from time to time as selected by Buyer in its reasonable discretion. If the Benchmark Replacement as determined pursuant to clause (1), (2) or (3) above would be less than the Floor, the Benchmark Replacement will be deemed to be the Floor for the purposes of this Agreement.

"Benchmark Replacement Adjustment":

(1) for purposes of clauses (1) and (2) of the definition of "Benchmark Replacement," the first alternative set forth in the order below that can be determined by Buyer as of the Benchmark Replacement Date:

(x) the spread adjustment, or method for calculating or determining such spread adjustment (which may be a positive or negative value or zero), that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement; and

(y) the spread adjustment (which may be a positive or negative value or zero) that would apply to the fallback rate for a derivative transaction referencing the ISDA Definitions to be effective upon an index cessation event with respect to USD LIBOR for the Corresponding Tenor; and

(2) for purposes of clause (3) of the definition of "Benchmark Replacement," the spread adjustment, or method for calculating or determining such spread adjustment (which may be a positive or negative value or zero), that has been selected by Buyer for the Corresponding Tenor;

provided that, in the case of clause (1) above, such adjustment is displayed on a screen or other information service that publishes such Benchmark Replacement Adjustment from time to time as selected by Buyer in its reasonable discretion.

"Benchmark Replacement Conforming Changes": With respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of "Pricing Rate," the definition of "Pricing Period," timing and frequency of determining rates and making payments of Price Differential, prepayment provisions, and other administrative matters) that Buyer decides may be appropriate to reflect the adoption and implementation of such Benchmark Replacement and to permit the administration thereof by Buyer in a manner substantially consistent with market practice (or, if Buyer decides that adoption of any portion of such market practice is not administratively feasible or if Buyer determines that no market practice for the administration of the Benchmark Replacement exists, in such other manner of administration as Buyer decides is reasonably necessary in connection with the administration of this Agreement).

"Benchmark Replacement Date": The earliest to occur of the following events with respect to the then-current Benchmark:

(1) in the case of clause (1) or (2) of the definition of "Benchmark Transition Event," the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark;

(2) in the case of clause (3) of the definition of "Benchmark Transition Event," the date of the public statement or publication of information referenced therein; or

(3) in the case of an Early Opt-in Election, the fifth (5th) Business Day after the Rate Election Notice is provided to Seller.

For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination.

"Benchmark Transition Event": The occurrence of one or more of the following events with respect to the then-current Benchmark:

(1) a public statement or publication of information by or on behalf of the administrator of the Benchmark announcing that such administrator has ceased or will cease to provide the Benchmark, permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark;

(2) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark, the U.S. Federal Reserve System, an insolvency official with jurisdiction over the administrator for the Benchmark, a resolution authority with jurisdiction over the administrator for the Benchmark or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark has ceased or will cease to provide the Benchmark permanently or

indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark; or

(3) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative.

"Compounded SOFR": The compounded average of daily SOFRs for the Corresponding Tenor, with the rate, or methodology for this rate, and conventions for this rate (which may include compounding in advance or compounding in arrears with a lookback and/or suspension period as a mechanism to determine the Price Differential amount payable prior to the end of each Pricing Period) being established by Buyer in accordance with:

(1) the rate, or methodology for this rate, and conventions for this rate selected or recommended by the Relevant Governmental Body for determining compounded SOFR (either in advance or arrears, as applicable); provided that:

(2) if, and to the extent that, Buyer determines that Compounded SOFR cannot be determined in accordance with clause (1) above, then the rate, or methodology for this rate, and conventions for this rate that Buyer determines are substantially consistent with at least five (5) currently outstanding U.S. dollar-denominated syndicated or bilateral credit facilities at such time (as a result of amendment or as originally executed) that are publicly available for review;

provided, further, that if Buyer decides that any such rate, methodology or convention determined in accordance with clause (1) or clause (2) is not administratively feasible for Buyer, then Compounded SOFR will be deemed unable to be determined for purposes of the definition of "Benchmark Replacement."

"Corresponding Tenor": With respect to a Benchmark Replacement, an approximately one-month tenor (including overnight) (disregarding Business Day adjustment).

"Early Opt-in Election": The occurrence of:

(1) a determination by Buyer that at least five (5) currently outstanding U.S. dollar-denominated syndicated or bilateral credit facilities to which Buyer is a party at such time contain (as a result of amendment or as originally executed) as a benchmark interest rate, in lieu of LIBOR, Term SOFR or Compounded SOFR plus (if applicable as a result of a fallback from another benchmark interest rate) a Benchmark Replacement Adjustment, and

(2) the election by Buyer to declare that an Early Opt-in Election has occurred and the provision by Buyer of written notice of such election to Seller (the "Rate Election Notice").

"Floor": The greater of (a) zero (0) and (b) such higher amount as may be specified with respect to any Transaction in the related Confirmation (or Amended and Restated Confirmation, as applicable).

"ISDA Definitions": The 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time.

"Rate Election Notice": Defined in the definition of "Early Opt-in Election".

"Reference Time": With respect to any determination of the Benchmark, (1) if the Benchmark is LIBOR, 11:00 a.m. (London time) on the day that is two London Business Days (as determined in accordance with clause (d) of the definition of "Business Day") preceding the date of such determination, and (2) if the Benchmark is not LIBOR, the time determined by Buyer in accordance with the Benchmark Replacement Conforming Changes.

"Relevant Governmental Body": The Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto.

"Second Amendment Effective Date": May 4, 2021.

"Second Amendment Structuring Fee": The meaning set forth in the Fee Letter, which definition is incorporated herein by reference.

"SOFR": With respect to any day, the secured overnight financing rate published for such day by the SOFR Administrator on the SOFR Administrator's Website at approximately 2:30 p.m. on the next succeeding U.S. Governmental Securities Business Day.

"SOFR Administrator": The Federal Reserve Bank of New York (or a successor administrator of the secured overnight financing rate).

"SOFR Administrator's Website": The website of the Federal Reserve Bank of New York at http://www.newyorkfed.org, or any successor source for the secured overnight financing rate identified as such by the SOFR Administrator from time to time.

"Term SOFR": The forward-looking term rate for the Corresponding Tenor based on SOFR that has been selected or recommended by the Relevant Governmental Body.

"Unadjusted Benchmark Replacement": The Benchmark Replacement excluding the Benchmark Replacement Adjustment.

"U.S. Government Securities Business Day": Any day except for (i) a Saturday, (ii) a Sunday or (iii) a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in United States government securities.

(c) The defined terms "Facility Termination Date", "LIBOR", "Pricing Rate" and "Revolving Period", as set forth in Article 2 of the Repurchase Agreement, are each hereby amended and restated in their entirety to read as follows:

"Facility Termination Date": The earliest to occur of (a) May 4, 2024, as such date may be extended pursuant to Section 3.06, (b) any Accelerated Repurchase Date, and (c) any date on which the Facility Termination Date shall otherwise occur in accordance with the provisions hereof or Requirements of Law.

"LIBOR": The rate of interest *per annum* determined by Buyer on the basis of the rate for deposits in Dollars for delivery on the first (1st) day of each Pricing Period, for a one-month period commencing on (and including) the first day of such Pricing Period and ending on (but excluding) the same corresponding date in the following month, as reported on Reuters Screen LIBOR01 Page (or any successor page) at approximately 11:00 a.m., London time, on the Pricing Rate Determination Date (or if not so reported, then as determined by Buyer from another recognized source or interbank quotation); provided, that in no event shall LIBOR be less than the Floor. If the calculation of LIBOR results in a LIBOR rate of less than the Floor, LIBOR shall be deemed to be the Floor for all purposes of this Agreement. Each calculation by Buyer of LIBOR shall be conclusive and binding for all purposes, absent manifest error.

"Pricing Rate": For any Pricing Period, the Benchmark for such Pricing Period *plus* the applicable Pricing Margin; provided, that while an Event of Default is continuing, the Pricing Rate shall be the Default Rate.

"Revolving Period": The period from the Closing Date to but excluding May 4, 2024.

(d) Clause (d) of the defined term, "Eligible Asset", as set forth in Article 2 of the Repurchase Agreement, is hereby amended and restated in its entirety to read as follows:

"(d) that pays interest at either a fixed rate (subject to hedging and mark to market terms and provisions that are acceptable to Buyer in its sole discretion as of the Purchase Date), or at a floating rate with a base rate of either 1-month LIBOR or the Benchmark Replacement;"

(e) Section 3.07(b) of the Repurchase Agreement is hereby amended by (a) deleting "and" at the end of clause (iii) thereof, (b) replacing the period at the end of clause (iv) thereof with the text "; and", and (c) inserting the following new clause (v) at the end thereof in correct numerical order:

"(v) the Second Amendment Structuring Fee, which shall be due and payable to Buyer by Seller in accordance with the terms and conditions set forth in Section 2 of the Fee Letter, which terms and provisions are incorporated herein by reference."

(f) Section 12.01 of the Repurchase Agreement is hereby amended and restated in its entirety to read as follows:

"Section 12.01 Benchmark Replacement; Market Disruption. (a) Notwithstanding anything to the contrary herein or in any other Repurchase Document, if a Benchmark Transition Event or an Early Opt-in Election, as applicable, and its related Benchmark Replacement Date have occurred prior to the Reference Time in respect of any determination of the Benchmark on any date, the Benchmark Replacement will replace the then-current Benchmark for all purposes hereunder or under any Repurchase Document in respect of such determination on such date and all determinations on all subsequent dates. If the Benchmark Replacement is determined in connection with a Benchmark Transition Event, such Benchmark Replacement will become effective as of the Reference Time on the applicable Benchmark Replacement Date without any amendment to, or further action or consent of any other party to, this Agreement or any other Repurchase Document. If the Benchmark Replacement is determined in connection with an Early Opt-in Election, such Benchmark Replacement will become effective at 5:00 p.m. on the fifth (5th) Business Day after the date notice of such Benchmark Replacement is provided to Seller without any amendment to this Agreement or any other Repurchase Document or further action or consent of Seller or any other party to this Agreement or any other Repurchase Document.

(b) Benchmark Replacement Conforming Changes. In connection with a Benchmark Replacement, Buyer will have the right to make Benchmark Replacement Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Repurchase Document, any amendments implementing such Benchmark Replacement Conforming Changes will become effective without any further action or consent of Seller or any other party to this Agreement or any other Repurchase Document.

(c) Notices; Standards for Decisions and Determinations. Buyer will promptly notify Seller of (i) any occurrence of a Benchmark Transition Event or an Early Opt-in Election, as applicable, and its related Benchmark Replacement Date, (ii) the implementation of any Benchmark Replacement, (iii) the effectiveness of any Benchmark Replacement Conforming Changes and (iv) the removal or reinstatement of any tenor of Term SOFR pursuant to clause (d) below. Any determination, decision or election that may be made by Buyer pursuant to this Section 12.01, including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection, will be conclusive and binding absent manifest error and may be made in its sole discretion and without consent from Seller or any other party to this Agreement or any other Repurchase Document.

(d) Market Disruption. Notwithstanding the foregoing, if prior to any Pricing Period, Buyer determines that, by reason of circumstances affecting the relevant market (other than a Benchmark Transition Event or an Early Opt-in Election), adequate and reasonable means do not exist for ascertaining the then-current Benchmark for such Pricing Period, Buyer shall give prompt notice thereof to Seller, whereupon the Benchmark portion of the Pricing Rate for such Pricing Period, and for all subsequent Pricing Periods until such notice has been withdrawn by Buyer, shall be the Benchmark Replacement determined by Buyer pursuant to clause (3) of the definition of "Benchmark Replacement". For the avoidance of doubt, nothing contained in this Section 12.01 shall be construed to eliminate, replace or otherwise affect the Pricing Margin portion of the Pricing Rate calculation, which Pricing Margin shall continue to apply and be calculated as part of the Pricing Rate regardless of the applicable Benchmark.

(e) London Interbank Offered Rate Benchmark Transition Event. On March 5, 2021, the ICE Benchmark Administration (the "IBA"), the administrator of the London interbank offered rate, and the Financial Conduct Authority (the "FCA"), the regulatory supervisor of the IBA, announced in public statements (the "Announcements") that the final publication or representativeness date for (i) 1-week and 2-month London interbank offered rate tenor settings will be December 31, 2021 and (ii) overnight, 1-month, 3-month, 6-month and 12-month London interbank offered rate tenor settings will be June 30, 2023. No successor administrator for the IBA was identified in such Announcements. The parties hereto agree and acknowledge that the Announcements resulted in the occurrence of a Benchmark Transition Event with respect to the London interbank offered rate pursuant to the terms of this Agreement and that any obligation of Buyer to notify Seller of such Benchmark Transition Event pursuant to clause (c) of this Section 12.01 shall be deemed satisfied.

In exercising its rights and remedies under this Section 12.01, Buyer shall treat Seller in a manner that is substantially similar to the manner it treats other similarly situated sellers in facilities with substantially similar assets."

(g) Section 12.02 of the Repurchase Agreement is hereby amended and restated in its entirety to read as follows:

"Section 12.02 Illegality. If the adoption of or any change in any Requirements of Law or in the interpretation or application thereof after the date hereof shall make it unlawful for Buyer to effect or continue Transactions as contemplated by the Repurchase Documents, (a) any commitment of Buyer hereunder to enter into new Transactions shall be terminated and the Facility Termination Date shall be deemed to have occurred, (b) if required by such adoption or change, the Pricing Rate shall be the Benchmark Replacement determined by Buyer pursuant to clause (3) of the definition of "Benchmark Replacement", and (c) if required by such adoption or change, the Facility Termination Date shall be deemed to have occurred. In exercising its rights and remedies under this Section 12.02, Buyer shall treat Seller in a manner that is substantially similar to the manner it treats other similarly situated sellers in facilities with substantially similar assets."

(h) Section 12.03 of the Repurchase Agreement is hereby amended and restated in its entirety to read as follows:

"Section 12.03 Breakfunding. In the event of (a) the failure by Seller to terminate any Transaction after Seller has given a notice of termination pursuant to Section 3.04, (b) any payment to Buyer on account of the outstanding Repurchase Price, including a payment made pursuant to Section 3.04 but excluding a payment made pursuant to Section 5.02, on any day other than a Remittance Date (based on the assumption that Buyer funded its commitment with respect to the Transaction in the London Interbank Eurodollar market and using any reasonable attribution or averaging methods that Buyer deems appropriate and practical), (c) any failure by Seller to sell Eligible Assets to Buyer after Seller has notified Buyer of a proposed Transaction and Buyer has agreed to purchase such Eligible Assets in accordance with this Agreement, or (d) any redetermination of the Pricing Rate based on a Benchmark Replacement for any reason on a day that is not the last day of the then-current Pricing Period, Seller shall compensate Buyer for the cost and expense attributable to such event. A certificate of Buyer setting forth any amount or amounts that Buyer is entitled to receive pursuant to this Section 12.03 shall be delivered to Seller and shall be conclusive to the extent calculated in good faith and absent manifest error. Seller shall pay Buyer the amount shown as due on any such certificate within ten (10) days after receipt thereof."

(i) Exhibit B to the Repurchase Agreement is hereby replaced in its entirety with the version thereof attached hereto as Exhibit A to this Amendment.

SECTION 2. Repurchase Agreement Amendments (Effective From and After the Internalization Date). The Repurchase Agreement is hereby further amended as follows, effective from and after the Internalization Date (as defined in the Guarantee Agreement):

(a) The defined terms, "Management Agreement" and "Manager", each as set forth in Article 2 of the Repurchase Agreement, together with all usage and references thereto throughout the Repurchase Agreement, are, in each case, deleted in their entirety, *mutatis mutandis*, in Article 2 and throughout the Repurchase Agreement.

(b) The defined terms, "Change of Control" and "Material Event", as set forth in Article 2 of the Repurchase Agreement, are each hereby amended and restated in their entirety to read as follows:

"Change of Control": The occurrence of any of the following events: (a) any "person" or "group" (within the meaning of Section 13(d) or 14(d) of the Exchange Act) (other than any Affiliate of Colony Capital Operating Company, LLC) shall become, or obtain rights (whether by means of warrants, options or otherwise) to become, the beneficial owner, directly or indirectly, of 49% or more of the total voting power of all classes of Capital Stock of Sponsor entitled to vote generally in the election of the directors; (b) Sponsor shall cease to own and Control, of record, beneficially and directly, 51% of the outstanding Capital Stock of Guarantor; (c) Guarantor shall cease to own and Control, of record, beneficially and either directly or indirectly, 100% of the outstanding Capital Stock of Pledgor and each Intermediate Entity; or (d) Pledgor shall cease to own and control, of record, beneficially and directly, 100% of the outstanding Capital Stock of Seller.

"Material Event": Means the occurrence and continuance of any of the following events without, in each case, the prior written consent of Buyer: Sponsor fails to satisfy the representation in the first sentence of Section 7.04 hereof or fails to satisfy the covenant in the second sentence of Section 8.13 hereof.

SECTION 3. Conditions Precedent. This Amendment and its provisions shall become effective on the first date (the "Amendment Effective Date") on which (i) this Amendment is duly executed and delivered by each of Seller, Buyer and Guarantor, (ii) Buyer receives a fully-executed copy of that certain Amendment No. 2 to Fee and Pricing Letter, dated as of the date hereof between Seller and Buyer, (iii) Buyer receives such other documents as Buyer or counsel to Buyer may reasonably request, including bring down letters or new opinions affirming the opinions provided to Buyer on the Closing Date, each dated as of the Amendment Effective Date, and (iv) Seller shall have paid to Buyer the initial installment of the Second Amendment Structuring Fee.

SECTION 4. [Reserved].

SECTION 5. Representations and Warranties. On and as of the date first above written, Seller hereby represents and warrants to Buyer that (a) it is in compliance with all the terms and provisions set forth in the Repurchase Agreement on its part to be observed or performed, (b) after giving effect to this Amendment, no Default or Event of Default under the Repurchase Agreement has occurred and is continuing, and (c) after giving effect to this Amendment, the representations and warranties contained in Article 9 of the Repurchase Agreement are true and correct in all respects as though made on such date (except for any such representation or warranty that by its terms refers to a specific date other than the date first above written, in which case it shall be true and correct in all respects as of such other date).

SECTION 6. Acknowledgments of Guarantor. Guarantor hereby acknowledges the execution and delivery of this Amendment by Seller and Buyer and agrees that it continues to be bound by that certain Guarantee Agreement, dated as of November 2, 2018 (as may be amended, restated, supplemented or otherwise modified from time to time, the "Guarantee Agreement"), made by Guarantor in favor of Buyer, notwithstanding the execution and delivery of this Amendment and the impact of the changes set forth herein.

SECTION 7. Limited Effect. Except as expressly amended and modified by this Amendment, the Repurchase Agreement and each of the other Repurchase Documents shall continue to be, and shall remain, in full force and effect in accordance with their respective terms; provided, however, that upon the date hereof (a) all references in the Repurchase Agreement to the "Repurchase Documents" shall be deemed to include, in any event, this Amendment, and (b) each reference to the "Repurchase Agreement" in any of the Repurchase Documents shall be deemed to be a reference to the Repurchase Agreement, as amended hereby.

SECTION 8. No Novation, Effect of Agreement. The parties hereto have entered into this Amendment solely to amend the terms of the Repurchase Agreement and do not intend this Amendment or the transactions contemplated hereby to be, and this Amendment and the transactions contemplated hereby shall not be construed to be, a novation of any of the obligations owning by Seller, Guarantor or any of their respective affiliates (the "Repurchase Parties") under or in connection with the Repurchase Agreement or any of the other Repurchase Documents. It is the intention of each of the parties hereto that (i) the perfection and priority of all security interests securing the payment of the obligations of the Repurchase Parties under the Repurchase Agreement are preserved and (ii) the liens and security interests granted under the Repurchase Agreement continue in full force and effect.

SECTION 9. Counterparts. This Amendment may be executed in counterparts, each of which so executed shall be deemed to be an original, but all of such counterparts shall together constitute but one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment in Portable Document Format (.PDF) or by facsimile transmission shall be effective as delivery of a manually executed original counterpart thereof.

SECTION 10. Costs and Expenses. Seller shall pay Buyer's reasonable actual out of pocket costs and expenses incurred in connection with the preparation, negotiation, execution and consummation of this Amendment in accordance with the Repurchase Agreement.

SECTION 11. Waivers. (a) Each of Seller and Guarantor acknowledges and agrees that as of the date hereof it has no defenses, rights of setoff, claims, counterclaims or causes of action of any kind or description against Buyer arising under or in respect of the Repurchase Agreement, the Guarantee Agreement or any other Repurchase Document and any such defenses, rights of setoff, claims, counterclaims or causes of action which may exist as of the date hereof are hereby irrevocably waived, and (b) in consideration of Buyer entering into this Amendment, Seller and Guarantor hereby waive, release and discharge Buyer and Buyer's officers, employees, representatives, agents, counsel and directors from any and all actions, causes of action, claims, demands, damages and liabilities of whatever kind or nature, in law or in equity, now known or unknown, suspected or unsuspected to the extent that any of the foregoing arise out of or from or in any way relating to or in connection with the Repurchase Agreement, the Guarantee Agreement or the other Repurchase Documents, in each case occurring or existing on or prior to the date hereof, including, but not limited to, any action or failure to act under the Repurchase Agreement, the Guarantee Agreement or the other Repurchase Documents on or prior to the date hereof, except, with respect to any such Person being released hereby, any actions, causes of action, claims, demands, damages and liabilities arising out of such Person's gross negligence or willful misconduct in connection with the Repurchase Agreement or the other Repurchase Documents.

SECTION 12. Submission to Jurisdiction. Each party irrevocably and unconditionally (i) submits to the non-exclusive jurisdiction of any United States Federal or New York State court sitting in Manhattan, and any appellate court from any such court, solely for the purpose of any suit, action or proceeding brought to enforce its obligations under this Amendment or relating in any way to this Amendment and (ii) waives, to the fullest extent it may effectively do so, any defense of an inconvenient forum to the maintenance of such action or proceeding in any such court and any right of jurisdiction on account of its place of residence or domicile.

To the extent that either party has or hereafter may acquire any immunity (sovereign or otherwise) from any legal action, suit or proceeding, from jurisdiction of any court or from set off or any legal process (whether service or notice, attachment prior to judgment, attachment in aid of execution of judgment, execution of judgment or otherwise) with respect to itself or any of its property, such party hereby irrevocably waives and agrees not to plead or claim such immunity in respect of any action brought to enforce its obligations under this Amendment or relating in any way to this Amendment.

The parties hereby irrevocably waive, to the fullest extent each may effectively do so, the defense of an inconvenient forum to the maintenance of such action or proceeding and irrevocably consent to the service of any summons and complaint and any other process by the mailing of copies of such process to them at their respective address specified in the Repurchase Agreement. The parties hereby agree that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Section 12 shall affect the right of Buyer to serve legal process in any other manner permitted by law or affect the right of Buyer to bring any action or proceeding against Seller or its property in the courts of other jurisdictions.

SECTION 13. WAIVER OF JURY TRIAL. EACH OF THE PARTIES HEREBY IRREVOCABLY WAIVES ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AMENDMENT.

SECTION 14. GOVERNING LAW. THIS AMENDMENT AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO THIS AMENDMENT, THE RELATIONSHIP OF THE PARTIES TO THIS AMENDMENT, AND/OR THE INTERPRETATION AND ENFORCEMENT OF THE RIGHTS AND DUTIES OF THE PARTIES TO THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS AND DECISIONS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE CHOICE OF LAW RULES THEREOF. THE PARTIES HERETO INTEND THAT THE PROVISIONS OF SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW SHALL APPLY TO THIS AMENDMENT.

[Signature Pages to Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered as of the day and year first above written.

BUYER:

WELLS FARGO BANK, NATIONAL ASSOCIATION,
a national banking association

By: /s/ Allen Lewis
Name: Allen Lewis
Title: Managing Director

SELLER:

CLNC CREDIT 8, LLC, a Delaware limited liability company

By: /s/ David A. Palamé
Name: David A. Palamé
Title: Vice President

Acknowledged:

CREDIT RE OPERATING COMPANY, LLC, a Delaware limited liability company

By: /s/ David A. Palamé
Name: David A. Palamé
Title: Vice President

Exhibit A

EXHIBIT B

FORM OF CONFIRMATION

[ ] [ ], 20[ ]

Wells Fargo Bank, National Association
One Wells Fargo Center
301 South College Street
MAC D1053-125, 12th Floor
Charlotte, North Carolina 28202

Attention: Karen Whittlesey

Re: Master Repurchase and Securities Contract dated as of November 2, 2018, (the “Agreement”) among CLNC CREDIT 8, LLC (“Seller”) and WELLS FARGO BANK, NATIONAL ASSOCIATION (“Buyer”)

Ladies and Gentlemen:

This is a Confirmation (as this and other terms used but not defined herein are defined in the Agreement) executed and delivered by Seller and Buyer pursuant to Section 3.01 of the Agreement. Seller and Buyer hereby confirm and agree that as of the Purchase Date and upon the other terms specified below, Seller shall sell and assign to Buyer, and Buyer shall purchase from Seller, all of Seller’s right, title and interest in, to and under the Purchased Assets listed in Appendix 1 hereto.

Purchased Assets (including Class and Mortgaged Property):	As described in Appendix 1 hereto
Property Type:	As described in Appendix 1 hereto
Type:	[multifamily, retail, office, industrial, hospitality or self-storage]
Market Value:	$[______________________]

Applicable Percentage: [_____]%

Floor: [_____]%

Maximum Applicable Percentage: [_____]%

Pricing Margin: [_____]%

Future Funding Amount (if applicable): $[________________________]

Purchased Asset Documents: As described in Appendix 1 hereto

Purchase Date: [ ] [ ], 20[ ]

Repurchase Date: [ ] [ ], 20[ ]

Purchase Price: $[________________________]

Maximum Purchase Price: $[________________________]

Seller's Wiring Instructions:[1] Bank Name: [______]
Routing #: [______]
SWIFT/BIC: [______]
Account #: [______]
Account Name: [____]
Reference: [______]

Seller hereby certifies as follows, on and as of the above Purchase Date with respect to each Purchased Asset described in this Confirmation:

1. All of the conditions precedent in Article 6 of the Agreement have been satisfied.

2. Except as specified in Appendix 2 hereto, Seller will make all of the representations and warranties contained in the Agreement applicable to the Class of such Asset (including Schedule 1 to the Agreement as applicable to the Class of such Asset) with respect to the Purchased Asset described in this Confirmation.

[11] If inconsistent with the instructions in the Agreement

Seller:

CLNC CREDIT 8, LLC, a Delaware limited liability company

By:
Name:
Title:

Buyer:

Acknowledged and Agreed:

Wells Fargo Bank, National Association

By: ______________________________
Name:
Title:

Appendix 1 to Confirmation

List of Purchased Assets, including, as applicable:

(a) Transaction Name	
(b) Seller Loan Number	
(c) Class (Whole Loan or Senior Interest)	
(d) Lien Type	
(e) Property Type	
(f) Property Street Address	
(g) Property City, State, County, Zip Code	
(h) Appraised Value	
(i) Appraisal Firm	
(j) Appraisal Date	
(k) Original Balance	
(l) Seller Origination Balance as of Closing Date	
(m) Current Balance	
(n) Amortization	
(o) Balloon Amount	
(p) [Current] Interest Rate	
(q) Spread	
(r) Index (Ex: 1 mo LIBOR; [ ]%)	
(s) Next Interest Change Date	
(t) Next Payment Change Date	
(u) Interest Rate cap	
(v) Current Principal and Interest	
(w) Note Date	
(x) First Payment Due Date to Seller	
(y) Initial Maturity Date	
(z) Extended Maturity Date	
(aa) Current delinquency status	
(bb) Payment Type	
(cc) Payment Frequency	
(dd) Rate Change Frequency	
(ee) Original Principal and Interest	
(ff) Sponsor Name (including first name, if any)	
(gg) Borrowing Entity Name	
(hh) Open to Prepayment?	
(ii) Prepayment Penalty	
(jj) Current DSCR	
(kk) Current LTV	

Appendix 2 to Confirmation

[Description of any exceptions to representations and warranties made by Seller in the Confirmation]

Exhibit 31.1

CERTIFICATION BY THE CHIEF EXECUTIVE OFFICER PURSUANT TO
17 CFR 240.13a-14(a)/15(d)-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael J. Mazzei, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Colony Credit Real Estate, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By: /s/ Michael J. Mazzei
Michael J. Mazzei
Chief Executive Officer and President
Date: May 6, 2021

Exhibit 31.2

CERTIFICATION BY THE CHIEF FINANCIAL OFFICER PURSUANT TO 17 CFR 240.13a-14(a)/15(d)-14(a), AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Frank V. Saracino, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Colony Credit Real Estate, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

(c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

By: /s/ Frank V. Saracino
Frank V. Saracino
Chief Financial Officer
Date: May 6, 2021

Exhibit 32.1

CERTIFICATION BY THE CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Colony Credit Real Estate, Inc. (the “Company”) for the three months ended March 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael J. Mazzei, as Chief Executive Officer and President of the Company, hereby certify, pursuant to 18 U.S.C. Section §1350, as adopted pursuant to Section §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Michael J. Mazzei
Michael J. Mazzei
Chief Executive Officer and President
Date: May 6, 2021

The foregoing certification is being furnished solely pursuant to 18 U.S.C §1350 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended or incorporated by reference in any registration statement of the Company filed under the Securities Act of 1933, as amended.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION BY THE CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Colony Credit Real Estate, Inc. (the "Company") for the three months ended March 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Frank V. Saracino, as Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section §1350, as adopted pursuant to Section §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Frank V. Saracino
Frank V. Saracino
Chief Financial Officer
Date: May 6, 2021

The foregoing certification is being furnished solely pursuant to 18 U.S.C §1350 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended or incorporated by reference in any registration statement of the Company filed under the Securities Act of 1933, as amended.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.