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 June 30, 2022

OR

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

Commission File Number: 001-38377

BRIGHTSPIRE CAPITAL, 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.)**

590 Madison Avenue, 33rd Floor
New York, NY 10022
(Address of Principal Executive Offices, Including Zip Code)

(212) 547-2631
(Registrant's Telephone Number, Including Area Code)

(Former name, former address and former fiscal year, if changed since last report)

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	**BRSP**	**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 August 2, 2022, BrightSpire Capital, Inc. had 128,964,934 shares of Class A common stock, par value $0.01 per share, outstanding.

BRIGHTSPIRE CAPITAL, INC.

FORM 10-Q

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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 ongoing 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 and acceptance 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 ongoing coronavirus pandemic, measures intended to prevent its spread and government actions to mitigate its economic impact, as well as changes in consumer behavior or corporate policies in response to the coronavirus pandemic, have had and may 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;
- rising interest rates may adversely impact the value of our fixed-rate investments, result in higher interest expense and in disruptions to our borrowers’ and tenants’ ability to finance their activities, on whom we depend for a substantial portion of our revenue; 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;
- the fair value of our investments may be subject to uncertainties or decrease;
- 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;
- implementation of our investment strategy may be delayed or hindered as a result of terminating our relationship with our former manager;
- 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, tax 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, 2021, the section entitled “Risk Factors” in this Form 10-Q for the quarter ended June 30, 2022 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—FINANCIAL INFORMATION

Item 1. Financial Statements

BRIGHTSPIRE CAPITAL, INC.
CONSOLIDATED BALANCE SHEETS
(in Thousands, Except Share and Per Share Data)

	June 30, 2022 (Unaudited)	December 31, 2021
Assets		
Cash and cash equivalents	$ 317,742	$ 259,722
Restricted cash	91,674	86,841
Loans held for investment	3,833,523	3,485,607
Current expected credit loss reserve	(44,378)	(36,598)
Loans held for investment, net	3,789,145	3,449,009
Real estate, net	742,079	783,211
Receivables, net	52,582	54,499
Deferred leasing costs and intangible assets, net	58,353	64,981
Assets held for sale	—	44,345
Other assets ($4,406 and $4,406 at fair value, respectively)	70,182	82,451
Mortgage loans held in securitization trusts, at fair value	718,335	813,310
Total assets	$ 5,840,092	$ 5,638,369
Liabilities		
Securitization bonds payable, net	$ 1,364,906	$ 1,500,899
Mortgage and other notes payable, net	658,857	760,583
Credit facilities	1,487,567	905,122
Accrued and other liabilities	86,493	99,814
Intangible liabilities, net	5,532	6,224
Escrow deposits payable	75,414	73,344
Dividends payable	25,793	23,912
Mortgage obligations issued by securitization trusts, at fair value	682,181	777,156
Total liabilities	4,386,743	4,147,054
Commitments and contingencies (Note 15)		
Equity		
Stockholders' equity		
Preferred stock, $0.01 par value, 50,000,000 shares authorized, no shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively	—	—
Common stock, $0.01 par value per share		
Class A, 950,000,000 shares authorized, 128,964,934 and 129,769,365 shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively	1,290	1,298
Additional paid-in capital	2,850,001	2,855,766
Accumulated deficit	(1,398,773)	(1,410,562)
Accumulated other comprehensive income	(510)	8,786
Total stockholders' equity	1,452,008	1,455,288
Noncontrolling interests in investment entities	1,341	1,472
Noncontrolling interests in the Operating Partnership	—	34,555
Total equity	1,453,349	1,491,315
Total liabilities and equity	$ 5,840,092	$ 5,638,369

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

BRIGHTSPIRE CAPITAL, 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.

	June 30, 2022 (Unaudited)	December 31, 2021
Assets		
Cash and cash equivalents	$ 4,879	$ 6,720
Restricted cash	11,703	9,658
Loans held for investment, net	1,628,192	1,781,522
Real estate, net	168,788	170,201
Receivables, net	28,424	12,808
Deferred leasing costs and intangible assets, net	12,806	15,105
Other assets	21,541	38,101
Mortgage loans held in securitization trusts, at fair value	718,335	813,310
Total assets	$ 2,594,668	$ 2,847,425
Liabilities		
Securitization bonds payable, net	$ 1,364,906	$ 1,500,899
Mortgage and other notes payable, net	175,837	177,373
Accrued and other liabilities	8,271	6,768
Intangible liabilities, net	5,532	6,224
Escrow deposits payable	2,935	3,484
Mortgage obligations issued by securitization trusts, at fair value	682,181	777,156
Total liabilities	$ 2,239,662	$ 2,471,904

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

BRIGHTSPIRE CAPITAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in Thousands, Except Per Share Data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net interest income				
Interest income	$ 53,083	$ 37,921	$ 97,654	$ 72,295
Interest expense	(21,455)	(12,993)	(37,527)	(25,488)
Interest income on mortgage loans held in securitization trusts	9,721	11,390	19,095	31,079
Interest expense on mortgage obligations issued by securitization trusts	(8,586)	(10,111)	(17,074)	(27,447)
Net interest income	32,763	26,207	62,148	50,439
Property and other income				
Property operating income	21,781	24,799	45,948	50,521
Other income	787	1,110	1,063	1,155
Total property and other income	22,568	25,909	47,011	51,676
Expenses				
Management fee expense	—	2,338	—	9,596
Property operating expense	5,266	6,758	11,990	14,869
Transaction, investment and servicing expense	982	644	2,106	2,932
Interest expense on real estate	7,117	7,777	14,673	16,410
Depreciation and amortization	8,720	9,994	17,314	19,533
Increase (decrease) of current expected credit loss reserve	10,143	1,200	9,277	4,425
Compensation and benefits (including $2,286, $5,443, $4,166 and $9,705 of equity-based compensation expense, respectively)	8,269	10,053	16,494	16,839
Operating expense	4,070	4,000	8,419	9,809
Restructuring charges	—	150	—	109,321
Total expenses	44,567	42,914	80,273	203,734
Other income				
Unrealized gain on mortgage loans and obligations held in securitization trusts, net	—	19,516	—	28,154
Realized loss on mortgage loans and obligations held in securitization trusts, net	—	(19,516)	—	(19,516)
Other gain, net	24,332	836	34,620	9,203
Income (loss) before equity in earnings of unconsolidated ventures and income taxes	35,096	10,038	63,506	(83,778)
Equity in earnings (loss) of unconsolidated ventures	—	(33,788)	25	(36,266)
Income tax benefit (expense)	(465)	134	(501)	1,935
Net income (loss)	34,631	(23,616)	63,030	(118,109)
Net (income) loss attributable to noncontrolling interests:				
Investment entities	15	3,459	(7)	3,685
Operating Partnership	(359)	437	(1,013)	2,390
Net income (loss) attributable to BrightSpire Capital, Inc. common stockholders	$ 34,287	$ (19,720)	$ 62,010	$ (112,034)
Net income (loss) per common share - basic (Note 17)	$ 0.26	$ (0.15)	$ 0.48	$ (0.87)
Net income (loss) per common share - diluted (Note 17)	$ 0.26	$ (0.15)	$ 0.47	$ (0.87)
Weighted average shares of common stock outstanding - basic (Note 17)	127,756	128,298	128,052	128,297
Weighted average shares of common stock outstanding - diluted (Note 17)	129,595	128,298	129,669	128,297

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

BRIGHTSPIRE CAPITAL, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in Thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
Net income (loss)	$ 34,631	$ (23,616)	$ 63,030	$ (118,109)
Other comprehensive income (loss)				
Unrealized loss on real estate securities, available for sale	—	—	—	(200)
Foreign currency translation gain (loss)	(9,810)	2,213	(9,134)	(6,319)
Total other comprehensive income (loss)	(9,810)	2,213	(9,134)	(6,519)
Comprehensive income (loss)	24,821	(21,403)	53,896	(124,628)
Comprehensive (income) loss attributable to noncontrolling interests:				
Investment entities	15	3,123	(7)	4,125
Operating Partnership	(505)	526	(1,175)	2,694
Comprehensive income (loss) attributable to common stockholders	$ 24,331	$ (17,754)	$ 52,714	$ (117,809)

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

BRIGHTSPIRE CAPITAL, INC.
CONSOLIDATED STATEMENTS OF EQUITY
(in Thousands)
(Unaudited)

	Common Stock Class A								
	Shares	Amount	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income	Total Stockholders' Equity	Noncontrolling Interests in Investment Entities	Noncontrolling Interest in the Operating Partnership	Total Equity
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 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
Contributions	—	$ —	$ —	$ —	$ —	$ —	$ 838	$ —	$ 838
Distributions	—	—	—	—	—	—	(13,148)	—	(13,148)
Issuance and amortization of equity-based compensation	41	—	5,443	—	—	5,443	—	—	5,443
Other comprehensive income	—	—	—	—	1,966	1,966	336	(89)	2,213
Dividends and distributions declared ($0.14 per share)	—	—	—	(18,166)	—	(18,166)	—	(431)	(18,597)
Shares canceled for tax withholding on vested stock awards	(131)	—	(1,141)	—	—	(1,141)	—	—	(1,141)
Reallocation of equity	—	—	129	—	—	129	—	(129)	—
Net income (loss)	—	—	—	(19,720)	—	(19,720)	(3,459)	(437)	(23,616)
Balance as June 30, 2021	129,759	$ 1,298	$ 2,851,916	$ (1,377,412)	$ 48,812	$ 1,524,614	$ 227,380	$ 35,697	$ 1,787,691

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

BRIGHTSPIRE CAPITAL, INC.
CONSOLIDATED STATEMENTS OF EQUITY (Continued)
(in Thousands)
(Unaudited)

	Common Stock Class A Shares	Common Stock Class A Amount	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income	Total Stockholders' Equity	Noncontrolling Interests in Investment Entities	Noncontrolling Interest in the Operating Partnership	Total Equity
Balance as of December 31, 2021	129,769	$ 1,298	$ 2,855,766	$ (1,410,562)	$ 8,786	$ 1,455,288	$ 1,472	$ 34,555	$ 1,491,315
Distributions	—	—	—	—	—	—	(110)	—	(110)
Issuance and amortization of equity-based compensation	—	—	1,880	—	—	1,880	—	—	1,880
Other comprehensive income	—	—	—	—	660	660	—	16	676
Dividends and distributions declared ($0.19 per share)	—	—	—	(24,657)	—	(24,657)	—	(584)	(25,241)
Shares canceled for tax withholding on vested stock awards	(136)	(2)	(998)	—	—	(1,000)	—	—	(1,000)
Reallocation of equity	—	—	(13)	—	—	(13)	—	13	—
Net income	—	—	—	27,724	—	27,724	22	654	28,400
Balance as of March 31, 2022	129,633	$ 1,296	$ 2,856,635	$ (1,407,495)	$ 9,446	$ 1,459,882	$ 1,384	$ 34,654	$ 1,495,920
Distributions	—	$ —	$ —	$ —	$ —	$ —	$ (28)	$ —	$ (28)
Issuance and amortization of equity-based compensation	1,524	16	2,270	—	—	2,286	—	—	2,286
Repurchase of common stock	(2,181)	(22)	(18,298)	—	—	(18,320)	—	—	(18,320)
Other comprehensive income	—	—	—	—	(9,956)	(9,956)	—	146	(9,810)
Dividends and distributions declared ($0.20) per share	—	—	—	(25,565)	—	(25,565)	—	—	(25,565)
Shares canceled for tax withholding on vested stock awards	(11)	—	(254)	—	—	(254)	—	—	(254)
OP Redemption	—	—	9,648	—	—	9,648	—	(35,159)	(25,511)
Net income	—	—	—	34,287	—	34,287	(15)	359	34,631
Balance as of June 30, 2022	128,965	$ 1,290	$ 2,850,001	$ (1,398,773)	$ (510)	$ 1,452,008	$ 1,341	$ —	$ 1,453,349

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

BRIGHTSPIRE CAPITAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in Thousands)
(Unaudited)

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Cash flows from operating activities:		
Net income (loss)	$ 63,030	$ (118,109)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Equity in (earnings) losses of unconsolidated ventures	(25)	35,624
Depreciation and amortization	17,314	19,533
Straight-line rental income	(731)	(1,407)
Amortization of above/below market lease values, net	(103)	(26)
Amortization of premium/accretion of discount and fees on investments and borrowings, net	(6,912)	(2,582)
Amortization of deferred financing costs	4,938	5,893
Amortization of right-of-use lease assets and operating lease liabilities	234	52
Paid-in-kind interest added to loan principal, net of interest received	5,679	(4,240)
Unrealized gain on mortgage loans and obligations held in securitization trusts, net	—	(28,154)
Realized loss on mortgage loans and obligations held in securitization trusts, net	—	19,516
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	(10,632)	(11,911)
Increase of current expected credit loss reserve	9,277	4,425
Amortization of equity-based compensation	4,166	9,705
Mortgage notes above/below market value amortization	98	63
Realized gain on sales of unconsolidated ventures	(21,900)	—
Deferred income tax benefit	(650)	(1,910)
Other (gain) loss, net	(1,828)	1,369
Changes in assets and liabilities:		
Receivables, net	(628)	(1,952)
Deferred costs and other assets	1,914	(22,937)
Due to related party	—	(10,059)
Other liabilities	(8,627)	(22,363)
Net cash provided by (used in) operating activities	54,614	(128,611)
Cash flows from investing activities:		
Acquisition, origination and funding of loans held for investment, net	(815,466)	(822,834)
Repayment on loans held for investment	470,411	124,198
Proceeds from sale of real estate	55,600	332,003
Acquisition of and additions to real estate, related intangibles and leasing commissions	(1,577)	(2,612)
Investments in unconsolidated ventures	—	(3,499)
Proceeds from sale of investments in unconsolidated ventures	38,100	—
Distributions in excess of cumulative earnings from unconsolidated ventures	(3)	21,433
Repayment of real estate securities, available for sale, from sales	—	5,079
Repayment of real estate securities, available for sale, from cost recovery	—	210
Repayment of principal in mortgage loans held in securitization trusts	15,946	9,649
Proceeds from sale of beneficial interests of securitization trusts	—	28,662
Change in escrow deposits	2,069	30,498
Net cash used in investing activities	(234,920)	(277,213)
Cash flows from financing activities:		
Distributions paid on common stock	(48,033)	(12,864)
Distributions paid on common stock to noncontrolling interests	(1,138)	(431)
Shares canceled for tax withholding on vested stock awards	(1,254)	(2,451)
Repurchase of common stock	(18,320)	—
Redemption of OP units	(25,383)	—
Borrowings from mortgage notes	—	3,069
Repayment of mortgage notes	(82,116)	(263,329)
Borrowings from credit facilities	698,700	675,429
Repayment of credit facilities	(116,254)	(207,992)
Repayment of securitization bonds	(138,369)	—
Repayment of mortgage obligations issued by securitization trusts	(15,947)	(9,649)
Payment of deferred financing costs	(7,863)	(4,186)
Contributions from noncontrolling interests	—	2,222
Distributions to noncontrolling interests	(138)	(23,942)
Net cash provided by financing activities	243,885	155,876
Effect of exchange rates on cash, cash equivalents and restricted cash	(726)	1,937
Net increase (decrease) in cash, cash equivalents and restricted cash	62,853	(248,011)
Cash, cash equivalents and restricted cash - beginning of period	346,563	540,030
Cash, cash equivalents and restricted cash - end of period	$ 409,416	$ 292,019

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

BRIGHTSPIRE CAPITAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(in Thousands)
(Unaudited)

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Reconciliation of cash, cash equivalents, and restricted cash to consolidated balance sheets		
Beginning of the period		
Cash and cash equivalents	$ 259,722	$ 474,817
Restricted cash	86,841	65,213
Total cash, cash equivalents and restricted cash, beginning of period	$ 346,563	$ 540,030
End of the period		
Cash and cash equivalents	$ 317,742	$ 210,182
Restricted cash	91,674	81,837
Total cash, cash equivalents and restricted cash, end of period	$ 409,416	$ 292,019

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Supplemental disclosure of non-cash investing and financing activities:		
Deconsolidation of securitization trust (VIE asset/liability reductions)	$ —	$ (802,195)
Accrual of distribution payable	(25,565)	(18,597)
Right-of-use lease assets and operating lease liabilities	3,271	5,435

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

BRIGHTSPIRE CAPITAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Business and Organization

BrightSpire Capital, Inc. 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 equity investments 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 consisting of commercial mortgage-backed securities ("CMBS") that are "B-pieces" of a CMBS securitization pool.

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, BrightSpire Capital Operating Company, LLC, (the "OP"). At March 31, 2022, the Company owned 97.7% of the OP, as its sole managing member. The remaining 2.3% was owned as noncontrolling interests. During the three months ended June 30, 2022, the Company redeemed the 2.3% of outstanding membership units in the OP for $25.4 million. Following this redemption, there were no noncontrolling interests in the OP at June 30, 2022.

Impact of COVID-19

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. Throughout 2020, continuing into the second quarter of 2022, countries around the world continued to face healthcare and economic challenges arising from the coronavirus, 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, as well as changes in consumer behavior or corporate policies in response to the COVID-19 pandemic, have had 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 for investment and real estate investments in the hospitality and retail sectors have experienced and 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 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 may 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 Held for Investment, net," Note 4, "Real Estate Securities," Note 5, "Real Estate, net and Real Estate Held for Sale" and Note 13, "Fair Value."

The continuing 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, 2022, 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, 2021.

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.

Reclassifications

Certain prior period amounts have been reclassified from operating expense to compensation and benefits and from investment in unconsolidated ventures to other assets in the consolidated financial statements to conform to current period presentation. This reclassification did not affect the Company's financial position, results of operations or cash flows.

Use of Estimates

The preparation of consolidated financial statements in conformity with US 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 (the "Termination Agreement") with its former external manager (the "Manager"), a subsidiary of DigitalBridge Group, Inc. ("DigitalBridge") whereby its management agreement (the "Management Agreement") terminated on April 30, 2021. The termination of the Management Agreement resulted in a material change in the management structure of the Company, and was accounted for under ASC 420, *Exit or disposal cost obligations.* The one-time payment made during the three months ended March 31, 2021 to the Manager under the Termination Agreement, and other associated costs, were recorded within restructuring charges on the consolidated statement of operations.

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 June 30, 2022 and December 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. Following the redemption of the outstanding membership units in the OP held by an unaffiliated third party during the three months ended June 30, 2022, there were no noncontrolling interests in the OP at June 30, 2022 and as of June 30, 2022, the Company holds all of the membership interests in the OP and the OP is no longer a VIE. The Company is the managing member of the OP and exercises full responsibility, discretion and control over the day-to-day management of the OP and has the power to direct the core activities of the OP that most significantly affect the OP's performance, and through its ownership 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. See "Noncontrolling Interests" below for further details on the redemption of OP units during the three months ended June 30, 2022.

Other consolidated VIEs include the Investing VIEs (as defined and discussed below) and certain operating real estate properties that have noncontrolling interests. At June 30, 2022 and December 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 June 30, 2022, the Company held subordinate tranches of a securitization trust in one Investing VIE 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 trust. The Company's subordinate tranches of the securitization trust, which represents 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 trust, less the Company's retained interest from the subordinate tranches of the securitization trust), income and expenses of the Investing VIE are presented in the consolidated financial statements of the Company although the Company legally owns the subordinate tranches of the securitization trust 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 trust.

The Company elected the fair value option for the initial recognition of the assets and liabilities of its consolidated Investing VIE. Interest income and interest expense associated with the Investing VIE are presented separately on the consolidated statements of operations, and the assets and liabilities of the Investing VIE 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 13, "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 VIE, 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 VIE 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 VIE. Refer to Note 13, "Fair Value" for further discussion.

Unconsolidated VIEs

During the three months ended June 30, 2022, the Company sold its one remaining unconsolidated VIE. Refer to Note 7, "Restricted Cash, Other Assets and Accrued and Other Liabilities" for further discussion of the sale. As of December 31, 2021, the Company identified unconsolidated VIEs related to its CRE debt investments. Based on management's analysis, the Company determined that it is not the primary beneficiary of such VIEs. Accordingly, the VIEs are not consolidated in the Company's financial statements as of December 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. As of June 30, 2022, the Company has no remaining obligations to unconsolidated VIEs.

The Company did not provide financial support to the unconsolidated VIEs during the six months ended June 30, 2022 and the fiscal year ended December 31, 2021. As of December 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 investments in unconsolidated ventures was determined as the carrying value plus any future funding commitments. The carrying value and maximum exposure to loss of the investments in unconsolidated joint ventures at December 31, 2021 was $16.2 million.

Noncontrolling Interests

Noncontrolling Interests in Investment Entities—This represents interests in consolidated investment entities held by third party joint venture partners.

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 ("OP")—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 were 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.

Through February 2022, the noncontrolling interests in the OP were held by an affiliate of DigitalBridge, after which such entity was sold to an unaffiliated third party. During the three months ended June 30, 2022, the Company redeemed the 3.1 million outstanding membership units in the OP held by such entity at a price of $8.25 per unit for a total cost of $25.4 million. Following this redemption, the noncontrolling interests in the operating partnership were reclassified to additional paid-in capital and accumulated other comprehensive income on the Company's consolidated balance sheet and there are no noncontrolling interests in the OP. As of June 30, 2022, there were no remaining noncontrolling interests in the OP and the OP was wholly-owned by the Company directly, and indirectly through the Company's wholly-owned subsidiary, BRSP-T LLC.

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 its indirect interests in real estate through real estate private equity funds ("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. Such valuations require management to make significant estimates and assumptions.

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 June 30, 2022 or December 31, 2021. 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 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 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 Current Expected Credit Losses (“CECL”) reserves. 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 June 30, 2022 and December 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)	28 to 40 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 5, "Real Estate, net and Real Estate Held for Sale" and Note 13, "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 June 30, 2022, there were no properties held for sale. At December 31, 2021, there were two properties held for sale. See Note 5, "Real Estate, net and Real Estate Held for Sale" and Note 16, "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 current expected credit loss reserves and the cumulative reserve 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 June 30, 2022, the Company held subordinate tranches of one securitization trust, which represent the Company's retained interest in a securitization trust that the Company consolidates under U.S. GAAP. Refer to Note 4, "Real Estate Securities" 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.

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, net.

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.

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 Other Than Temporary Impairment ("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, net 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, 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 14, “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 is 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.

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, 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 the measurement period. See Note 10, “Equity-Based Compensation” for further discussion.

The compensation expense is adjusted for actual forfeitures upon occurrence. Equity-based compensation is classified within compensation and benefits 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 an investment in Europe which is 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 June 30, 2022 and 2021, the Company recorded income tax expense of $0.5 million and an income tax benefit of $0.1 million, respectively. For the six months ended June 30, 2022 and 2021, the Company recorded income tax expense of $0.5 million and income tax benefit of $1.9 million, respectively.

Current Expected Credit Losses (“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 March 2022 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 to determine the fair value of the collateral at the reporting date when determining the CECL reserve.

In developing the CECL reserve for its loans 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 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 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 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 increase/decrease in current expected credit loss reserve on the consolidated statement of operations with a corresponding offset to the loans 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 Held for Investment, net” for further detail.

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.

Accounting Standards to be adopted

Credit Losses—In March 2022, the FASB issued ASU No. 2022-02, *Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*, which eliminates the Troubled Debt Restructuring ("TDR") model for creditors that have adopted Topic 326, CECL. The general loan modification guidance in Subtopic 310-20 will apply to all loan modifications, including modifications for borrowers experiencing financial difficulty. ASU 2022-02 also requires entities within the scope of ASC 326 to provide vintage disclosures which show the gross writeoffs recorded in the current period by origination year. ASU No. 2022-02 is effective in reporting periods beginning after December 15, 2022. The Company is currently evaluating the new vintage disclosures which will be added to the financial statements as a part of the adoption of the new guidance.

3. Loans Held for Investment, net

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

	June 30, 2022				December 31, 2021			
	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
Variable rate								
Senior loans	$ 2,092,924	$ 2,080,438	5.5 %	3.9	$ 1,576,439	$ 1,564,940	4.6 %	3.7
Securitized loans(2)	1,653,076	1,649,077	5.2 %	3.1	1,806,583	1,803,042	4.2 %	3.5
Mezzanine loans	12,000	12,120	12.8 %	0.0	12,000	12,120	11.5 %	0.7
	3,758,000	3,741,635			3,395,022	3,380,102		
Fixed rate								
Mezzanine loans	92,052	91,888	12.2 %	3.0	105,636	105,505	12.4 %	3.0
	92,052	91,888			105,636	105,505		
Loans held for investment	3,850,052	3,833,523			3,500,658	3,485,607		
CECL reserve	NA	(44,378)			NA	(36,598)		
Loans held for investment, net	$ 3,850,052	$ 3,789,145			$ 3,500,658	$ 3,449,009		

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

The weighted average maturity, including extensions, of loans was 3.4 years at June 30, 2022. At December 31, 2021, the weighted average maturity, including extensions, of loans was 3.6 years.

The Company had $12.1 million and $9.5 million of interest receivable related to its loans held for investment, net as of June 30, 2022 and December 31, 2021, respectively. This is included in receivables, net on the Company's consolidated balance sheets.

BRIGHTSPIRE CAPITAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

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

	Carrying Value
lance at January 1, 2022	$ 3,449,009
quisitions/originations/additional funding	815,466
an maturities/principal repayments	(472,470)
scount accretion/premium amortization	6,912
pitalized interest	(1,992)
crease) decrease of CECL reserve[(1)]	(9,031)
arge-off	1,251
lance at June 30, 2022	$ 3,789,145

(1) Excludes $0.3 million as of June 30, 2022, 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

Loans 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. As of June 30, 2022 and December 31, 2021, the Company did not have any loans on nonaccrual status.

The following table provides an aging summary of loans held for investment at carrying values before CECL reserve (dollars in thousands):

	Current or Less Than 30 Days Past Due	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due[(1)]	Total Loans
June 30, 2022	$ 3,821,403	$ —	$ —	$ 12,120	$ 3,833,523
December 31, 2021	3,485,607	—	—	—	3,485,607

(1) Represents the New York, New York Hotel Mezzanine Loan which is in maturity default as of March 2022. However, because the borrower has provided all interest payments through June 30, 2022, the loan has not been placed on nonaccrual status.

Current Expected Credit Loss Reserve

The following tables provide details on the changes in CECL reserves for the three and six months ended June 30, 2022 and 2021 (dollars in thousands):

	Total
CECL reserve at December 31, 2021	**$ 36,598**
Increase (decrease) in CECL reserve[(1)]	(1,343)
Charge-offs of CECL reserve[(2)]	(1,251)
CECL reserve at March 31, 2022	**$ 34,004**
Increase (decrease) in CECL reserve[(1)]	10,374
CECL reserve at June 30, 2022	**$ 44,378**
CECL reserve at December 31, 2020	**$ 37,191**
Increase (decrease) in CECL reserve[(1)]	3,600
CECL reserve at March 31, 2021	**$ 40,791**
Increase (decrease) in CECL reserve[(1)]	1,361
CECL reserve at June 30, 2021	**$ 42,152**

(1) Excludes the increase (decrease) in CECL reserves related to unfunded commitments reported on the consolidated statement of operations for the three months ended: March 31, 2022: $0.5 million, June 30, 2022: $(0.3) million, March 31, 2021: $(0.4) million, June 30, 2021: $(0.2) million.
(2) During the first quarter of 2022, the Company received a $36.5 million repayment on one senior loan collateralized by a student housing property, which was $1.3 million less than the unpaid principal balance. As such, during the fourth quarter of 2021, the Company had recorded a $1.3 million CECL reserve on the loan, as the loss was probable at that point in time, and was subsequently charged off in the first quarter of 2022.

Credit Quality Monitoring

Loans are typically 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 loans 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 June 30, 2022, all loans were performing in accordance with the contractual terms of their governing documents and were categorized as performing loans, except for the New York, New York Hotel Mezzanine Loan as noted in "Nonaccrual and Past Due Loans" above. There were no loans held for investment with contractual payments past due as of December 31, 2021. For the six months ended June 30, 2022 and June 30, 2021, no debt investment contributed more than 10.0% of interest income.

The following tables provide a summary by carrying values before any CECL reserves of the Company's loans held for investment by year of origination and credit quality risk ranking (dollars in thousands) as of June 30, 2022 and December 31, 2021, respectively. Refer to Note 2, "Summary of Significant Accounting Policies" for loans risk rating definitions.

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	June 30, 2022					
	2022	**2021**	**2020**	**2019**	**2018 and Earlier**	**Total**
Senior loans						
Risk Rankings:						
2	$ —	$ 200,113	$ 58,880	$ 25,855	$ —	$ 284,848
3	762,666	1,388,246	53,289	283,483	300,244	2,787,928
4	—	—	—	352,049	304,690	656,739
Total Senior loans	762,666	1,588,359	112,169	661,387	604,934	3,729,515
Mezzanine loans						
Risk Rankings:						
3	17,165	—	—	41,459	4,474	63,098
4	—	—	—	28,790	—	28,790
5	—	—	—	—	12,120	12,120
Total Mezzanine loans	17,165	—	—	70,249	16,594	104,008
Total Loans held for investment	$ 779,831	$ 1,588,359	$ 112,169	$ 731,636	$ 621,528	$ 3,833,523

As of June 30, 2022, the average risk rating for loans held for investment was 3.1.

	December 31, 2021					
	2021	**2020**	**2019**	**2018**	**2017**	**Total**
Senior loans						
Risk Rankings:						
2	$ 242,850	$ 109,103	$ 70,811	$ —	$ —	$ 422,764
3	1,393,307	72,359	443,162	262,147	34,036	2,205,011
4	—	—	396,395	304,477	—	700,872
5	—	—	39,335	—	—	39,335
Total Senior loans	1,636,157	181,462	949,703	566,624	34,036	3,367,982
Mezzanine loans						
Risk Rankings:						
3	—	—	38,796	4,489	—	43,285
4	—	—	62,220	—	12,120	74,340
Total Mezzanine loans	—	—	101,016	4,489	12,120	117,625
Total Loans held for investment	$ 1,636,157	$ 181,462	$ 1,050,719	$ 571,113	$ 46,156	$ 3,485,607

As of December 31, 2021, the average risk rating for loans held for investment was 3.1.

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 June 30, 2022, assuming the terms to qualify for future advances, if any, had been met, total gross unfunded lending commitments were $312.9 million. Refer to Note 15, “Commitments and Contingencies” for further details. At June 30, 2022, the Company recorded a $0.7 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. At December 31, 2021, assuming the terms to qualify for future advances, if any, had been met, total gross unfunded lending commitments were $264.9 million. At December 31, 2021, the Company recorded a $0.4 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. Real Estate Securities

Investments in Investing VIEs

The Company is the directing certificate holder of one securitization trust and has the ability to appoint and replace the special servicer on all mortgage loans. As such, GAAP requires the Company to consolidate the assets, liabilities, income and expenses of the securitization trust 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 trust, the Company does not have any claim to the assets or exposure to the liabilities of the securitization trust. The original issuers, who are unrelated third parties, guarantee the interest and principal payments related to the investment grade securitization bonds in the securitization trust, therefore these obligations do not have any recourse to the general credit of the Company as the consolidator of the securitization trust. The Company's maximum exposure to loss would not exceed the carrying value of its retained investments in the securitization trust, or the subordinate tranches of the securitization trust.

As of June 30, 2022, the mortgage loans and the related mortgage obligations held in the securitization trust had an unpaid principal balance of $767.8 million and $665.2 million, respectively. As of December 31, 2021, the mortgage loans and the related mortgage obligations held in the securitization trusts had an unpaid principal balance of $783.8 million and $681.2 million, respectively. As of June 30, 2022, the underlying collateral of the securitization trust consisted of 61 underlying commercial mortgage loans, with a weighted average coupon of 4.9% and a weighted average loan-to-value ratio of 60.2%.

The following table presents the assets and liabilities recorded on the consolidated balance sheets attributable to the securitization trust as of June 30, 2022 and December 31, 2021 (dollars in thousands):

	June 30, 2022	December 31, 2021
Assets		
Mortgage loans held in a securitization trust, at fair value	$ 718,335	$ 813,310
Receivables, net	3,214	3,325
Total assets	$ 721,549	$ 816,635
Liabilities		
Mortgage obligations issued by a securitization trust, at fair value	$ 682,181	$ 777,156
Accrued and other liabilities	2,930	3,032
Total liabilities	$ 685,111	$ 780,188

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 $36.2 million as of June 30, 2022 and December 31, 2021, 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 13, "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 and six months ended June 30, 2022 and 2021 generated from the Company’s investments in the subordinate tranches of the securitization trusts (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Statement of Operations				
Interest income on mortgage loans held in securitization trusts	$ 9,721	$ 11,390	$ 19,095	$ 31,079
Interest expense on mortgage obligations issued by securitization trusts	(8,586)	(10,111)	(17,074)	(27,447)
Net interest income	1,135	1,279	2,021	3,632
Operating expense	(245)	(161)	(342)	(927)
Unrealized gain on mortgage loans and obligations held in securitization trusts, net	—	19,516	—	28,154
Realized loss on mortgage loans and obligations held in securitization trusts, net	—	(19,516)	—	(19,516)
Net income attributable to BrightSpire Capital, Inc. common stockholders	$ 890	$ 1,118	$ 1,679	$ 11,343

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

The following table presents the Company’s net lease portfolio, net, as of June 30, 2022, and December 31, 2021 (dollars in thousands):

	June 30, 2022	December 31, 2021
Land and improvements	$ 128,426	$ 134,453
Buildings, building leaseholds, and improvements	504,504	530,815
Tenant improvements	17,168	17,944
Construction-in-progress	660	660
Subtotal	$ 650,758	$ 683,872
Less: Accumulated depreciation	(77,467)	(70,861)
Net lease portfolio, net	$ 573,291	$ 613,011

The following table presents the Company’s portfolio of other real estate as of June 30, 2022 and December 31, 2021 (dollars in thousands):

	June 30, 2022	December 31, 2021
Land and improvements	$ 29,583	$ 29,582
Buildings, building leaseholds, and improvements	152,186	152,180
Tenant improvements	17,731	17,303
Furniture, fixtures and equipment	135	135
Construction-in-progress	1,651	460
Subtotal	$ 201,286	$ 199,660
Less: Accumulated depreciation	(32,498)	(29,460)
Other portfolio, net	$ 168,788	$ 170,200

For the six months ended June 30, 2022 and 2021, the Company had no single property with rental and other income equal to or greater than 10.0% of total revenue of the Company.

At December 31, 2021, the Company held one foreclosed property which was included in assets held for sale with a carrying value of $33.5 million.

Depreciation Expense

Depreciation expense on real estate was $6.4 million and $7.0 million for the three months ended June 30, 2022 and 2021, respectively. Depreciation expense on real estate was $12.5 million and $13.9 million for the six months ended June 30, 2022, and 2021, respectively.

Property Operating Income

For the three and six months ended June 30, 2022 and 2021, the components of property operating income were as follows (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Lease revenues[(1)]				
Minimum lease revenue	$ 19,334	$ 20,240	$ 39,068	$ 42,649
Variable lease revenue	2,388	2,449	5,214	5,229
	$ 21,722	$ 22,689	$ 44,282	$ 47,878
Hotel operating income	—	1,902	1,566	2,603
	$ 21,722	$ 24,591	$ 45,848	$ 50,481

(1) Excludes net amortization income related to above and below-market leases of $0.1 million and de minimis income for the three and six months ended June 30, 2022, respectively. Excludes net amortization income related to above and below-market leases of $0.2 million and de minimis income for the three and six months ended June 30, 2021, 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 June 30, 2022 (dollars in thousands):

Remainder of 2022	$ 37,034
2023	70,197
2024	65,515
2025	58,966
2026	52,100
2027 and thereafter	361,832
Total	$ 645,644

The rental properties owned at June 30, 2022 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.

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 2050. Rents on certain ground leases are paid directly by the tenants. Ground rent expense for the three and six months ended June 30, 2022 was $0.8 million and $1.5 million, respectively. Ground rent expense for the three and six months ended June 30, 2021 was $0.8 million and $1.5 million, respectively.

Refer to Note 15, “Commitments and Contingencies” for the details of future minimum rental payments on noncancellable ground lease on real estate as of June 30, 2022.

Real Estate Held for Sale

As of June 30, 2022, the Company did not have any properties held for sale. As of December 31, 2021, the Company held one net lease property and one hotel as held for sale. These properties consisted of $44.2 million of real estate, net and $0.1 million of deferred leasing costs and intangible assets which were included in assets held for sale on the Company's consolidated balance sheet.

Real Estate Sales

During the six months ended June 30, 2022, the Company completed the sale of one net lease property for a gross sales price of $19.6 million which resulted in a $7.6 million gain on sale and is included in other gain, net on the consolidated statement of operations. The Company also sold one hotel property for a gross sales price of $36.0 million which resulted in a $2.9 million gain on sale and is included in other gain, net on the consolidated statement of operations.

During the six months ended June 30, 2021, the Company completed the sale of an industrial portfolio for a total gross sales price of $335.0 million and a total net gain of $11.8 million.

6. Deferred Leasing Costs and Other Intangibles

The Company's deferred leasing costs, other intangible assets and intangible liabilities, excluding those related to assets held for sale, at June 30, 2022 and December 31, 2021 are as follows (dollars in thousands):

	June 30, 2022		
	Carrying Amount	Accumulated Amortization	Net Carrying Amount
Deferred Leasing Costs and Intangible Assets			
In-place lease values	$ 75,437	$ (32,834)	$ 42,603
Deferred leasing costs	28,207	(14,371)	13,836
Above-market lease values	8,359	(6,445)	1,914
	$ 112,003	$ (53,650)	$ 58,353
Intangible Liabilities			
Below-market lease values	$ 16,074	$ (10,542)	$ 5,532

	December 31, 2021		
	Carrying Amount	Accumulated Amortization	Net Carrying Amount[(1)]
Deferred Leasing Costs and Intangible Assets			
In-place lease values	$ 81,869	$ (34,555)	$ 47,314
Deferred leasing costs	29,863	(14,701)	15,162
Above-market lease values	10,171	(7,666)	2,505
	$ 121,903	$ (56,922)	$ 64,981
Intangible Liabilities			
Below-market lease values	$ 16,166	$ (9,942)	$ 6,224

(1) Excludes deferred leasing costs and intangible assets and intangible liabilities related to assets held for sale at December 31, 2021.

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The following table summarizes the amortization of deferred leasing costs, intangible assets and intangible liabilities for the three and six months ended June 30, 2022 and 2021 (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Above-market lease values	$ (286)	$ (262)	$ (574)	$ (666)
Below-market lease values	346	470	677	692
Net increase (decrease) to property operating income	$ 60	$ 208	$ 103	$ 26
In-place lease values	$ 1,537	$ 1,862	$ 3,138	$ 3,627
Deferred leasing costs	748	935	1,554	1,556
Other intangibles	—	129	—	172
Amortization expense	$ 2,285	$ 2,926	$ 4,692	$ 5,355

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 June 30, 2022 (dollars in thousands):

	2022	2023	2024	2025	2026	2027 and thereafter	Total
Above-market lease values	$ (521)	$ (571)	$ (443)	$ (265)	$ (86)	$ (28)	$ (1,914)
Below-market lease values	692	1,379	1,379	1,378	704	—	5,532
Net increase (decrease) to property operating income	$ 171	$ 808	$ 936	$ 1,113	$ 618	$ (28)	$ 3,618
In-place lease values	$ 2,932	$ 5,054	$ 4,754	$ 4,068	$ 3,235	$ 22,560	$ 42,603
Deferred leasing costs	1,485	2,516	2,209	1,804	923	4,899	13,836
Amortization expense	$ 4,417	$ 7,570	$ 6,963	$ 5,872	$ 4,158	$ 27,459	$ 56,439

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

The following table presents a summary of restricted cash as of June 30, 2022 and December 31, 2021 (dollars in thousands):

	June 30, 2022	December 31, 2021
Restricted cash:		
Borrower escrow deposits	$ 75,414	$ 73,344
Capital expenditure reserves	9,829	8,921
Real estate escrow reserves	3,628	2,025
Working capital and other reserves	2,003	2,310
Tenant lockboxes	800	241
Total	$ 91,674	$ 86,841

The following table presents a summary of other assets as of June 30, 2022 and December 31, 2021 (dollars in thousands):

	June 30, 2022	December 31, 2021
Other assets:		
Right-of-use lease asset	$ 26,670	$ 24,970
Tax receivable and deferred tax assets	22,338	26,194
Deferred financing costs, net - credit facilities	7,373	2,113
Prepaid expenses	4,407	5,069
Investments in unconsolidated ventures ($4,406 and $4,406 at fair value, respectively)	4,406	20,591
Derivative asset	3,202	1,373
Other	1,786	2,141
Total	$ 70,182	$ 82,451

The following table presents a summary of accrued and other liabilities as of June 30, 2022 and December 31, 2021 (dollars in thousands):

	June 30, 2022	December 31, 2021
Accrued and other liabilities:		
Operating lease liability	$ 27,153	$ 25,205
Current and deferred tax liability	27,080	34,612
Accounts payable, accrued expenses and other liabilities	15,974	20,168
Interest payable	8,531	11,076
Prepaid rent and unearned revenue	6,462	7,669
Unfunded CECL loan allowance	678	432
Tenant security deposits	409	424
Other	206	228
Total	$ 86,493	$ 99,814

Investments under Fair Value Option

Private Funds

The Company elected to account for its limited partnership interests in PE Investments under the fair value option, which interests ranged from 1.0% to 15.6% for the six months ended June 30, 2022. The Company records equity in earnings for these investments based on a change in fair value of its share of projected future cash flows.

Investments in Unconsolidated Ventures

During the three months ended June 30, 2022 the Company sold an equity method investment for a gross sales price of $38.1 million and recognized a realized gain of $21.9 million. The realized gain is included in other gain, net on the Company's consolidated statements of operations. Following the sale, the Company had no remaining equity method investments.

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8. Debt

The following table presents debt as of June 30, 2022 and December 31, 2021 (dollars in thousands):

	Capacity ($)	Recourse vs. Non-Recourse[1]	Final Maturity	Contractual Interest Rate	June 30, 2022 Principal Amount[2]	June 30, 2022 Carrying Value[2]	December 31, 2021 Principal Amount[2]	December 31, 2021 Carrying Value[2]
Securitization bonds payable, net								
CLNC 2019-FL1[3]		Non-recourse	Aug-35	SOFR[4] + 1.66%	$ 702,054	$ 699,645	$ 840,423	$ 836,812
BRSP 2021-FL1[3]		Non-recourse	Aug-38	LIBOR + 1.49%	670,000	665,261	670,000	664,087
Subtotal securitization bonds payable, net					1,372,054	1,364,906	1,510,423	1,500,899
Mortgage and other notes payable, net								
Net lease 6		Non-recourse	Oct-27	4.45%	22,840	22,840	23,117	23,117
Net lease 5		Non-recourse	Nov-26	4.45%	3,247	3,188	3,282	3,216
Net lease 4		Non-recourse	Nov-26	4.45%	7,005	6,877	7,081	6,939
Net lease 3[5]		Non-recourse	Jan-22	6.00%	—	—	11,867	11,807
Net lease 6		Non-recourse	Jul-23	LIBOR + 2.15%	674	661	908	889
Net lease 5		Non-recourse	Aug-26	4.08%	30,376	30,199	30,639	30,442
Net lease 1[6]		Non-recourse	Nov-26	4.45%	17,631	17,309	17,823	17,465
Net lease 1[7]		Non-recourse	Mar-28	4.38%	11,648	11,211	11,769	11,332
Net lease 2[8]		Non-recourse	Jun-25	3.91%	161,856	164,151	181,504	184,078
Net lease 3		Non-recourse	Sep-33	4.77%	200,000	198,733	200,000	198,689
Other real estate 1		Non-recourse	Oct-24	4.47%	104,306	104,589	105,090	105,452
Other real estate 3		Non-recourse	Jan-25	4.30%	71,618	71,248	72,359	71,922
Other real estate 6[9]		Non-recourse	Apr-24	LIBOR + 2.95%	—	—	30,000	29,859
Loan 9[10]		Non-recourse	Jun-24	LIBOR + 3.00%	27,851	27,851	65,377	65,376
Subtotal mortgage and other notes payable, net					659,052	658,857	760,816	760,583
Bank credit facility								
Bank credit facility	$ 165,000	Recourse	Jan-27[11]	SOFR + 2.25%	—	—	—	—
Subtotal bank credit facility					—	—	—	—
Master repurchase facilities								
Bank 1 facility 3	$ 400,000	Limited Recourse[12]	Apr-26[13]	LIBOR/SOFR + 1.82% [14]	250,162	250,162	109,915	109,915
Bank 3 facility 3	600,000	Limited Recourse[12]	Apr-23[15]	LIBOR/SOFR + 1.95% [14]	396,202	396,202	157,409	157,409
Bank 7 facility 1	600,000	Limited Recourse[12]	Apr-26[16]	LIBOR/SOFR + 1.79% [14]	415,795	415,795	358,181	358,181
Bank 8 facility 1	250,000	Limited Recourse[12]	Jun-23[17]	LIBOR/SOFR + 2.18% [14]	158,504	158,504	177,519	177,519
Bank 9 facility 1	400,000	(18)	June-27[19]	LIBOR/SOFR + 1.70% [14]	266,904	266,904	102,098	102,098
Subtotal master repurchase facilities	$ 2,250,000				1,487,567	1,487,567	905,122	905,122
Subtotal credit facilities					1,487,567	1,487,567	905,122	905,122
Total					$ 3,518,673	$ 3,511,330	$ 3,176,361	$ 3,166,604

(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) As of June 17, 2021, the benchmark index interest rate was converted from the one-month London Interbank Offered Rates (“LIBOR”) to Compounded Secured Overnight Financing Rate (“SOFR”), plus a benchmark adjustment of 11.448 basis points. As of February 19, 2022, the benchmark index interest rate was converted from Compounded SOFR to Term SOFR, plus a benchmark adjustment of 11.448 basis points, conforming with the indenture agreement.
(5) During the first quarter of 2022 the property was sold and the mortgage payable was repaid in full.
(6) 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.
(7) Represents a mortgage note collateralized by three properties.
(8) As of June 30, 2022, the outstanding principal of the mortgage payable was NOK 1.6 billion, which translated to $161.9 million.
(9) During the first quarter of 2022 the property was sold and the mortgage payable was repaid in full.
(10) The current maturity of the note payable is June 2023, with one one-year extension available at the Company’s option, which may be subject to the satisfaction of certain customary conditions set forth in the governing documents.
(11) On January 28, 2022, the Company, through its subsidiaries, including the OP, entered into an Amended and Restated Credit Agreement. Refer to “Bank Credit Facility” within this note for more details.
(12) Recourse solely with respect to 25.0% of the financed amount.
(13) During the second quarter of 2022, the maturity date was April 2023. In July 2022, the maturity date was extended to July 2024, with three one-year extension options, which may be exercised upon the satisfaction of certain customary conditions set forth in the governing documents.
(14) Represents the weighted average spread as of June 30, 2022. The contractual interest rate depends upon asset type and characteristics and ranges from one-month LIBOR or SOFR plus 1.50% to 2.70%.
(15) During the second quarter of 2022, the maturity date was April 2023. In July 2022, the maturity date was extended to April 2025, with two one-year extension options, which may be exercised upon the satisfaction of certain customary conditions set forth in the governing documents.
(16) The current maturity date is April 2025, 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.
(17) The current maturity date is June 2023, with no extension currently available at the option of the Company.
(18) Recourse is either 25.0% or 50.0% depending on loan metrics.
(19) The current maturity date is June 2025, 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 June 30, 2022 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
Remaining 2022	$ 1,311	$ —	$ 1,311	$ —
2023	557,272	—	2,566	554,706
2024	134,376	—	134,376	—
2025	235,750	—	235,750	—
2026	720,557	—	54,600	665,957
2027 and thereafter	1,869,407	1,372,054	230,449	266,904
Total	$ 3,518,673	$ 1,372,054	$ 659,052	$ 1,487,567

Bank Credit Facility

The Company uses bank credit facilities (including term loans and revolving facilities) to finance the 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 January 28, 2022, the OP (together with certain subsidiaries of the OP from time to time party thereto as borrowers, collectively, the “Borrowers”) entered into an Amended and Restated Credit Agreement (the “Credit Agreement”) with JPMorgan Chase Bank, N.A., as administrative agent (the “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 in the aggregate principal amount of up to $165.0 million, of which up to $25.0 million is available as letters of credit. Loans under the Credit Agreement may be advanced in U.S. dollars and certain foreign currencies, including euros, pounds sterling and swiss francs.

The Credit Agreement amended and restated the OP's prior $300.0 million revolving credit facility that would have matured on February 1, 2022.

The Credit Agreement also includes an option for the Borrowers to increase the maximum available principal amount up to $300.0 million, subject to one or more new or existing Lenders agreeing to provide such additional loan commitments and satisfaction of other customary conditions.

Advances under the Credit Agreement accrue interest at a per annum rate equal to, at the applicable Borrower's election, either (x) an adjusted SOFR rate plus a margin of 2.25%, or (y) a base rate equal to the highest of (i) the Wall Street Journal's prime rate, (ii) the federal funds rate plus 0.50% and (iii) the adjusted SOFR rate plus 1.00%, 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 Credit Agreement. Amounts owed under the Credit Agreement 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 SOFR rate election is in effect.

The maximum amount available for borrowing at any time under the Credit Agreement 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 June 30, 2022, the borrowing base valuation is sufficient to permit borrowings of up to the entire $165.0 million commitment. If any borrowing is outstanding for more than 180 days after its initial draw, the borrowing base valuation will be reduced by 50% until all outstanding borrowings are repaid in full. The ability to borrow new amounts under the Credit Agreement terminates on January 31, 2026, at which time the OP may, at its election and by written notice to the Administrative Agent, extend the termination date for two additional terms of six months each, subject to the terms and conditions in the Credit Agreement, resulting in a latest termination date of January 31, 2027.

The obligations of the Borrowers under the Credit Agreement are guaranteed pursuant to a Guarantee and Collateral Agreement by substantially all material wholly owned subsidiaries of the OP (the "Guarantors") in favor of the 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 in which the proceeds of investment asset distributions are maintained.

The Credit Agreement contains various affirmative and negative covenants, including, among other things, the obligation of the Company to maintain REIT status and be listed on the New York Stock Exchange, and limitations on debt, liens and restricted payments. In addition, the Credit Agreement includes the following financial covenants applicable to the OP and its consolidated subsidiaries: (a) minimum consolidated tangible net worth of the OP to be greater than or equal to the sum of (i) $1,112,000,000 and (ii) 70% of the net cash proceeds received by the OP from any offering of its common equity after September 30, 2021 and of the net cash 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 ratio of EBITDA plus lease expenses to fixed charges for any period of four (4) consecutive fiscal quarters to be not less than 1.50 to 1.00; (c) the OP's minimum interest coverage ratio to be not less than 3.00 to 1.00; and (d) the OP's ratio of consolidated total debt to consolidated total assets to be not more than 0.80 to 1.00. The Credit Agreement 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, 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.

As of June 30, 2022, the Company was in compliance with all of its financial covenants under the Credit Agreement.

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.

CLNC 2019-FL1

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 $840.0 million of investment grade notes. As of June 30, 2022, the securitization reflects an advance rate of 82.8% at a weighted average cost of funds of Adjusted Term SOFR plus 1.66% (before transaction expenses) and is collateralized by a pool of 21 senior loan investments.

On March 5, 2021, the Financial Conduct Authority of the U.K. (the “FCA”) announced that LIBOR tenors relevant to CLNC 2019-FL1 would cease to be published or no longer be representative after June 30, 2023. The Alternative Reference Rates Committee (the “ARRC”) interpreted this announcement to constitute a benchmark transition event. As of June 17, 2021, the benchmark index interest rate was converted from LIBOR to compounded SOFR, plus a benchmark adjustment of 11.448 basis points with a lookback period equal to the number of calendar days in the applicable Interest Accrual Period plus two SOFR business days, conforming with the indenture agreement and recommendations from the ARRC. Compounded SOFR for any interest accrual period shall be the “30-Day Average SOFR” as published by the Federal Reserve Bank of New York on each benchmark determination date.

As of February 19, 2022, the benchmark index interest rate was converted from Compounded SOFR to Term SOFR, plus a benchmark adjustment of 11.448 basis points, conforming with the indenture agreement. Term SOFR for any interest accrual period shall be the one month CME Term SOFR Reference Rate as published by the CME Group Benchmark Administration on each benchmark determination date.

As of June 30, 2022, the CLNC 2019-FL1 mortgage assets are indexed to LIBOR and the borrowings under CLNC 2019-FL1 are indexed to Term SOFR, creating an underlying benchmark index rate basis difference between CLNC 2019-FL1 assets and liabilities, which is meant to be mitigated by the benchmark replacement adjustment described above. The Company has the right to transition the CLNC 2019-FL1 mortgage assets to SOFR, eliminating the basis difference between CLNC 2019-FL1 assets and liabilities, and will make the determination taking into account the loan portfolio as a whole. The transition to SOFR is not expected to have a material impact to CLNC 2019-FL1’s assets and liabilities and related interest expense.

CLNC 2019-FL1 included a two-year reinvestment feature that allowed the Company 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. The reinvestment period for CLNC 2019-FL1 expired on October 19, 2021. During the first quarter of 2022, two loans held in CLNC 2019-FL1 were repaid, totaling $54.4 million. During the second quarter of 2022, three loans held in CLNC 2019-FL1 were repaid, totaling $84.0 million. The proceeds from the five loan payoffs were used to amortize the securitization bonds in accordance with the securitization priority of payments.

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.

BRSP 2021-FL1

In July 2021, the Company executed a securitization transaction through wholly-owned subsidiaries, BRSP 2021-FL1, Ltd. and BRSP 2021-FL1, LLC (collectively, “BRSP 2021-FL1”), which resulted in the sale of $670 million of investment grade notes. The securitization reflects an advance rate of 83.75% at a weighted costs of funds of LIBOR plus 1.49% (before transaction costs), and is collateralized by a pool of 33 senior loan investments.

BRSP 2021-FL1 includes a two-year reinvestment feature that allows the Company to contribute existing or newly originated loan investments in exchange for proceeds from repayments or repurchases of loans held in BRSP 2021-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 BRSP 2021-FL1. During the first quarter of 2022, one loan held in BRSP 2021-FL1 was fully repaid, totaling $11.7 million. During the second quarter of 2022 three loans held in BRSP 2021-FL1 were fully repaid, totaling $47.9 million. Additionally, subsequent to June 30, 2022 and through August 2, 2022 one loan held in BRSP 2021-FL1, totaling $14.2 million was fully repaid. The Company replaced the repaid loans by contributing existing loan investments of equal value.

Additionally, BRSP 2021-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. We will continue to closely monitor all loan investments contributed to BRSP 2021-FL1, a deterioration in the performance of an underlying loan could negatively impact our liquidity position.

As of June 30, 2022, the Company had $1.6 billion carrying value of CRE debt investments and other assets financed with $1.4 billion of securitization bonds payable, net. As of December 31, 2021, the Company had $1.8 billion carrying value of CRE debt investments financed with $1.5 billion of securitization bonds payable, net.

Master Repurchase Facilities

As of June 30, 2022, the Company, through subsidiaries, had entered into repurchase agreements with multiple global financial institutions to provide an aggregate principal amount of up to $2.3 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 June 30, 2022, the Company was in compliance with all of its financial covenants under the Master Repurchase Facilities.

As of June 30, 2022, the Company had $2.0 billion carrying value of CRE debt investments financed with $1.5 billion under the Master Repurchase Facilities. As of December 31, 2021, the Company had $1.2 billion carrying value of CRE debt investments financed with $905.1 million under the master repurchase facilities.

During the three months ended June 30, 2022, the Company entered into amendments under the Master Repurchase Facility with Bank 7 and Bank 9 to increase the facility sizes by $100 million and extend the maturity dates by one year for each facility.

Additionally, subsequent to June 30, 2022, the Company entered into amendments under the Master Repurchase Facility with Bank 1 and Bank 3 to extend the maturity date by one year and four years, respectively.

CMBS Credit Facilities

As of June 30, 2022, 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 as of June 30, 2022 and December 31, 2021.

9. Related Party Arrangements

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 in accordance with the Termination Agreement (the “Internalization”). The Company paid the Manager a one-time termination fee of $102.3 million and additional closing costs of $0.3 million. The Company will not pay management or incentive fees to the Manager for any post-closing period. Refer to Note 2, “Summary of Significant Accounting Policies,” for further details.

Fees to Manager

Base Management Fee

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

For the three and six months ended June 30, 2021, the total management fee expense incurred was $2.3 million and $9.6 million, respectively.

Incentive Fee

Following the Internalization on April 30, 2021, the Company no longer pays an incentive fee to the Manager. The Company did not incur any incentive fees during the three and six months ended June 30, 2021.

Reimbursements of Expenses

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

For the three and six months ended June 30, 2021, the total reimbursements of expenses incurred by the Manager on behalf of the Company and reimbursable in accordance with the Management Agreement was $0.8 million and $2.8 million, respectively, and are included in operating expense on the consolidated statements of operations. As of June 30, 2022 and December 31, 2021, there were no unpaid expenses included in due to related party in the Company's consolidated balance sheets.

10. Equity-Based Compensation

On January 29, 2018, the Company's Board of Directors adopted the 2018 Equity Incentive Plan (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 vested in May 2021. The shares granted in June 2021 to the independent directors, as well as in October and December to the two newly appointed independent directors of the Company under the 2018 Plan vested in May 2022. Shares granted to non-independent directors, officers and the Manager under the 2018 Plan vest ratably in three annual installments.

On February 15, 2022, the Company's Board of Directors adopted, and at the annual meeting of stockholders held on May 5, 2022, the stockholders approved, the 2022 Equity Incentive Plan (the "2022 Plan"), which was effective as of May 5, 2022 and amends and restates the 2018 Plan. Other than increasing the total number of shares of the Class A common stock issuable under the 2018 Plan by 10.0 million shares (subject to adjustment pursuant to the terms of the 2022 Plan) and extending the termination date of the 2018 Plan to May 4, 2032, there were no significant changes from the 2018 Plan.

On May 5, 2022, the Company granted 1,456,366 shares of Class A common stock to certain of its employees. The shares vest in one-third increments on March 15, 2023, March 15, 2024 and March 15, 2025.

On May 6, 2022, the Company granted 62,190 shares of Class A common stock to the independent directors of the Company which vest on May 6, 2023.

Equity-Based Compensation Expense

In connection with the share grants, the Company recognized share-based compensation of $2.3 million and $4.2 million within compensation and benefits in the consolidated statement of operations for the three and six months ended June 30, 2022, respectively. The Company recognized share-based compensation expense of $5.4 million and $9.7 million within compensation and benefits in the consolidated statement of operations for the three and six months ended June 30, 2021, respectively.

Restricted Stock—Restricted stock awards relating to the Company's Class A common stock are granted to independent directors of the Company and generally vest within one year and restricted stock awards were granted to certain employees of the Manager, 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 vested following the Internalization.

Performance Stock Units ("PSU")—PSUs are granted to certain employees of the Company 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.

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 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 2022 Plan during the six months ended June 30, 2022:

	Number of Shares			Weighted Average Grant Date Fair Value	
	Restricted Stock	PSUs	Total	Restricted Stock	PSUs
Unvested shares at December 31, 2021	1,482,094	272,000	1,754,094	$ 12.35	$ 11.96
Granted	1,524,482	—	1,524,482	8.59	—
Vested	(605,422)	—	(605,422)	9.18	—
Unvested shares at June 30, 2022	2,401,154	272,000	2,673,154	10.23	11.96

Fair value of equity awards that vested during the six months ended June 30, 2022 and June 30, 2021, determined based on their respective fair values at vesting date, was $3.8 million and $3.9 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 compensation and benefits in the consolidated statement of operations.

At June 30, 2022, aggregate unrecognized compensation cost for all unvested equity awards was $17.4 million, which is expected to be recognized over a weighted-average period of 2.3 years. At June 30, 2021, aggregate unrecognized compensation cost for all unvested equity awards was $11.0 million, expected to be recognized over a weighted-average period of 2.5 years.

11. Stockholders' Equity

Authorized Capital

As of June 30, 2022, 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 June 30, 2022.

Dividends

During the six months ended June 30, 2022, the Company declared the following dividend on its common stock:

Declaration Date	Record Date	Payment Date	Per Share
March 15, 2022	March 31, 2022	April 15, 2022	$0.19
June 15, 2022	June 30, 2022	July 15, 2022	$0.20

Share Repurchases

In May 2022, the Company's board of directors authorized a stock repurchase program ("Stock Repurchase Program") under which the Company may repurchase up to $100.0 million of its outstanding Class A common stock until April 30, 2023. Under the Stock Repurchase Program, the Company may repurchase shares in open market purchases, in privately negotiated transactions or otherwise. The Company has a written trading plan as part of the Share Repurchase Program that provides for share repurchases in open market transactions that is intended to comply with Rule 10b-18 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Stock Repurchase Program will be utilized at management's discretion and in accordance with the requirements of the Securities and Exchange Commission ("SEC"). The timing and actual number of shares repurchased will depend on a variety of factors including price, corporate requirements and other conditions.

During the three and six months ended June 30, 2022, the Company repurchased 2.2 million shares of Class A common stock at a weighted average price of $8.40 per share for an aggregate cost of $18.3 million. Additionally, and separate from the Stock Repurchase Program, the Company redeemed the 3.1 million total outstanding membership units in the OP held by a third-party representing noncontrolling interests at a price of $8.25 per unit for a total cost of $25.4 million.

As of June 30, 2022, there was $81.7 million remaining available to make repurchases under the Stock Repurchase Plan.

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 on net investment hedges	Foreign currency translation gain (loss)	Total
AOCI at December 31, 2021	$ 17,893	$ (9,107)	$ 8,786
Other comprehensive income	—	660	660
AOCI at March 31, 2022	$ 17,893	$ (8,447)	$ 9,446
Other comprehensive income (loss) before OP reclassification	—	(9,810)	(9,810)
Amounts reclassified from OP	710	(856)	(146)
Net current period OCI	710	(10,666)	(9,956)
AOCI at June 30, 2022	$ 18,603	$ (19,113)	$ (510)

(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)	—	(7,467)	(8,502)
Amounts reclassified from AOCI	760	—	—	760
Net current period OCI	(275)	—	(7,467)	(7,742)
AOCI at March 31, 2021	$ —	$ 47,127	$ (281)	$ 46,846
Other comprehensive income	—	—	1,966	1,966
AOCI at June 30, 2021	$ —	$ 47,127	$ 1,685	$ 48,812

Changes in Components of AOCI - Noncontrolling Interests in the OP

(in thousands)	Unrealized gain on net investment hedges	Foreign currency translation gain (loss)	Total
AOCI at December 31, 2021	$ 710	$ (872)	$ (162)
Other comprehensive income	—	16	16
AOCI at March 31, 2022	$ 710	$ (856)	$ (146)
Other comprehensive income (loss) before Stockholders reclassification	—	—	—
Amounts reclassified to Stockholders	(710)	856	146
Net current period OCI	(710)	856	146
AOCI at June 30, 2022	$ —	$ —	$ —

(in thousands)	Unrealized gain (loss) on real estate securities, available for sale	Unrealized gain (loss) on net investment hedges	Foreign currency translation loss	Total
AOCI at December 31, 2020	$ (73)	$ 1,403	$ (272)	$ 1,058
Other comprehensive income (loss)	98	—	(288)	(190)
Amounts reclassified from AOCI	(25)	—	—	(25)
Net current period OCI	73	—	(288)	(215)
AOCI at March 31, 2021	$ —	$ 1,403	$ (560)	$ 843
Other comprehensive income (loss)	—	—	(89)	(89)
AOCI at June 30, 2021	$ —	$ 1,403	$ (649)	$ 754

Changes in Components of AOCI - Noncontrolling Interests in investment entities

(in thousands)	Foreign currency translation gain (loss)	Total
AOCI at December 31, 2021	$ 1,872	$ 1,872
Other comprehensive income before reclassification	—	—
Amounts reclassified from AOCI	(1,872)	(1,872)
Net current period OCI	(1,872)	(1,872)
AOCI at March 31, 2022	$ —	$ —
Other comprehensive income	—	—
AOCI at June 30, 2022	$ —	$ —

(in thousands)	Foreign currency translation gain (loss)	Total
AOCI at December 31, 2020	$ 2,193	$ 2,193
Other comprehensive income (loss)	(776)	(776)
AOCI at March 31, 2021	$ 1,417	$ 1,417
Other comprehensive income	336	336
AOCI at June 30, 2021	$ 1,753	$ 1,753

The following table presents the details of the reclassifications from AOCI for the six months ended June 30, 2021:

(in thousands)

Component of AOCI reclassified into earnings	Six Months Ended June 30, 2021	Affected Line Item in the Consolidated Statements of Operations
Realized gain on sale of real estate securities	$ 104	Other gain, net
Impairment of real estate securities	$ (967)	Other gain, net

12. Noncontrolling Interests

Operating Partnership

Noncontrolling interests included the aggregate limited liability interests in the OP which were held by an affiliate of DigitalBridge through February 2022, after which such entity was sold to an unaffiliated third party. During the three months ended June 30, 2022, the Company redeemed these membership units in the OP for $25.4 million. As of June 30, 2022, there were no remaining noncontrolling interests in the OP and the OP was wholly-owned by the Company directly, and indirectly through the Company's wholly-owned subsidiary, BRSP-T LLC.

Net income (loss) attributable to the noncontrolling interests is based on such members ownership percentage of the OP. Net income attributable to the noncontrolling interests of the OP was $0.4 million and $1.0 million for the three and six months ended June 30, 2022 and net loss attributable to the noncontrolling interests of the OP was $0.4 million and $2.4 million for the three and six months ended June 30, 2021.

Investment Entities

Noncontrolling interests in investment entities represent third-party equity interests in ventures that are consolidated with the Company's financial statements. Net income and net loss attributable to noncontrolling interests in the investment entities was de minimis for both the three and six months ended June 30, 2022, respectively and the net loss attributable to noncontrolling interests in the investment entities was $3.5 million and $3.7 million for the three and six months ended June 30, 2021.

13. 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 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 4, “Real Estate Securities,” 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 trust being equal to the fair value of their liabilities. The Company has determined that the fair value of the liabilities of the securitization trust is 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 trust are not readily marketable and their fair value measurement requires information that may be limited in availability.

In determining the fair value of the trust’s 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 trust 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 June 30, 2022 and December 31, 2021 by level within the fair value hierarchy (dollars in thousands):

	June 30, 2022				December 31, 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Other assets - PE Investments	$ —	$ —	$ 4,406	$ 4,406	$ —	$ —	$ 4,406	$ 4,406
Mortgage loans held in securitization trusts, at fair value	—	—	718,335	718,335	—	—	813,310	813,310
Other assets - derivative assets	—	3,202	—	3,202	—	1,373	—	1,373
Liabilities:								
Mortgage obligations issued by securitization trusts, at fair value	$ —	$ 682,181	$ —	$ 682,181	$ —	$ 777,156	$ —	$ 777,156
Other liabilities - derivative liabilities	—	—	—	—	—	9	—	9

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 six months ended June 30, 2022 and year ended December 31, 2021 (dollars in thousands):

	Six Months Ended June 30, 2022		Year Ended December 31, 2021	
	Other assets - PE Investments	Mortgage loans held in securitization trusts(1)	Other assets - PE Investments	Mortgage loans held in securitization trusts
Beginning balance	$ 4,406	$ 813,310	$ 6,878	$ 1,768,069
Distributions/paydowns	—	(15,946)	(2,380)	(78,903)
Sale of investments	—	—	—	(28,662)
Deconsolidation of securitization trust(2)	—	—	—	(802,196)
Equity in earnings	—	—	(92)	—
Unrealized loss in earnings	—	(79,029)	—	(8,375)
Realized loss in earnings	—	—	—	(36,623)
Ending balance	$ 4,406	$ 718,335	$ 4,406	$ 813,310

(1) For the six months ended June 30, 2022, the Company recorded an unrealized loss of $79.0 million related to mortgage loans held in securitization trusts, at fair value and an unrealized gain of $79.0 million related to mortgage obligations held in securitization trusts, at fair value.
(2) In April 2021, the Company sold its retained investments in the subordinate tranches of one securitization trust. As a result of the sale, the Company deconsolidated one of the securitization trusts.

As of June 30, 2022 and December 31, 2021, 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 June 30, 2022 and December 31, 2021, 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 June 30, 2022, the key unobservable inputs used in the valuation of mortgage obligations issued by securitization trusts included a blended yield of 20.7% and a weighted average life of 4.9 years. As of December 31, 2021, the key unobservable inputs used in the valuation of mortgage obligations issued by securitization trusts included a blended yield of 17.5% and a weighted average life of 5.4 years. 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 and six months ended June 30, 2022, the Company did not record a net unrealized gain (loss) related to mortgage loans held in and mortgage obligations issued by securitization trusts, at fair value. For the three and six months ended June 30, 2021, the Company recorded a net unrealized gain of $19.5 million and $28.2 million, respectively, 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 statement of operations.

For the three and six months ended June 30, 2021, the Company recorded a net realized loss of $19.5 million on mortgage loans held in and mortgage obligations issued by securitization trusts, at fair value, which represents the loss upon sale of the Company’s retained interests in the subordinate tranches of one securitization trust. This amount is recorded as realized loss on mortgage loans and obligations held in securitization trusts, net in the consolidated statement 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 June 30, 2022 and December 31, 2021, 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 June 30, 2022 and December 31, 2021 (dollars in thousands):

	June 30, 2022			December 31, 2021		
	Principal Amount	Carrying Value	Fair Value	Principal Amount	Carrying Value	Fair Value
Financial assets:[1]						
Loans held for investment, net[2]	$ 3,850,052	$ 3,789,145	$ 3,805,674	$ 3,500,658	$ 3,449,009	$ 3,464,060
Financial liabilities:[1]						
Securitization bonds payable, net	$ 1,372,054	$ 1,364,906	$ 1,372,054	$ 1,510,423	$ 1,500,899	$ 1,510,423
Mortgage and other notes payable, net	659,052	658,857	659,052	760,816	760,583	760,816
Master repurchase facilities	1,487,567	1,487,567	1,487,567	905,122	905,122	905,122

(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 $312.9 million and $264.9 million as of June 30, 2022 and December 31, 2021, respectively.

Disclosure about fair value of financial instruments is based on pertinent information available to management as of June 30, 2022. 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 Held for Investment, Net

For loans 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 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 June 30, 2022, 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 June 30, 2022, 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 did not hold any assets carried at fair value on a nonrecurring basis as of June 30, 2022.

The following table summarizes assets carried at fair value on a nonrecurring basis as of December 31, 2021 (dollars in thousands):

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Loans held for investment, net[(1)]	$ —	$ —	$ 38,083	$ 38,083

(1) See Note 3 “Loans Held for Investment, net” for further details.

14. 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 June 30, 2022 and December 31, 2021, fair value of derivative assets and derivative liabilities were as follows (dollars in thousands):

	Non-Designated Hedges	
	June 30, 2022	December 31, 2021
Derivative Assets		
Foreign exchange contracts	$ 3,200	$ 1,373
Interest rate contracts	2	2
Included in other assets	$ 3,202	$ 1,373
Derivative Liabilities		
Interest rate contracts	$ —	$ (9)
Included in accrued and other liabilities	$ —	$ (9)

As of June 30, 2022, the Company’s counterparties do not hold any cash collateral.

The following table summarizes the Company's interest rate contracts as of June 30, 2022 and December 31, 2021:

		Notional Amount (in thousands)	
Type of Derivatives	**Notional Currency**	**Non-Designated**	**Range of Maturity Dates**
June 30, 2022			
FX Forward	NOK	182,748	August 2022 - May 2024
Interest Rate Swap	USD	$ 527	July 2023
December 31, 2021			
FX Forward	NOK	190,772	February 2022 - May 2024
Interest Rate Swap	USD	$ 30,762	April 2022 - July 2023

The table below represents the effect of the derivative financial instruments on the consolidated statements of operations for the three and six months ended June 30, 2022 and 2021 (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
Other gain, net				
Non-designated foreign exchange contracts	$ 2,116	$ 1,232	$ 1,895	$ 952
Non-designated interest rate contracts	4	5	12	18
	$ 2,120	$ 1,237	$ 1,907	$ 970

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 June 30, 2022 and December 31, 2021 (dollars in thousands):

	Gross Amounts of Assets (Liabilities) Included on Consolidated Balance Sheets	Net Amounts of Assets (Liabilities)
June 30, 2022		
Derivative Assets		
Foreign exchange contracts	$ 3,200	$ 3,200
Interest rate contracts	2	2
	$ 3,202	$ 3,202
December 31, 2021		
Derivative Assets		
Foreign exchange contracts	$ 1,373	$ 1,373
	$ 1,373	$ 1,373
Derivative Liabilities		
Interest rate contracts	$ (9)	$ (9)
	$ (9)	$ (9)

The Company did not offset any of its derivatives positions as of June 30, 2022 and December 31, 2021.

15. 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 June 30, 2022, assuming the terms to qualify for future fundings, if any, had been met, total unfunded lending commitments for loans held for investment were $282.9 million for senior loans, $18.6 million for securitized loans and $11.4 million for mezzanine loans. At December 31, 2021, total unfunded lending commitments for loans held for investment were $212.6 million for senior loans and $52.3 million for securitized loans.

Ground Lease Obligation

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

At June 30, 2022 and December 31, 2021, the weighted average remaining lease term was 13.8 years and 13.9 years for ground leases, respectively.

The following table presents ground lease expense, included in property operating expense, for the three and six months ended June 30, 2022 and 2021 (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Operating lease expense:				
Minimum lease expense	$ 768	$ 761	$ 1,536	$ 1,529
Variable lease expense	—	—	—	—
	$ 768	$ 761	$ 1,536	$ 1,529

The operating lease liability for ground leases 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 June 30, 2022 (dollars in thousands):

Remainder of 2022	$ 1,554
2023	3,110
2024	2,213
2025	2,148
2026	2,073
2027 and thereafter	17,254
Total lease payments	28,352
Less: Present value discount	9,135
Operating lease liability (Note 7)	$ 19,217

Office Lease

At June 30, 2022, the weighted average remaining lease term was 6.6 years for the office leases, which are located in New York, New York and Los Angeles, California.

For the three and six months ended June 30, 2022, the following table summarizes lease expense, included in operating expense (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Corporate Offices				
Operating lease expense:				
Fixed lease expense	$ 315	$ 133	$ 591	$ 133
	$ 315	$ 133	$ 591	$ 133

The operating lease liability for the office leases were determined using a weighted average discount rate of 2.36%. As of June 30, 2022, the Company's future operating lease commitments for the corporate office leases were as follows (dollars in thousands):

	Corporate Offices
Remainder of 2022[1]	$ 399
2023	1,239
2024	1,293
2025	1,308
2026	1,323
2027 and thereafter	3,068
Total lease payments	8,630
Less: Present value discount	694
Operating lease liability (Note 7)	$ 7,936

(1) The Company entered into a Los Angeles, California office lease in the first quarter of 2022, with rent payments beginning in 2023.

Litigation and Claims

The Company may be involved in litigation and claims in the ordinary course of the business. As of June 30, 2022, 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.

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. On April 30, 2021, the Company entered into employment agreements with the Company's Chief Executive Officer and certain of the Company's senior management team.

16. Segment Reporting

The Company presents its business within 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 a sub-portfolio of private equity funds.

- Corporate—includes corporate-level asset management and other fees including operating expenses, compensation and benefits and restructuring charges.

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 and multi-tenant office 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 and six months ended June 30, 2022 and 2021 (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 June 30, 2022					
Net interest income (expense)	$ 32,064	$ 1,134	$ —	$ (435)	$ 32,763
Property and other income	78	219	21,806	465	22,568
Property operating expense	—	—	(5,266)	—	(5,266)
Transaction, investment and servicing expense	(961)	29	(52)	2	(982)
Interest expense on real estate	—	—	(7,117)	—	(7,117)
Depreciation and amortization	—	—	(8,664)	(56)	(8,720)
Increase of current expected credit loss reserve	(10,143)	—	—	—	(10,143)
Compensation and benefits	—	—	—	(8,269)	(8,269)
Operating expense	13	(245)	(56)	(3,782)	(4,070)
Other gain, net	21,484	—	2,093	755	24,332
Income (loss) before equity in earnings of unconsolidated ventures and income taxes	42,535	1,137	2,744	(11,320)	35,096
Income tax expense	(416)	—	(49)	—	(465)
Net income (loss)	$ 42,119	$ 1,137	$ 2,695	$ (11,320)	$ 34,631

BRIGHTSPIRE CAPITAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Three Months Ended June 30, 2021	Senior and Mezzanine Loans and Preferred Equity	CRE Debt Securities	Net Leased and Other Real Estate	Corporate[(1)]	Total
Net interest income (expense)	$ 25,926	$ 1,279	$ —	$ (998)	$ 26,207
Property and other income	181	—	24,808	920	25,909
Management fee expense	—	—	—	(2,338)	(2,338)
Property operating expense	—	—	(6,758)	—	(6,758)
Transaction, investment and servicing expense	(563)	—	(62)	(19)	(644)
Interest expense on real estate	—	—	(7,777)	—	(7,777)
Depreciation and amortization	—	—	(9,948)	(46)	(9,994)
Increase of current expected credit loss reserve	(1,200)	—	—	—	(1,200)
Compensation and benefits	—	—	—	(10,053)	(10,053)
Operating expense	(291)	(166)	—	(3,543)	(4,000)
Restructuring charges	—	—	—	(150)	(150)
Unrealized gain on mortgage loans and obligations held in securitization trusts, net	—	19,516	—	—	19,516
Realized loss on mortgage loans and obligations held in securitization trusts, net	—	(19,516)	—	—	(19,516)
Other gain (loss), net	(400)	—	1,236	—	836
Income (loss) before equity in earnings of unconsolidated ventures and income taxes	23,653	1,113	1,499	(16,227)	10,038
Equity in earnings (loss) of unconsolidated ventures	(33,665)	(123)	—	—	(33,788)
Income tax benefit	—	49	85	—	134
Net income (loss)	$ (10,012)	$ 1,039	$ 1,584	$ (16,227)	$ (23,616)

(1) Includes income earned from 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.

Six Months Ended June 30, 2022	Senior and Mezzanine Loans and Preferred Equity	CRE Debt Securities	Net Leased and Other Real Estate	Corporate[(1)]	Total
Net interest income (expense)	$ 61,428	$ 2,021	$ —	$ (1,301)	$ 62,148
Property and other income	199	352	45,974	486	47,011
Property operating expense	—	—	(11,990)	—	(11,990)
Transaction, investment and servicing expense	(2,011)	29	(152)	28	(2,106)
Interest expense on real estate	—	—	(14,673)	—	(14,673)
Depreciation and amortization	—	—	(17,215)	(99)	(17,314)
Increase of current expected credit loss reserve	(9,277)	—	—	—	(9,277)
Compensation and benefits	—	—	—	(16,494)	(16,494)
Operating expense	(139)	(285)	(88)	(7,907)	(8,419)
Other gain (loss), net	21,355	—	13,929	(664)	34,620
Income (loss) before equity in earnings of unconsolidated ventures and income taxes	71,555	2,117	15,785	(25,951)	63,506
Equity in earnings of unconsolidated ventures	25	—	—	—	25
Income tax expense	(353)	—	(148)	—	(501)
Net income (loss)	$ 71,227	$ 2,117	$ 15,637	$ (25,951)	$ 63,030

BRIGHTSPIRE CAPITAL, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited)

Six Months Ended June 30, 2021	Senior and Mezzanine Loans and Preferred Equity	CRE Debt Securities	Net Leased and Other Real Estate	Corporate[(1)]	Total
Net interest income (expense)	$ 48,845	$ 3,632	$ —	$ (2,038)	$ 50,439
Property and other income	180	53	50,605	838	51,676
Management fee expense	—	—	—	(9,596)	(9,596)
Property operating expense	—	—	(14,869)	—	(14,869)
Transaction, investment and servicing expense	(1,252)	(167)	(177)	(1,336)	(2,932)
Interest expense on real estate	—	—	(16,410)	—	(16,410)
Depreciation and amortization	—	—	(19,487)	(46)	(19,533)
Increase of current expected credit loss reserve	(4,425)	—	—	—	(4,425)
Compensation and benefits	—	—	—	(16,839)	(16,839)
Operating expense	(540)	(946)	(31)	(8,292)	(9,809)
Restructuring charges	—	—	—	(109,321)	(109,321)
Unrealized gain on mortgage loans and obligations held in securitization trusts, net	—	28,154	—	—	28,154
Realized loss on mortgage loans and obligations held in securitization trusts, net	—	(19,516)	—	—	(19,516)
Other gain (loss), net	(400)	(859)	10,462	—	9,203
Income (loss) before equity in earnings of unconsolidated ventures and income taxes	42,408	10,351	10,093	(146,630)	(83,778)
Equity in earnings (loss) of unconsolidated ventures	(36,066)	(200)	—	—	(36,266)
Income tax benefit	—	1,826	109	—	1,935
Net income (loss)	$ 6,342	$ 11,977	$ 10,202	$ (146,630)	$ (118,109)

(1) Includes income earned from 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.

The following table presents total assets by segment as of June 30, 2022 and December 31, 2021 (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
June 30, 2022	$ 3,910,416	$ 741,747	$ 872,190	$ 315,739	$ 5,840,092
December 31, 2021	3,589,325	840,215	963,369	245,460	5,638,369

(1) Includes investments in unconsolidated ventures totaling $16.2 million as of December 31, 2021.
(2) Includes PE Investments totaling $4.4 million as of June 30, 2022 and December 31, 2021.
(3) Includes cash, unallocated receivables, deferred costs and other assets, net and the elimination of the subordinate tranches of a securitization trust 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 June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Total income by geography:				
United States	$ 80,758	$ 67,564	$ 154,202	$ 138,515
Europe	4,614	(26,132)	9,583	(19,731)
Total[(1)]	$ 85,372	$ 41,432	$ 163,785	$ 118,784

	June 30, 2022	December 31, 2021
Long-lived assets by geography:		
United States	$ 542,359	$ 553,368
Europe	258,073	294,824
Total[(2)]	$ 800,432	$ 848,192

(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.

17. Earnings Per Share

The Company's net income (loss) and weighted average shares outstanding for the three and six months ended June 30, 2022 and 2021 consist of the following (dollars in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net income (loss)	$ 34,631	$ (23,616)	$ 63,030	$ (118,109)
Net (income) loss attributable to noncontrolling interests:				
Investment Entities	15	3,459	(7)	3,685
Operating Partnership	(359)	437	(1,013)	2,390
Net income (loss) attributable to BrightSpire Capital, Inc. common stockholders	$ 34,287	$ (19,720)	$ 62,010	$ (112,034)
Numerator:				
Net (income) loss allocated to participating securities (non-vested shares)	$ (687)	$ —	$ (797)	$ —
Net income (loss) attributable to common stockholders	$ 33,600	$ (19,720)	$ 61,213	$ (112,034)
Denominator:				
Weighted average shares outstanding - basic[(1)]	127,756	128,298	128,052	128,297
Weighted average shares outstanding - diluted	129,595	128,298	129,669	128,297
Net income (loss) per common share - basic	$ 0.26	$ (0.15)	$ 0.48	$ (0.87)
Net income (loss) per common share - diluted	$ 0.26	$ (0.15)	$ 0.47	$ (0.87)

(1) The outstanding shares used to calculate the weighted average basic shares outstanding exclude 2,401,154 and 1,550,862 of restricted stock awards as of June 30, 2022 and June 30, 2021, net of forfeitures, respectively, as those shares were issued but were not vested and therefore, not considered outstanding for purposes of computing basic income (loss) per common share.

18. Subsequent Events

Dividends

In July 2022, the Company paid a quarterly cash dividend of $0.20 per share of Class A common stock for the quarter ended June 30, 2022, to stockholders of record on June 30, 2022.

Loan Originations

Subsequent to June 30, 2022, the Company funded three senior mortgage loans with a total commitment of $91.4 million. The average initial funded amount was $27.7 million and had a weighted average spread of SOFR plus 3.52%.

Master Repurchase Facilities

In July 2022, the Company amended one of its Master Repurchase Facilities to extend the maturity date to April 2025, with two one-year extension options, and to replace LIBOR with SOFR as the benchmark applicable to loans entered into prior to January 1, 2022. Also in July 2022, the Company amended another one of its Master Repurchase Facilities to extend the maturity date to July 2024, with three one-year extension options, and to replace LIBOR with SOFR as the benchmark applicable to financings entered into prior to January 1, 2022.

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, 2021, 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 is 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 hold investments in CRE debt securities consisting of commercial mortgage-backed securities ("CMBS") that are "B-pieces" of a CMBS securitization pool.

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, BrightSpire Capital Operating Company, LLC (the "OP"). At March 31, 2022, we owned 97.7% of the OP, as its sole managing member. The remaining 2.3% was owned as noncontrolling interest. During the three months ended June 30, 2022, we redeemed the 2.3% outstanding membership units in the OP for $25.4 million. Following this redemption, there were no noncontrolling interests in the OP.

Our Target Assets

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

- ***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. 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.*** We may originate or acquire mezzanine loans, which are structurally subordinate to senior loans, but senior to the borrower's equity position. Generally, we will originate or acquire these loans if we believe we have the ability to protect our position and fund the first mortgage, if necessary. 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 occasionally 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.

Our operating segments include senior and mezzanine loans and preferred equity, net leased and other real estate, all of which are included in our target assets, and CRE debt securities and corporate.

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 continue to create 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 us and our 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

- 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”), compensation and benefits and restructuring charges.

Our target assets are included in different business segments.

Significant Developments

During the three months ended June 30, 2022, and through August 2, 2022, significant developments affecting our business and results of operations of our portfolio included the following:

Capital Resources

- As of the date of this report, we have approximately $438 million of liquidity, consisting of $273 million cash on hand and $165 million available on our Bank Credit Facility;
- Declared and paid a second quarter $0.20 per share dividend on July 15, 2022;
- Repurchased 2.2 million shares of our Class A common stock at a weighted average price of $8.40 for an aggregate cost of $18.3 million;
- Redeemed 3.1 million operating partnership units at a price of $8.25 per unit for an aggregate cost of $25.4 million; and
- We amended the below Master Repurchase Facilities as follows:
    - Increased the borrowing capacity of Bank 7 by $100 million and extended the maturity date to April 2025, with a one-year extension option;
    - Increased the borrowing capacity of Bank 9 by $100 million and extended the maturity date to June 2025, with two one-year extension options;
    - Extended the maturity date of Bank 3 to April 2025, with two one-year extension options, and replaced LIBOR with SOFR as the benchmark applicable to loans entered into prior to January 1, 2022;

- ◦ Extended the maturity date of Bank 1 to July 2024, with three one-year extension options, and replaced LIBOR with SOFR as the benchmark applicable to loans entered into prior to January 1, 2022.

Our Portfolio

- Generated U.S. GAAP net income of $34.3 million, or $0.26 per basic and diluted share and Distributable Earnings and Adjusted Distributable Earnings of $31.4 million, or $0.24 per share for the three months ended June 30, 2022;
- Funded nine senior mortgage loans with a total commitment of $306.5 million. The average initial funded amount was $31.3 million and had a weighted average spread of SOFR plus 3.82%;
- Received loan repayment proceeds of $247.9 million from nine loans;
- Sold one preferred equity investment for a gross sales price of $38.1 million and recognized a realized gain of $21.9 million;
- Subsequent to June 30, 2022, we funded three senior mortgage loans with a total commitment of $91.4 million. The average initial funded amount was $27.7 million and had a weighted average spread of SOFR plus 3.52%; and
- Subsequent to June 30, 2022, we received loan repayment proceeds of $36.6 million from two loans.

Factors Impacting Our Operating Results

Impact of COVID-19

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 businesses. 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.

Market Update

Overall market uncertainty and reports that the U.S. economy is in or will be in a recession, coupled with rising inflation and interest rates have tempered the loan financing markets recently. There has been an overall slowdown in commercial real estate transaction volumes, with many lenders being cautious, and transaction volumes are expected to remain muted for the foreseeable future. The rising LIBOR/SOFR and costly interest rate caps have contributed to borrowers accepting lower proceeds and exploring other interest rate options such as fixed interest rates.

During 2022, the Federal Open Market Committee (“FOMC”) of the Federal Reserve raised the target range for the federal funds rate four times. The two most recent rate hikes were significant: on June 15, 2022, the target range for federal funds rates was raised by 0.75% to a range of 1.50% to 1.75% and on July 27, 2022 the target range for federal funds rates was raised by another 0.75% to a range of 2.25% to 2.50%.

These economic factors have had and will continue to impact our business operations as follows:

- – the value of fixed-rate investments may decrease;
- – prepayments on certain assets in our portfolio may slow;
- – coupons on our floating and adjustable-rate mortgage loans and CMBS may reset, although on a delayed basis, to higher interest rates;
- – to the extent we use leverage to finance our assets, the interest expense associated with our borrowings may increase, and there may be margin calls on our Master Repurchase Facilities;

– to the extent we enter into interest rate swap agreements as part of our hedging strategy, the value of these agreements may increase;

– bank warehouse lenders may take a more conservative stance by increasing funding costs, which may lead to margin calls; and

– disrupt our borrowers' and tenants' ability to finance their activities or refinance properties, which could adversely impact their ability to make their monthly mortgage payments and meet their loan obligations, and may result in requests for loan extensions.

In addition to economic conditions, political conditions are contributing to market uncertainty which may further negatively impact our business and results of operations. In February 2022, conflict escalated between Russia and Ukraine. In response, the U.S., the U.K., and the European Union governments, among others, imposed financial and economic sanctions targeting Russia that, among other things, restrict transactions with Russian entities and individuals and trade and financing to, from, or in Russia and certain regions of Ukraine. Although we do not conduct any business, and have not originated any loans secured by assets, in Russia or Ukraine, the ongoing conflict may cause continued volatility in the capital markets, other adverse economic impacts due to additional sanctions, embargoes, regional instability and geopolitical shifts, and increased cost of goods and supply chain disruptions, any of which may negatively impact the business or operations of our borrowers and tenants and our business and results of operations.

Our Portfolio

As of June 30, 2022, our portfolio consisted of 125 investments representing approximately $4.7 billion in book value (based on our share of ownership and excluding cash, cash equivalents and certain other assets). Our senior and mezzanine loans consisted of 110 senior mortgage loans and mezzanine loans had a weighted average cash coupon of 3.7% and a weighted average all-in unlevered yield of 5.9%. Our net leased and other real estate consisted of approximately 6.4 million total square feet of space and total second quarter 2022 net operating income ("NOI") of that portfolio was approximately $16.2 million. Refer to "Non-GAAP Supplemental Financial Measures" below for further information on NOI.

As of June 30, 2022, our portfolio consisted of the following investments (dollars in thousands):

	Count[1]	Book value (Consolidated)	Book value (at BRSP share)[2]	Net book value (Consolidated)[3]	Net book value (at BRSP share)[4]
Our Portfolio					
Senior mortgage loans	104	$ 3,729,515	$ 3,729,515	$ 842,039	$ 842,039
Mezzanine loans[5]	6	104,008	104,008	104,008	104,008
Subtotal	110	3,833,523	3,833,523	946,047	946,047
Net leased real estate	8	618,838	618,838	163,561	163,561
Other real estate	2	176,062	162,684	137	(147)
CRE debt securities	4	36,154	36,154	36,154	36,154
Private equity interests	1	4,406	4,406	4,406	4,406
Total/Weighted average Our Portfolio	125	$ 4,668,983	$ 4,655,605	$ 1,150,305	$ 1,150,021

(1) Count for net leased real estate and other real estate represents number of investments.
(2) Book value at our share represents the proportionate book value based on ownership by asset as of June 30, 2022.
(3) Net book value represents book value less any associated financing as of June 30, 2022.
(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 June 30, 2022.
(5) Mezzanine loans include one investment in an unconsolidated venture whose underlying interest is in a loan.

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 held for investment for impairment quarterly, we evaluate loans held for investment to determine if a current expected credit losses reserve 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 held for investment are rated "1" through "5," from less risk to greater risk. At the time of origination or purchase, loans 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 rankings each quarter. We believe the long-term impacts of the COVID-19 pandemic remain uncertain, and therefore continue to represent a risk to our portfolio. During the second quarter of 2022, we added nine new loans to our portfolio with a risk ranking of 3, and eight loans repaid, of which five loans had a risk ranking of 2 and three loans had a risk ranking of 3. Our weighted average risk ranking at June 30, 2022 is unchanged from March 31, 2022 at 3.1.

Senior and Mezzanine Loans and Preferred Equity

Our senior and mezzanine loans consists of senior mortgage loans and mezzanine loans. We did not have any preferred equity investments as of June 30, 2022.

The following table provides a summary of our senior and mezzanine loans based on our internal risk rankings as of June 30, 2022 (dollars in thousands):

		Carrying Value (at BRSP share)[1]			
Risk Ranking	**Count**	**Senior mortgage loans[2]**	**Mezzanine loans**	**Total**	**% of Our Portfolio**
2	10	$ 284,847	$ —	$ 284,847	7.4 %
3	87	2,787,924	63,098	2,851,022	74.4 %
4	11	685,534	—	685,534	17.9 %
5	2	—	12,120	12,120	0.3 %
	110	$ 3,758,305	$ 75,218	$ 3,833,523	100.0 %
Weighted average risk ranking					3.1

(1) Carrying value at our share represents the proportionate book value based on ownership by asset as of June 30, 2022.
(2) Includes one mezzanine loan totaling $28.8 million where we are also the senior lender.

The following table provides asset level detail for our senior and mezzanine loans as of June 30, 2022 (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]	Q2 Risk ranking[5]
Senior loans											
Loan 1	Hotel	1/2/2018	San Jose, CA	$ 184,959	$ 184,959	Floating	4.8%	6.5%	11/9/2026	79%	4
Loan 2	Multifamily	6/21/2019	Milpitas, CA	184,715	184,282	Floating	3.1%	5.5%	7/9/2024	75%	3
Loan 3	Office	12/7/2018	Carlsbad, CA	120,000	120,000	Floating	4.3%	6.2%	12/9/2023	73%	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]	Q2 Risk ranking[5]
Loan 4	Hotel	6/28/2018	Berkeley, CA	119,737	120,000	Floating	3.2%	5.2%	7/9/2025	66%	4
Loan 5	Office	2/17/2022	Boston, MA	80,172	81,000	Floating	3.8%	6.0%	3/9/2027	54%	3
Loan 6	Other (Mixed-use)	10/24/2019	Brooklyn, NY	75,818	75,818	Floating	4.0%	6.1%	11/9/2024	70%	3
Loan 7	Office	8/28/2018	San Jose, CA	73,147	73,147	Floating	2.5%	4.5%	8/28/2025	75%	3
Loan 8	Hotel	6/25/2018	Englewood, CO	73,000	73,000	Floating	3.5%	5.3%	2/9/2025	69%	3
Loan 9	Office	1/19/2021	Phoenix, AZ	72,035	72,460	Floating	3.6%	5.7%	2/9/2026	70%	3
Loan 10	Office	5/29/2019	Long Island City, NY	68,110	68,110	Floating	3.5%	5.8%	6/9/2024	59%	4
Loan 11	Office	4/5/2019	Long Island City, NY	66,298	66,298	Floating	3.3%	5.6%	4/9/2024	58%	4
Loan 12[6]	Multifamily	6/18/2019	Santa Clara, CA	57,440	57,440	Floating	4.4%	7.1%	6/18/2024	65%	4
Loan 13	Office	7/12/2019	Washington, D.C.	57,274	57,274	Floating	2.8%	5.5%	8/9/2024	68%	4
Loan 14	Office	2/13/2019	Baltimore, MD	55,942	55,942	Floating	3.5%	6.2%	2/9/2024	74%	4
Loan 15	Multifamily	5/17/2022	Las Vegas, NV	49,075	49,600	Floating	3.6%	5.7%	6/9/2027	74%	3
Loan 16	Multifamily	3/8/2022	Austin, TX	48,804	49,125	Floating	3.3%	5.6%	3/9/2027	75%	3
Loan 17	Multifamily	7/19/2021	Dallas, TX	48,547	48,699	Floating	3.3%	5.5%	8/9/2026	74%	3
Loan 18	Multifamily	5/26/2021	Las Vegas, NV	45,655	45,799	Floating	3.4%	5.6%	6/9/2026	70%	3
Loan 19	Other (Mixed-use)	1/13/2022	New York, NY	44,832	45,190	Floating	3.5%	5.7%	2/9/2027	67%	3
Loan 20	Multifamily	2/3/2021	Arlington, TX	43,254	43,270	Floating	3.6%	5.9%	2/9/2026	81%	2
Loan 21	Multifamily	11/30/2021	Phoenix, AZ	43,191	43,457	Floating	3.4%	5.9%	12/9/2026	74%	3
Loan 22	Multifamily	3/1/2021	Richardson, TX	42,981	43,227	Floating	3.4%	5.5%	3/9/2026	75%	3
Loan 23	Multifamily	7/15/2021	Jersey City, NJ	42,812	43,000	Floating	3.0%	5.1%	8/9/2026	66%	2
Loan 24	Multifamily	12/21/2020	Austin, TX	42,641	42,850	Floating	3.7%	5.8%	1/9/2026	54%	2
Loan 25	Multifamily	3/22/2021	Fort Worth, TX	40,327	40,470	Floating	3.5%	5.7%	4/9/2026	83%	3
Loan 26	Office	5/23/2022	Plano, TX	39,990	40,300	Floating	4.3%	6.3%	6/9/2027	64%	3
Loan 27	Office	4/27/2022	Plano, TX	38,994	39,270	Floating	4.1%	6.2%	5/9/2027	70%	3
Loan 28	Multifamily	3/25/2021	Fort Worth, TX	38,340	38,480	Floating	3.3%	5.5%	4/9/2026	82%	3
Loan 29	Office	11/23/2021	Tualatin, OR	38,338	38,660	Floating	3.9%	6.1%	12/9/2026	66%	3
Loan 30	Multifamily	12/7/2021	Denver, CO	37,821	38,108	Floating	3.2%	5.5%	12/9/2026	74%	3
Loan 31	Multifamily	7/15/2021	Dallas, TX	36,510	36,736	Floating	3.1%	5.4%	8/9/2026	77%	3
Loan 32	Office	9/28/2021	Reston, VA	35,620	35,887	Floating	4.0%	6.3%	10/9/2026	71%	3
Loan 33	Multifamily	3/31/2022	Long Beach, CA	35,391	35,751	Floating	3.4%	5.6%	4/9/2027	74%	3
Loan 34	Office	11/17/2021	Dallas, TX	34,959	35,250	Floating	3.9%	6.1%	12/9/2025	61%	3
Loan 35	Multifamily	12/29/2020	Fullerton, CA	34,692	34,860	Floating	3.8%	5.9%	1/9/2026	70%	3
Loan 36	Multifamily	1/18/2022	Dallas, TX	34,510	34,699	Floating	3.5%	5.8%	2/9/2027	75%	3
Loan 37	Multifamily	1/12/2022	Los Angeles, CA	34,388	34,728	Floating	3.4%	5.4%	2/9/2027	65%	3
Loan 38	Multifamily	3/31/2022	Louisville, KY	34,269	34,550	Floating	3.7%	6.0%	4/9/2027	72%	3
Loan 39	Multifamily	9/28/2021	Carrollton, TX	34,118	34,395	Floating	3.1%	5.2%	10/9/2025	73%	3
Loan 40	Office	6/16/2017	Miami, FL	34,097	33,757	Floating	4.9%	6.6%	7/9/2022	68%	3
Loan 41	Office	4/7/2022	San Jose, CA	33,439	33,750	Floating	4.2%	6.3%	4/9/2027	70%	3
Loan 42	Multifamily	3/16/2021	Fremont, CA	33,206	33,380	Floating	3.5%	5.7%	4/9/2026	76%	3
Loan 43	Office	6/2/2021	South Pasadena, CA	32,881	32,956	Floating	4.9%	7.2%	6/9/2026	69%	3
Loan 44	Multifamily	7/29/2021	Phoenix, AZ	31,656	31,895	Floating	3.3%	5.4%	8/9/2026	74%	3
Loan 45	Multifamily	3/31/2021	Mesa, AZ	30,994	31,107	Floating	3.7%	5.9%	4/9/2026	83%	3
Loan 46	Office	4/30/2021	San Diego, CA	30,483	30,700	Floating	3.6%	5.7%	5/9/2026	55%	3
Loan 47	Multifamily	5/5/2021	Dallas, TX	29,622	29,749	Floating	3.4%	5.6%	5/9/2026	68%	3
Loan 48	Multifamily	4/29/2021	Las Vegas, NV	29,619	29,734	Floating	3.1%	5.2%	5/9/2026	76%	2
Loan 49	Multifamily	7/13/2021	Plano, TX	28,624	28,756	Floating	3.1%	5.2%	2/9/2025	82%	3
Loan 50	Multifamily	4/15/2022	Mesa, AZ	28,402	28,693	Floating	3.4%	5.4%	5/9/2027	75%	3
Loan 51	Office	11/19/2021	Gardena, CA	28,201	28,505	Floating	3.5%	5.6%	12/9/2026	69%	3
Loan 52	Multifamily	5/27/2021	Houston, TX	27,871	28,000	Floating	3.0%	5.2%	6/9/2026	67%	3
Loan 53	Office	10/21/2021	Blue Bell, PA	27,853	27,930	Floating	3.7%	6.2%	11/9/2023	67%	3
Loan 54	Multifamily	5/19/2022	Denver, CO	27,624	27,919	Floating	3.5%	5.6%	6/9/2027	73%	3
Loan 55	Other (Mixed-use)	5/3/2022	Brooklyn, NY	27,536	27,801	Floating	4.4%	6.5%	5/9/2027	68%	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]	Q2 Risk ranking[5]
Loan 56	Office	3/31/2022	Blue Bell, PA	27,208	27,447	Floating	4.2%	6.8%	4/9/2025	59%	3
Loan 57	Multifamily	8/31/2021	Glendale, AZ	26,324	26,536	Floating	3.2%	5.3%	9/9/2026	75%	3
Loan 58	Multifamily	12/16/2021	Fort Mill, SC	25,882	26,100	Floating	3.2%	5.3%	1/9/2027	71%	3
Loan 59	Office	2/26/2019	Charlotte, NC	25,855	26,052	Floating	3.3%	5.1%	7/9/2025	51%	2
Loan 60	Multifamily	2/17/2022	Long Beach, CA	25,308	25,556	Floating	3.4%	5.5%	3/9/2027	67%	3
Loan 61	Multifamily	5/13/2021	Phoenix, AZ	24,968	25,132	Floating	3.1%	5.2%	6/9/2026	76%	2
Loan 62	Office	9/26/2019	Salt Lake City, UT	24,864	24,903	Floating	2.7%	5.0%	10/9/2024	72%	4
Loan 63	Office	11/23/2021	Oakland, CA	24,800	25,000	Floating	4.2%	6.4%	12/9/2026	57%	3
Loan 64	Office	12/7/2021	Hillsboro, OR	24,310	24,511	Floating	3.9%	6.1%	12/9/2024	71%	3
Loan 65	Multifamily	12/21/2021	Phoenix, AZ	24,307	24,528	Floating	3.5%	5.6%	1/9/2027	75%	3
Loan 66	Multifamily	1/29/2021	Charlotte, NC	23,432	23,558	Floating	3.5%	5.6%	2/9/2026	76%	3
Loan 67	Multifamily	7/1/2021	Aurora, CO	23,300	23,466	Floating	3.1%	5.2%	7/9/2026	73%	3
Loan 68	Multifamily	3/31/2022	Phoenix, AZ	23,035	23,265	Floating	3.7%	5.7%	4/9/2027	75%	3
Loan 69	Multifamily	3/8/2022	Glendale, AZ	23,025	23,260	Floating	3.5%	5.5%	3/9/2027	73%	3
Loan 70	Office	9/16/2019	San Francisco, CA	22,951	22,951	Floating	3.2%	5.7%	10/9/2024	82%	3
Loan 71	Multifamily	3/25/2021	San Jose, CA	22,518	22,650	Floating	3.7%	5.8%	4/9/2026	70%	2
Loan 72	Multifamily	11/4/2021	Austin, TX	22,499	22,690	Floating	3.3%	5.4%	11/9/2026	71%	3
Loan 73	Multifamily	10/7/2021	Irving, TX	22,353	22,400	Floating	3.3%	5.5%	9/1/2024	70%	3
Loan 74	Office	8/27/2019	San Francisco, CA	22,121	22,121	Floating	2.8%	5.4%	9/9/2024	79%	4
Loan 75	Office	7/30/2021	Denver, CO	21,811	22,002	Floating	4.3%	6.4%	8/9/2026	66%	3
Loan 76	Multifamily	7/13/2021	Oregon City, OR	21,385	21,487	Floating	3.3%	5.4%	8/9/2026	73%	3
Loan 77	Multifamily	6/22/2021	Phoenix, AZ	21,107	21,262	Floating	3.2%	5.3%	7/9/2026	75%	2
Loan 78	Multifamily	3/31/2021	San Antonio, TX	20,026	20,148	Floating	3.1%	5.1%	4/9/2026	77%	3
Loan 79	Multifamily	9/22/2021	Denton, TX	19,248	19,351	Floating	3.2%	5.3%	10/9/2025	70%	3
Loan 80	Multifamily	12/21/2021	Gresham, OR	19,047	19,199	Floating	3.5%	5.8%	1/9/2027	74%	3
Loan 81	Multifamily	1/12/2022	Austin, TX	18,991	19,153	Floating	3.4%	5.5%	2/9/2027	75%	3
Loan 82	Multifamily	8/6/2021	La Mesa, CA	18,943	19,045	Floating	2.9%	5.1%	8/9/2025	70%	3
Loan 83	Multifamily	9/1/2021	Bellevue, WA	18,888	19,003	Floating	2.9%	5.2%	9/9/2025	64%	3
Loan 84	Office	10/29/2020	Denver, CO	18,598	18,708	Floating	3.6%	5.7%	11/9/2025	64%	3
Loan 85	Multifamily	6/24/2021	Phoenix, AZ	18,417	18,548	Floating	3.4%	5.6%	7/9/2026	63%	3
Loan 86	Multifamily	5/5/2022	Charlotte, NC	18,317	18,500	Floating	3.5%	5.7%	5/9/2027	61%	3
Loan 87	Multifamily	7/14/2021	Salt Lake City, UT	17,960	18,042	Floating	3.3%	5.4%	8/9/2026	73%	3
Loan 88	Multifamily	3/28/2022	Los Angeles, CA	17,220	17,390	Floating	3.6%	5.8%	4/9/2027	68%	3
Loan 89	Multifamily	6/25/2021	Phoenix, AZ	17,041	17,160	Floating	3.2%	5.3%	7/9/2026	75%	3
Loan 90	Multifamily	11/24/2020	Tucson, AZ	16,239	16,233	Floating	3.6%	5.7%	12/9/2025	75%	2
Loan 91	Multifamily	4/29/2022	Tacoma, WA	16,176	16,359	Floating	3.3%	5.5%	5/9/2027	72%	3
Loan 92	Industrial	3/25/2022	City of Industry, CA	16,058	16,234	Floating	3.4%	5.5%	4/9/2027	67%	3
Loan 93	Multifamily	3/5/2021	Tucson, AZ	15,834	15,864	Floating	3.7%	5.9%	3/9/2026	72%	2
Loan 94	Office	10/13/2021	Burbank, CA	15,391	15,538	Floating	3.9%	6.0%	11/9/2026	57%	3
Loan 95	Multifamily	6/15/2021	Phoenix, AZ	15,327	15,392	Floating	3.3%	5.4%	7/9/2026	74%	3
Loan 96	Office	11/16/2021	Charlotte, NC	14,624	14,771	Floating	4.4%	6.5%	12/9/2026	67%	3
Loan 97	Office	8/31/2021	Los Angeles, CA	14,440	14,570	Floating	5.0%	7.3%	9/9/2026	58%	3
Loan 98	Multifamily	5/27/2021	Phoenix, AZ	14,117	14,212	Floating	3.1%	5.2%	6/9/2026	72%	3
Loan 99	Multifamily	7/21/2021	Durham, NC	14,078	14,183	Floating	3.3%	5.4%	8/9/2026	58%	3
Loan 100	Multifamily	2/11/2021	Provo, UT	13,582	13,660	Floating	3.8%	5.9%	3/9/2026	71%	3
Loan 101	Multifamily	7/28/2021	San Antonio, TX	13,559	13,641	Floating	3.3%	5.6%	8/9/2024	76%	3
Loan 102	Office	11/10/2021	Richardson, TX	13,322	13,400	Floating	4.0%	6.3%	12/9/2026	71%	3
Loan 103	Multifamily	3/8/2022	Glendale, AZ	10,714	10,825	Floating	3.5%	5.5%	3/9/2027	73%	3
Loan 104	Industrial	3/21/2022	Commerce, CA	9,181	9,281	Floating	3.3%	5.4%	4/9/2027	71%	3
Total/Weighted average senior loans				$ 3,729,515	$ 3,746,010		3.6%	5.7%	1/11/2026	70%	3.1
Mezzanine loans											
Loan 105[6]	Multifamily	12/3/2019	Milpitas, CA	$ 41,459	$ 41,500	Fixed	8.0%	13.3%	12/3/2024	49% – 71%	3
Loan 106	Hotel	9/23/2019	Berkeley, CA	28,790	28,790	Fixed	11.5%	11.5%	7/9/2025	66% – 81%	4
Loan 107[6]	Multifamily	2/8/2022	Las Vegas, NV	17,165	17,288	Fixed	7.0%	12.3%	2/8/2027	56% – 79%	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]	Q2 Risk ranking[5]
Loan 108	Hotel	1/9/2017	New York, NY	12,120	12,000	Floating	11.0%	12.8%	9/9/2022	63% – 76%	5
Loan 109	Multifamily	7/30/2014	Various - TX	4,474	4,474	Fixed	9.5%	9.5%	8/11/2024	71% – 83%	3
Loan 110[6][7]	Other (Mixed-use)	9/1/2020	Los Angeles, CA	—	162,243	n/a[7]	n/a[7]	n/a[7]	7/9/2023	n/a	5
Total/Weighted average mezzanine loans				$ 104,008	$ 266,295		9.2%	12.4%	3/4/2025	59% – 77%	3.5
Total/Weighted average senior and mezzanine loans - Our Portfolio				$ 3,833,523	$ 4,012,305		3.7%	5.9%	1/3/2026	n/a	3.1

(1) Represents carrying values at our share as of June 30, 2022.
(2) Represents the stated coupon rate for loans; for floating rate loans, does not include USD 1-month London Interbank Offered Rate ("LIBOR") or Secured Overnight Financing Rate ("SOFR"), which were 1.79% and 1.69%, respectively, as of June 30, 2022.
(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 June 30, 2022, 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 are rated "1" through "5," from less risk to greater risk. Represents risk ranking as of June 30, 2022.
(6) Construction senior loans' loan-to-value reflect the total commitment amount of the loan divided by 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) Loan 110 is an investment in an unconsolidated venture whose underlying interest is in a loan and was placed on nonaccrual status during in April 2020; as such, no income is being recognized.

The following table details the types of properties securing our senior and mezzanine loans and geographic distribution as of June 30, 2022 (dollars in thousands):

	Book value (at BRSP share)				
Collateral property type	**Count**	**Senior mortgage loans**	**Mezzanine loans**	**Total**	**% of Total**
Multifamily	67	$ 1,940,265	$ 63,098	$ 2,003,363	52.3 %
Office	32	1,238,136	—	1,238,136	32.3 %
Hotel	5	377,689	40,910	418,599	10.9 %
Other (Mixed-use)[1]	4	148,186	—	148,186	3.9 %
Industrial	2	25,239	—	25,239	0.6 %
Total	110	$ 3,729,515	$ 104,008	$ 3,833,523	100.0 %

	Book value (at BRSP share)				
Region	**Count**	**Senior mortgage loans**	**Mezzanine loans**	**Total**	**% of Total**
US West	44	$ 1,676,250	$ 87,414	$ 1,763,664	46.0 %
US Southwest	45	1,253,229	4,474	1,257,703	32.8 %
US Northeast	12	573,861	12,120	585,981	15.3 %
US Southeast	9	226,175	—	226,175	5.9 %
Total	110	$ 3,729,515	$ 104,008	$ 3,833,523	100.0 %

(1) Other includes commercial and residential development and predevelopment assets.

At June 30, 2022, 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 $45.1 million, which is 1.08% of the aggregate commitment amount of our loan portfolio. This represents an increase of $10.2 million from $34.9 million or 0.85% of the aggregate commitment amount of our loan portfolio at March 31, 2022. This change was primarily driven by the current macroeconomic outlook and new loan originations.

Asset Specific Loan Summaries

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(1)	Q2 Risk ranking
Loan 4	Senior	Hotel	6/28/2018	$ 119,737	$ 120,000	Floating	3.2%	5.2%	7/9/2025	66%	4
Loan 106	Mezzanine	Hotel	9/23/2019	28,790	28,790	Fixed	11.5%	11.5%	7/9/2025	66% – 81%	4

(1) Loan-to-value is calculated using the as-is value on the date of loan origination.

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 million and has spent a significant amount on capital improvements. In September 2019, we upsized the senior loan to $120.0 million and provided a $28.3 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 federal loans (Paycheck Protection Program), borrower reserves, and lender advances from the mezzanine loan.

The hotel partially re-opened in August 2020 and shortly thereafter began generating cash flow. Operating performance steadily improved in 2021 at the Berkeley Hotel. Due to seasonality, cash flows during certain months have been insufficient to service the debt, and during those months the borrower supported debt service out-of-pocket. Net cash flow was negative in January and February 2022 due to anticipated seasonality, however net cash flow exceeded debt service for March through June 2022. Given mutual cooperation and commitment by the borrower, we entered into an amendment to delay the debt service hurdle test until the loan maturity in July 2023 in exchange for the borrower funding two additional months of interest to the interest reserve, bringing the total interest reserve balance to three months of interest on both the senior and mezzanine loans. COVID-19 cases and regulations in California continue to impact the local economy, 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(1)	Q2 Risk ranking
Loan 10	Senior	Office	5/29/2019	$ 68,110	$ 68,110	Floating	3.5%	5.8%	6/9/2024	59%	4
Loan 11	Senior	Office	4/5/2019	66,298	66,298	Floating	3.3%	5.6%	4/9/2024	58%	4

(1) Loan-to-value is calculated using the as-is value on the date of loan origination.

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 and continue to experience higher vacancy rates due to the COVID-19 pandemic and the effects of employee work from home arrangements. The Long Island City market has seen increases in vacancy as newly developed or renovated properties have become available for leasing. Additionally, the availability of significant sub-lease space in Long Island City has created additional supply at below market rents. While certain market participants project that office demand will increase in the near future, New York City office buildings continue to face headwinds to increase occupancy. As a result, the timeline may not be rapid enough to remedy the negative impact on our sponsor’s business plans and leasing activity for these two properties. Currently, the underlying individual property cash flows are insufficient to cover their respective debt service payments. Since March 2021 and as recently as January 2022, we have worked with the borrower on both loans, as applicable, to use certain future funding advances from the tenant improvements and leasing costs account to be used for interest carry and operations shortfalls, provided that the borrower would deposit an incremental six months of deposits for interest and carry reserves on such loans as additional protection.

Both loans generate incremental revenue from license agreements for rooftop signage. Loan 11 also generates incremental revenue from a license agreement for antenna space. Both Long Island City properties qualify for the industrial and commercial abatement programs (“ICAP”) which will result in lower real estate taxes for the next 15 years, subject to renewal on an annual basis. Subsequent to June 2022, Loan 10 property received the final certificate of eligibility resulting in a savings of $0.6 million for the 2022/2023 tax year. Our Loan 11 property is expected to receive the final certificate of eligibility in the third quarter of 2022, which will result in significant tax savings.

In regard to leasing, as of June 30, 2022, Loan 10 has in-place leases for 10% of the property and Loan 11 has in-place leases for 30% of the property. There is a risk that Loan 10's carrying value could exceed the value of the property if leasing activity does not improve. These uncertain market conditions and borrower actions may result in a future valuation impairment or investment loss.

New York, New York Hotel 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(1)	Q2 Risk ranking
Loan 108	Mezzanine	Hotel	1/9/2017	$ 12,120	$ 12,000	Floating	11.0%	12.8%	9/9/2022	63% - 76%	5

(1) Loan-to-value is calculated using the as-is value on the date of loan origination.

We originated a $12.0 million mezzanine loan in 2017 in conjunction with a third party first mortgage loan of $60.0 million to finance the acquisition and capital improvements of a 289 key hotel located in New York City (the "New York Hotel"). The hotel features a full-service restaurant, meeting rooms, fitness center and business center. The sponsor acquired the hotel in 2017 for a purchase price of $95.0 million. In 2019, the hotel underwent a brand conversion.

As a result of COVID-19, hotel occupancy declined significantly starting in March 2020. However, in May 2020 the hotel obtained a contract with a government housing authority to lease rooms. The contract was on a month-to-month basis and as of June 30, 2022, the housing authority had vacated the hotel. The sponsor is currently undergoing a capital improvement plan, including purchasing certain furniture, bedding and towels, and plans to re-open on August 1, 2022. The borrower indicates forward bookings of 29% of room nights through December 2022. Additionally, the borrower is seeking a recapitalization to pay off the senior and mezzanine loans and implement a new hotel brand property improvement plan. The sponsor was unable to meet the reserve funding required for the extension of the March 2022 maturity date on both the senior and mezzanine loans. Default and reservation of rights letters have been issued by both lenders as a prudent measure. The loan is currently past due for the July 2022 interest payment. It is possible that uncertain market conditions and borrower actions may result in a future valuation impairment or investment loss.

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. Additionally, we have two investments in direct ownership of commercial real estate and own these operating real estate investments through joint ventures with one or more partners. Our properties are typically well-located with strong operating partners.

As of June 30, 2022, $781.5 million or 16.8% of our assets were invested in net leased and other real estate properties and these properties were 97.0% occupied. The following table presents our net leased and other real estate investments as of June 30, 2022 (dollars in thousands):

	Count(1)	Carrying Value(2)	NOI for the three months ended June 30, 2022(3)
Net leased real estate	8	$ 618,838	$ 12,420
Other real estate	2	162,684	3,739
Total/Weighted average net leased and other real estate	10	$ 781,522	$ 16,159

(1) Count represents the number of investments.
(2) Represents carrying values at our share as of June 30, 2022; includes real estate tangible assets, deferred leasing costs and other intangible assets less intangible liabilities.
(3) 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 June 30, 2022:

	Collateral type	City, State	Number of Properties	Rentable square feet ("RSF") / units/keys[1]	Weighted average % leased[2]	Weighted average lease term (yrs)[3]
Net leased real estate						
Net lease 1	Office	Stavanger, Norway	1	1,290,926 RSF	100%	8.2
Net lease 2	Industrial	Various - U.S.	2	2,787,343 RSF	100%	16.1
Net lease 3	Office	Aurora, CO	1	183,529 RSF	100%	0.3
Net lease 4	Office	Indianapolis, IN	1	338,000 RSF	100%	8.5
Net lease 5	Retail	Various - U.S.	7	319,600 RSF	100%	4.4
Net lease 6	Retail	Keene, NH	1	45,471 RSF	100%	6.6
Net lease 7	Retail	Fort Wayne, IN	1	50,000 RSF	100%	2.2
Net lease 8	Retail	South Portland, ME	1	52,900 RSF	100%	8.6
Total/Weighted average net leased real estate			15	5,067,769 RSF	100%	10.8
Other real estate						
Other real estate 1	Office	Creve Coeur, MO	7	847,604 RSF	87%	4.0
Other real estate 2	Office	Warrendale, PA	5	496,414 RSF	82%	3.2
Total/Weighted average other real estate			12	1,344,018 RSF	85%	3.7
Total/Weighted average net leased and other real estate			27			

(1) Rentable square feet based on carry value at our share as of June 30, 2022.
(2) Represents the percent leased as of June 30, 2022. Weighted average calculation based on carrying value at our share as of June 30, 2022.
(3) Based on in-place leases (defined as occupied and paying leases) as of June 30, 2022, and assumes that no renewal options are exercised. Weighted average calculation based on carrying value at our share as of June 30, 2022.

Asset Specific Net Leased Summaries

Stavanger, Norway Office Net Lease

	Collateral type	City, State	Number of Properties	Rentable square feet ("RSF") / units/keys	Weighted average % leased	Weighted average lease term (yrs)
Net lease 1	Office	Stavanger, Norway	1	1,290,926 RSF	100%	8.2

In July 2018, we acquired a class A office campus in Stavanger, Norway (the "Norway Net Lease") for $320 million. 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 Norway Net Lease has a weighted average remaining lease term of eight years and the tenant has the option to extend for two five-year periods at the same terms with rent adjusted to market rent, and there is a risk that the rent can decrease at that time. The Norway Net Lease also has annual rent increases based on the Norwegian CPI Index through 2030. The rent increase in 2022 was 5.1%. 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 $161.9 million with a fixed rate of 3.9%, which matures in June 2025, at which time there will be five years remaining on the initial lease term. The financing includes a provision for annual appraisal valuation each May with loan-to-value ("LTV") tests declining from 75% LTV beginning in year five, to 70% LTV after year eight and 65% LTV after year nine. The most recent valuation in May of 2022 resulted in a LTV of 67%. Market conditions could impact property valuations and continuing compliance with those annual tests, resulting in a cash trap subject to LTV rebalancing.

This five-year remaining lease term along with risk of a downward rent adjustment at the 2030 renewal, and a potential increase in interest rates, could adversely impact the refinancing or sale of the asset. 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 maintain a series of USD-NOK forward swaps for a total notional amount of 274 million NOK in order to minimize our foreign currency cash flow risk. These forward swaps occur quarterly through May 2024, where we have agreed to sell NOK and buy USD at a locked in forward curve rate. However, only the lease payments are hedged through May

2024. The net equity and lease payments beyond May 2024 are not hedged at this time. Therefore, the Norway Net Lease net book value may be subject to fluctuations based on the USD-NOK impact on unhedged values.

Warehouse Distribution Portfolio Net Lease

	Collateral type	City, State	Number of Properties	Rentable square feet ("RSF") / units/keys	Weighted average % leased	Weighted average lease term (yrs)
Net lease 2	Industrial	Various - U.S.	2	2,787,343 RSF	100%	16.1

In August 2018 we acquired two warehouse distribution facilities located in Tracy, California and Tolleson, Arizona (the "Warehouse Distribution Portfolio") for $292 million. These two properties are 100% occupied by a single tenant that is rated investment grade Ba1 from Moody's. The tenant is a national grocer and these properties form a part of its national distribution network. The Warehouse Distribution Portfolio lease (the "Warehouse Distribution Portfolio Lease") requires the tenant to pay for all real estate related expenses, including operational expenditures, capital expenditures and taxes. The tenant has invested a significant amount of capital expenditures into each property over the past few years and has plans for additional capital expenditures in 2022. The Warehouse Distribution Portfolio Lease has a remaining lease term of 16.1 years ending in 2038. The tenant has the option to extend the lease for nine five-year periods at the same terms with rent adjusted to market rent. The Warehouse Distribution Portfolio Lease also has annual rent increases of 1.5%. Financing on the Warehouse Distribution Portfolio consists of mortgage and mezzanine debt for a total combined amount payable of $200 million. The debt is interest only at a blended fixed rate of 4.8% and matures in September 2028. The debt has a defeasance provision for any early loan prepayment. The tenant has made all rent payments and is current on all its financial obligations under the Warehouse Distribution Portfolio Lease.

The Warehouse Distribution Portfolio has generated net operating income for the six months ended June 30, 2022, of $9.2 million; and the asset value on our consolidated balance sheet is $258.2 million as of June 30, 2022.

CRE Debt Securities

The following table presents an overview of our CRE debt securities as of June 30, 2022 (dollars in thousands):

			Weighted Average[(1)]			
CRE Debt Securities by ratings category	**Number of Securities**	**Book value**	**Cash coupon**	**Unlevered all-in yield**	**Remaining term (yrs)**	**Ratings**
"B-pieces" of CMBS securitization pools	4	$ 36,154	2.8 %	12.9 %	4.9	—
Total/Weighted Average	4	$ 36,154	2.8 %	12.9 %	4.9	—

(1) Weighted average metrics weighted by book value, except for cash coupon which is weighted by principal balance.

Results of Operations

The following table summarizes our portfolio results of operations for the three months ended June 30, 2022 and March 31, 2022 (dollars in thousands):

	Three Months Ended June 30,	Three Months Ended March 31,		Increase (Decrease)
	2022	2022	Amount	%
Net interest income				
Interest income	$ 53,083	$ 44,570	$ 8,513	19.1 %
Interest expense	(21,455)	(16,072)	(5,383)	33.5 %
Interest income on mortgage loans held in securitization trusts	9,721	9,375	346	3.7 %
Interest expense on mortgage obligations issued by securitization trusts	(8,586)	(8,488)	(98)	1.2 %
Net interest income	32,763	29,385	3,378	11.5 %
Property and other income				
Property operating income	21,781	24,168	(2,387)	(9.9)%
Other income	787	276	511	n.m.
Total property and other income	22,568	24,444	(1,876)	(7.7)%
Expenses				
Property operating expense	5,266	6,724	(1,458)	(21.7)%
Transaction, investment and servicing expense	982	1,124	(142)	(12.6)%
Interest expense on real estate	7,117	7,556	(439)	(5.8)%
Depreciation and amortization	8,720	8,594	126	1.5 %
Increase (decrease) of CECL reserve	10,143	(866)	11,009	n.m.
Compensation and benefits	8,269	8,225	44	0.5 %
Operating expense	4,070	4,349	(279)	(6.4)%
Total expenses	44,567	35,706	8,861	24.8 %
Other income (loss)				
Other gain, net	24,332	10,288	14,044	n.m.
Income before equity in earnings of unconsolidated ventures and income taxes	35,096	28,411	6,685	23.5 %
Equity in earnings of unconsolidated ventures	—	25	(25)	(100.0)%
Income tax expense	(465)	(36)	(429)	n.m.
Net income	$ 34,631	$ 28,400	$ 6,231	21.9 %

Comparison of Three Months Ended June 30, 2022 and March 31, 2022

Net Interest Income

Interest income

Interest income increased by $8.5 million to $53.1 million for the three months ended June 30, 2022 as compared to the three months ended March 31, 2022. The increase was primarily related to $6.5 million in interest from new loan originations, $2.5 million from higher SOFR and LIBOR rates and $1.9 million from a non-recurring loan prepayment fee. The increase was partially offset by $2.4 million due to loan repayments.

Interest expense

Interest expense increased by $5.4 million to $21.5 million for the three months ended June 30, 2022 as compared to the three months ended March 31, 2022. The increase was primarily due to $3.3 million related to higher SOFR and LIBOR rates and $2.5 million related to financing for loan originations. The increase was partially offset by $0.5 million related to payoffs of financing in connection with loan repayments.

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 $0.2 million to $1.1 million for the three months ended June 30, 2022, as compared to the three months ended March 31, 2022. The increase was primarily due to higher net income from our consolidated securitization trust.

Property and other income

Property operating income

Property operating income decreased by $2.4 million to $21.8 million for the three months ended June 30, 2022, as compared to the three months ended March 31, 2022. The decrease was primarily the result of two property sales during the first quarter of 2022.

Other income

Other income increased by $0.5 million to $0.8 million for the three months ended June 30, 2022, as compared to the three months ended March 31, 2022, primarily due to an increase in income from money market investments during the second quarter of 2022.

Expenses

Property operating expense

Property operating expense decreased by $1.5 million to $5.3 million for the three months ended June 30, 2022, as compared to the three months ended March 31, 2022. The decrease was primarily the result of two property sales in the first quarter of 2022.

Transaction, investment and servicing expense

Transaction, investment and servicing expense decreased by $0.1 million to $1.0 million for the three months ended June 30, 2022, as compared to the three months ended March 31, 2022, primarily due to $0.5 million relating to costs associated with the sale of a joint venture in the first quarter, partially offset by $0.3 million of other costs in the second quarter of 2022.

Interest expense on real estate

Interest expense on real estate decreased by $0.4 million to $7.1 million for the three months ended June 30, 2022, as compared to the three months ended March 31, 2022. The decrease was primarily due to the repayment of a mortgage loan secured by one hotel property sold in the first quarter of 2022.

Depreciation and amortization

Depreciation and amortization expense increased by $0.1 million to $8.7 million for the three months ended June 30, 2022, as compared to the three months ended March 31, 2022. The increase was primarily due to fixed asset and deferred leasing cost additions in the second quarter of 2022.

CECL Reserve

We recorded an increase of our CECL reserve of $10.1 million for the three months ended June 30, 2022 and a decrease of $0.9 million for the three months ended March 31, 2022. This increase was primarily driven by the current macroeconomic outlook and new loan originations.

Compensation and benefits

Compensation and benefits increased by a de minimis amount to $8.3 million for the three months ended June 30, 2022, as compared to the three months ended March 31, 2022.

Operating expense

Operating expense decreased by $0.3 million to $4.1 million for the three months ended June 30, 2022, as compared to the three months ended March 31, 2022. The decrease was primarily due to higher non-recurring costs incurred during the first quarter of 2022.

Other income (loss)

Other gain, net

During the three months ended June 30, 2022, we recorded other gain, net of $24.3 million primarily due to the sale of a preferred equity investment in the second quarter of 2022. During the three months ended March 31, 2022, we recorded other gain, net of $10.3 million primarily due to two property sales in the first quarter of 2022.

Income tax expense

Income tax expense increased by $0.4 million for the three months ended June 30, 2022, as compared to the three months ended March 31, 2022, due to an income tax accrual recorded in the first quarter of 2022.

The following table summarizes our portfolio results of operations for the six months ended June 30, 2022 and June 30, 2021 (dollars in thousands):

	Six Months Ended June 30,		Increase (Decrease)	
	2022	2021	Amount	%
Net interest income				
Interest income	$ 97,654	$ 72,295	$ 25,359	35.1 %
Interest expense	(37,527)	(25,488)	(12,039)	47.2 %
Interest income on mortgage loans held in securitization trusts	19,095	31,079	(11,984)	(38.6)%
Interest expense on mortgage obligations issued by securitization trusts	(17,074)	(27,447)	10,373	(37.8)%
Net interest income	62,148	50,439	11,709	23.2 %
Property and other income				
Property operating income	45,948	50,521	(4,573)	(9.1)%
Other income	1,063	1,155	(92)	(8.0)%
Total property and other income	47,011	51,676	(4,665)	(9.0)%
Expenses				
Management fee expense	—	9,596	(9,596)	(100.0)%
Property operating expense	11,990	14,869	(2,879)	(19.4)%
Transaction, investment and servicing expense	2,106	2,932	(826)	(28.2)%
Interest expense on real estate	14,673	16,410	(1,737)	(10.6)%
Depreciation and amortization	17,314	19,533	(2,219)	(11.4)%
Increase (decrease) of CECL reserve	9,277	4,425	4,852	n.m.
Compensation and benefits	16,494	16,839	(345)	(2.0)%
Operating expense	8,419	9,809	(1,390)	(14.2)%
Restructuring charges	—	109,321	(109,321)	(100.0)%
Total expenses	80,273	203,734	(123,461)	(60.6)%
Other income (loss)				
Unrealized gain on mortgage loans and obligations held in securitization trusts, net	—	28,154	(28,154)	(100.0)%
Realized loss on mortgage loans and obligations held in securitization trusts, net	—	(19,516)	19,516	(100.0)%
Other gain, net	34,620	9,203	25,417	n.m.
Income (loss) before equity in earnings of unconsolidated ventures and income taxes	63,506	(83,778)	147,284	n.m.
Equity in earnings (loss) of unconsolidated ventures	25	(36,266)	36,291	n.m.
Income tax benefit (expense)	(501)	1,935	(2,436)	n.m.
Net income (loss)	$ 63,030	$ (118,109)	$ 181,139	n.m.

Comparison of Six Months Ended June 30, 2022 and June 30, 2021

Net Interest Income

Interest income

Interest income increased by $25.4 million to $97.7 million for the six months ended June 30, 2022, as compared to the six months ended June 30, 2021. The increase was primarily due to $38.5 million in interest from new loan originations, $4.1 million in non-recurring profit participation income and $2.3 million received in non-recurring yield maintenance. This was partially offset by $18.0 million related to loan repayments.

Interest expense

Interest expense increased by $12.0 million to $37.5 million for the six months ended June 30, 2022, as compared to the six months ended June 30, 2021. The increase was driven by $9.6 million related to financing for loan originations and $2.6 million related to the BRSP 2021-FL1 securitization.

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 $1.6 million for the six months ended June 30, 2022, as compared to the six months ended June 30, 2021, primarily due to the sale of the retained interest of a securitization trust during 2021.

Property and other income

Property operating income

Property operating income decreased by $4.6 million to $45.9 million for the six months ended June 30, 2022, as compared to the six months ended June 30, 2021. The decrease was primarily the result of the sale of an industrial portfolio in the first quarter of 2021 and two property sales in the first quarter of 2022.

Other income

Other income of $1.1 million was recorded during the six months ended June 30, 2022, which primarily relates to special servicing income associated with a securitization trust and income from money market investments. Other income of $1.2 million was recorded during the six months ended June 30, 2021, which relates to a one-time reimbursement received on a previously resolved transaction.

Expenses

Management fee expense

Management fee expense decreased by $9.6 million for the six months ended June 30, 2022, as compared to the six months ended June 30, 2021. The decrease is due to the termination of the management agreement (the “Management Agreement”) with our former manager (the “Manager”), a subsidiary of DigitalBridge Group, Inc. that occurred in April 2021.

Property operating expense

Property operating expense decreased by $2.9 million to $12.0 million for the six months ended June 30, 2022, as compared to the six months ended June 30, 2021. The decrease was primarily the result of two property sales in the first quarter of 2022 and the sale of an industrial portfolio in the first quarter of 2021.

Transaction, investment and servicing expense

Transaction, investment and servicing expense decreased by $0.8 million to $2.1 million for the six months ended June 30, 2022, as compared to the six months ended June 30, 2021, primarily due to higher franchise tax refunds received in the first quarter of 2021.

Interest expense on real estate

Interest expense on real estate decreased by $1.7 million to $14.7 million for the six months ended June 30, 2022, as compared to the six months ended June 30, 2021. This decrease was primarily due to the repayments of mortgage loans secured by two properties sold in the first quarter of 2022 and an industrial portfolio that was sold in the first quarter of 2021.

Depreciation and amortization

Depreciation and amortization expense decreased by $2.2 million to $17.3 million for the six months ended June 30, 2022, as compared to the six months ended June 30, 2021. The decrease was primarily the result of two property sales in the first quarter of 2022.

Increase (decrease) of CECL reserve

We recorded a CECL reserve of $9.3 million and $4.4 million for the six months ended June 30, 2022 and the six months ended June 30, 2021, respectively. This increase was primarily driven by the current macroeconomic outlook and new loan originations.

Compensation and benefits

Compensation and benefits decreased by $0.3 million to $16.5 million for the six months ended June 30, 2022, as compared to the six months ended June 30, 2021. This decrease was driven by higher stock compensation due to accelerated vesting of shares owned by employees of our former Manager following the internalization of our management in the second quarter of 2021.

Operating expense

Operating expense decreased by $1.4 million to $8.4 million for the six months ended June 30, 2022, as compared to the six months ended June 30, 2021. This decrease was due to lower operating expenses following the internalization of our management and operating functions (the "Internalization") on April 30, 2021.

Restructuring Charges

During the six months ended June 30, 2021, we recorded $109.3 million in restructuring costs related to the termination of our Management Agreement with our previous Manager. This consisted of a one-time cash payment of $102.3 million to our previous Manager paid on April 30, 2021 and $7.0 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 six months ended June 30, 2022, we recorded no unrealized gain or loss on mortgage loans and obligations held in securitization trusts, net. During the six months ended June 30, 2021, we recorded a reversal of an unrealized loss of $28.2 million primarily due to the sale of retained investments in the subordinate tranches of one securitization trust and the sale of two underlying loans held within one of our retained investments in the subordinate tranches of another securitization trust. Upon the sales, the accumulated unrealized losses related to the retained investments were reversed and realized.

Realized loss on mortgage loans and obligations held in securitization trusts, net

During the six months ended June 30, 2022, we recorded no realized gain or loss on mortgage loans and obligations held in securitization trusts, net. During the six months ended June 30, 2021, we recorded a realized loss of $19.5 million on mortgage loans and obligations held in securitization trusts, net. This was due to the realized loss upon sale of the retained investments in the subordinate tranches of one securitization trust in the second quarter of 2021.

Other gain, net

During the six months ended June 30, 2022, we recorded other gain, net of $34.6 million, primarily due to realized gains on two property sales in the first quarter of 2022 and the sale of a preferred equity investment in the second quarter of 2022. During the six months ended June 30, 2021, we recorded other gain, net of $9.2 million primarily due to a realized gain on the sale of an industrial portfolio.

Equity in earnings (loss) of unconsolidated ventures

During the six months ended June 30, 2022, equity in earnings (loss) of unconsolidated ventures increased by $36.3 million as compared to the six months ended June 30, 2021. This was primarily due to fair value loss adjustments recorded on three equity method investments during the second quarter of 2021.

Income tax benefit (expense)

Income tax benefit decreased by $2.4 million to an expense $0.5 million for the six months ended June 30, 2022, as compared to the six months ended June 30, 2021, primarily due to a one-time benefit from a tax capital loss carryback on private equity investments recorded during the six months ended June 30, 2021.

Book Value Per Share

The following table calculates our GAAP book value per share and undepreciated book value per share ($ in thousands, except per share data):

	June 30, 2022	December 31, 2021
Stockholders' Equity excluding noncontrolling interests in investment entities	$ 1,452,008	$ 1,489,843
Shares		
Class A common stock	128,965	129,769
OP units	—	3,076
Total outstanding	128,965	132,845
GAAP book value per share	$ 11.26	$ 11.22
Accumulated depreciation and amortization per share	$ 1.16	$ 1.15
Undepreciated book value per share	$ 12.42	$ 12.37

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.

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 CECL reserves 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.

Additionally, we define Adjusted Distributable Earnings as Distributable Earnings excluding (i) realized gains and losses on asset sales, (ii) fair value adjustments, which represent mark-to-market adjustments to investments in unconsolidated ventures based on an exit price, defined as the estimated price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants, (iii) unrealized gains or losses, (iv) realized CECL reserves and (v) one-time gains or losses that in the judgement of management should not be included in Adjusted Distributable Earnings. We believe Adjusted Distributable Earnings is a useful indicator for investors to further evaluate and compare our operating performance to our peers and our ability to pay dividends, net of the impact of any gains or losses on assets sales or fair value adjustments, as described above.

Distributable Earnings and Adjusted Distributable Earnings do 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 and Adjusted 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 and Adjusted Distributable Earnings may not be comparable to the Distributable Earnings and Adjusted Distributable Earnings reported by other companies.

The following table presents a reconciliation of net income (loss) attributable to our common stockholders to Distributable Earnings and Adjusted 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 and six months ended June 30, 2022 and 2021:

	Three Months Ended June 30,	
	2022	**2021**
Net income (loss) attributable to BrightSpire Capital, Inc. common stockholders	$ 34,287	$ (19,720)
Adjustments:		
Net income (loss) attributable to noncontrolling interest of the Operating Partnership	359	(437)
Non-cash equity compensation expense	2,286	5,443
Transaction costs	—	150
Depreciation and amortization	8,711	9,801
Net unrealized loss (gain):		
Other unrealized gain on investments	(1,940)	(23,310)
CECL reserves	10,143	1,201
Gain on sales of real estate, preferred equity and investments in unconsolidated joint ventures	(22,210)	—
Adjustments related to noncontrolling interests	(191)	(192)
Distributable Earnings attributable to BrightSpire Capital, Inc. common stockholders and noncontrolling interest of the Operating Partnership	$ 31,445	$ (27,064)
Distributable Earnings (Loss) per share(1)	$ 0.24	$ (0.20)
Adjustments:		
Fair value adjustments	—	32,039
Realized loss on CRE debt securities sales	—	22,075
Adjusted Distributable Earnings attributable to BrightSpire Capital, Inc. common stockholders and noncontrolling interest of the Operating Partnership	$ 31,445	$ 27,050
Adjusted Distributable Earnings per share(1)	$ 0.24	$ 0.20
Weighted average number of common shares and OP units(1)	131,522	132,788

(1) We calculate Distributable Earnings (Loss) per share, and Adjusted Distributable Earnings per share, non-GAAP financial measures, 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 June 30, 2021, weighted average number of common shares includes 3.1 million OP units. For the three months ended June 30, 2022 includes 3.1 million OP units until their redemption in May 2022.

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	Six Months Ended June 30,	
	2022	2021
Net income (loss) attributable to BrightSpire Capital, Inc. common stockholders	$ 62,010	$ (112,034)
Adjustments:		
Net income (loss) attributable to noncontrolling interest of the Operating Partnership	1,013	(2,390)
Non-cash equity compensation expense	4,166	9,705
Transaction costs	—	109,321
Depreciation and amortization	17,314	19,559
Net unrealized loss (gain):		
Other unrealized gain on investments	(492)	(31,682)
CECL reserves	9,277	4,426
Gain on sales of real estate, preferred equity and investments in unconsolidated joint ventures	(32,713)	(9,782)
Adjustments related to noncontrolling interests	(355)	(367)
Distributable Earnings attributable to BrightSpire Capital, Inc. common stockholders and noncontrolling interest of the Operating Partnership	$ 60,220	$ (13,244)
Distributable Earnings (Loss) per share[(1)]	$ 0.46	$ (0.10)
Adjustments:		
Fair value adjustments	—	35,344
Realization of CRE debt securities mark-to-market loss	—	990
Realized loss on CRE debt securities sales	—	21,944
Adjusted Distributable Earnings attributable to BrightSpire Capital, Inc. common stockholders and noncontrolling interest of the Operating Partnership	$ 60,220	$ 45,034
Adjusted Distributable Earnings per share[(1)]	$ 0.46	$ 0.34
Weighted average number of common shares and OP units[(1)]	132,168	132,755

(1) We calculate Distributable Earnings (Loss) per share, and Adjusted Distributable Earnings per share, non-GAAP financial measures, based on a weighted-average number of common shares and OP units (held by members other than us or our subsidiaries). For the six months ended June 30, 2021, weighted average number of common shares includes 3.1 million OP units. For the six months ended June 30, 2022 includes 3.1 million OP units until their redemption in May 2022.

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.

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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 and six months ended June 30, 2022 and 2021:

	Three Months Ended June 30,	
	2022	**2021**
t income (loss) attributable to BrightSpire Capital, Inc. common stockholders	$ 34,287	$ (19,720)
justments:		
t (income) loss attributable to non-net leased and other real estate portfolios[1]	(31,577)	21,166
t income (loss) attributable to noncontrolling interests in investment entities	(15)	23
ıortization of above- and below-market lease intangibles	(59)	(208)
erest income	—	9
erest expense on real estate	7,117	7,777
ıer income	(17)	36
ınsaction, investment and servicing expense	52	63
preciation and amortization	8,664	9,949
erating expense	56	61
ıer gain on investments, net	(2,101)	(1,237)
come tax expense (benefit)	49	(86)
)I attributable to noncontrolling interest in investment entities	(297)	(3,968)
tal NOI, at share	$ 16,159	$ 13,865

(1) Net loss attributable to non-net leased and other real estate portfolio includes net (income) loss on our senior and mezzanine loans and preferred equity, CRE debt securities and corporate business segments.

	Six Months Ended June 30,	
	2022	**2021**
t income (loss) attributable to BrightSpire Capital, Inc. common stockholders	$ 62,010	$ (112,034)
justments:		
t (income) loss attributable to non-net leased and other real estate portfolios[1]	(47,505)	122,578
t income (loss) attributable to noncontrolling interests in investment entities	7	(109)
ıortization of above- and below-market lease intangibles	(101)	(25)
erest income	—	18
erest expense on real estate	14,673	16,410
ıer income	(17)	2
ınsaction, investment and servicing expense	407	51
preciation and amortization	17,215	19,488
erating expense	247	92
ıer gain on investments, net	(13,196)	(10,733)
come tax expense (benefit)	118	(111)
)I attributable to noncontrolling interest in investment entities	(606)	(7,966)
tal NOI, at share	$ 33,252	$ 27,661

(1) Net loss attributable to non-net leased and other real estate portfolio includes net (income) loss on our senior and mezzanine loans and preferred equity, CRE debt securities and corporate business segments.

Liquidity and Capital Resources

Overview

Our material cash commitments 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 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.

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 have sufficient sources of liquidity to meet our material cash commitments for the next 12 months and beyond.

Financing Strategy

We have a multi-pronged financing strategy that included an up to $165 million secured revolving credit facility as of June 30, 2022, up to approximately $2.3 billion in secured revolving repurchase facilities, $1.4 billion in non-recourse securitization financing, $631 million in commercial mortgages and $28 million in other asset-level financing structures (refer to “Bank Credit Facility” section below for further discussion). 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:

	June 30, 2022	December 31, 2021
Debt-to-equity ratio[(1)]	2.2x	2.0x

(1) Represents (i) total outstanding secured debt less cash and cash equivalents of $317.7 million and $259.7 million at June 30, 2022 and December 31, 2021, 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, there is still uncertainty regarding 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. The failure of our borrowers to meet their loan obligations may trigger repayments under our Bank Credit Facility and Master Repurchase Facilities.

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.

Furthermore, as discussed in greater detail above under “Factors Impacting Our Operating Results,” overall market uncertainty coupled with rising inflation and interest rates have tempered the loan financing markets recently. A rising interest rate environment will result in increased interest expense on our variable rate debt that is not hedged and may result in disruptions to our borrowers’ and tenants’ ability to finance their activities, which could similarly adversely impact their ability to make their monthly mortgage payments and meet their loan obligations. Additionally, due to the current market conditions, warehouse lenders may take a more conservative stance by increasing funding costs, which may also lead to margin calls.

Our primary sources of liquidity include borrowings available under our credit facilities, master repurchase facilities and CMBS facilities and monthly mortgage payments.

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 January 28, 2022, BrightSpire Capital Operating Company, LLC (“BrightSpire OP”) (together with certain subsidiaries of BrightSpire OP from time to time party thereto as borrowers, collectively, the “Borrowers”) entered into an Amended and Restated Credit Agreement (the “Credit Agreement”) with JPMorgan Chase Bank, N.A., as administrative agent (the “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 in the aggregate principal amount of up to $165.0 million, of which up to $25.0 million is available as letters of credit. Loans under the Credit Agreement may be advanced in U.S. dollars and certain foreign currencies, including euros, pounds sterling and swiss francs. The Credit Agreement amended and restated BrightSpire OP’s prior $300.0 million revolving credit facility that would have matured on February 1, 2022.

The Credit Agreement also includes an option for the Borrowers to increase the maximum available principal amount to up to $300.0 million, subject to one or more new or existing Lenders agreeing to provide such additional loan commitments and satisfaction of other customary conditions.

Advances under the Credit Agreement accrue interest at a per annum rate equal to, at the applicable Borrower’s election, either (x) an adjusted SOFR rate plus a margin of 2.25%, or (y) a base rate equal to the highest of (i) the Wall Street Journal’s prime rate, (ii) the federal funds rate plus 0.50% and (iii) the adjusted SOFR rate plus 1.00%, 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 Credit Agreement. Amounts owed under the Credit Agreement 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 SOFR rate election is in effect.

The maximum amount available for borrowing at any time under the Credit Agreement 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 June 30, 2022, the borrowing base valuation is sufficient to permit borrowings of up to $165.0 million. If any borrowing is outstanding for more than 180 days after its initial draw, the borrowing base valuation will be reduced by 50% until all outstanding borrowings are repaid in full. The ability to borrow new amounts under the Credit Agreement terminates on January 31, 2026, at which time BrightSpire OP may, at its election and by written notice to the Administrative Agent, extend the termination date for two (2) additional terms of six (6) months each, subject to the terms and conditions in the Credit Agreement, resulting in a latest termination date of January 31, 2027.

The obligations of the Borrowers under the Credit Agreement are guaranteed pursuant to a Guarantee and Collateral Agreement by substantially all material wholly owned subsidiaries of BrightSpire OP (the “Guarantors”) in favor of the 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 in which the proceeds of investment asset distributions are maintained.

The Credit Agreement contains various affirmative and negative covenants, including, among other things, the obligation of the Company to maintain REIT status and be listed on the New York Stock Exchange, and limitations on debt, liens and restricted payments. In addition, the Credit Agreement includes the following financial covenants applicable to BrightSpire OP and its consolidated subsidiaries: (a) minimum consolidated tangible net worth of BrightSpire OP to be greater than or equal to the sum of (i) $1,112,000,000 and (ii) 70% of the net cash proceeds received by BrightSpire OP from any offering of its common equity after September 30, 2021 and of the net cash proceeds from any offering by the Company of its common equity to the extent such proceeds are contributed to BrightSpire OP, excluding any such proceeds that are contributed to BrightSpire OP within ninety (90) days of receipt and applied to acquire capital stock of BrightSpire OP; (b) BrightSpire OP’s ratio of EBITDA plus lease expenses to fixed charges for any period of four (4) consecutive fiscal quarters to be not less than 1.50 to 1.00; (c) BrightSpire OP’s minimum interest coverage ratio to be not less than 3.00 to 1.00; and (d) BrightSpire OP’s ratio of consolidated total debt to consolidated total assets to be not more than 0.80 to 1.00. The Credit Agreement 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, 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 BrightSpire 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.

As of June 30, 2022, we were in compliance with all of our financial covenants under the Credit Agreement.

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 of favorable terms.

During the first quarter of 2022, we entered into amendments under our five Master Repurchase Facilities and/or associated guarantees to reduce the minimum tangible net worth covenant requirement from $1.35 billion to $1.11 billion.

Additionally, during the first quarter of 2022, we entered into amendments under four of our Master Repurchase Facilities to expand the eligibility criteria to allow for loans indexed to SOFR, and to allow for borrowings under those facilities to also be indexed to SOFR.

During the second quarter of 2022, we entered into amendments under our Master Repurchase Facility with Bank 7 and Bank 9 to increase the facility sizes by $100 million and extend the maturity dates by one year for each facility.

Subsequent to June 30, 2022, we entered into amendments under our Master Repurchase Facility with Bank 1 and Bank 3 to extend the maturity date by one year and four years, respectively.

As of June 30, 2022, we 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 as of June 30, 2022.

The following table presents a summary of our Master Repurchase and Bank Credit Facilities as of June 30, 2022 (dollars in thousands):

	Maximum Facility Size	Current Borrowings	Weighted Average Final Maturity (Years)	Weighted Average Interest Rate[(1)]
Master Repurchase Facilities				
Bank 1	$ 400,000	$ 250,162	3.8	LIBOR/SOFR + 1.82%
Bank 3	600,000	396,202	0.8	LIBOR/SOFR + 1.95%
Bank 7	600,000	415,795	3.8	LIBOR/SOFR + 1.79%
Bank 8	250,000	158,504	0.9	LIBOR/SOFR + 2.18%
Bank 9	400,000	266,904	4.9	LIBOR/SOFR + 1.70%
Total Master Repurchase Facilities	2,250,000	1,487,567		
Bank Credit Facility	165,000	—	4.5	SOFR + 2.25%
Total Facilities	$ 2,415,000	$ 1,487,567		

(1) The Company utilized the Secured Overnight Financing Rate (“SOFR”) for all deals beginning January 1, 2022.

The following table presents the quarterly average unpaid principal balance ("UPB"), end of period UPB and the maximum UPB at any month-end related to our Master Repurchase and Bank Credit Facilities (dollars in thousands):

Quarter Ended	Quarterly Average UPB	End of Period UPB	Maximum UPB at Any Month-End
June 30, 2022	$ 1,343,678	$ 1,487,567	$ 1,503,297
March 31, 2022	1,052,455	1,199,789	1,199,789
December 31, 2021	731,792	905,122	905,122
September 30, 2021	780,625	558,461	622,961
June 30, 2021	895,356	1,002,789	1,002,789
March 31, 2021	661,573	787,923	787,923

The increase in our end of period UPB from March 31, 2022 to June 30, 2022 was driven by the origination of new loans during the period.

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 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.

On March 5, 2021, the Financial Conduct Authority of the U.K. (the "FCA") announced that LIBOR tenors relevant to CLNC 2019-FL1 would cease to be published or no longer be representative after June 30, 2023. The Alternative Reference Rates Committee (the "ARRC") interpreted this announcement to constitute a benchmark transition event. As of June 17, 2021, the benchmark index interest rate was converted from LIBOR to SOFR, plus a benchmark adjustment of 11.448 basis points with a lookback period equal to the number of calendar days in the applicable Interest Accrual Period plus two SOFR business days, conforming with the indenture agreement and recommendations from the ARRC. Compounded SOFR for any interest accrual period shall be the "30-Day Average SOFR" as published by the Federal Reserve Bank of New York on each benchmark determination date.

As of February 19, 2022, the benchmark index interest rate was converted from Compounded SOFR to Term SOFR, plus a benchmark adjustment of 11.448 basis points, conforming with the indenture agreement. Term SOFR for any interest accrual period shall be the one month CME Term SOFR reference rate as published by the CME Group benchmark administration on each benchmark determination date.

As of June 30, 2022, the CLNC 2019-FL1 mortgage assets are indexed to LIBOR and the borrowings under CLNC 2019-FL1 are indexed to Term SOFR, creating an underlying benchmark index rate basis difference between CLNC 2019-FL1 assets and liabilities, which is meant to be mitigated by the benchmark replacement adjustment described above. We have the right to transition the CLNC 2019-FL1 mortgage assets to SOFR, eliminating the basis difference between CLNC 2019-FL1 assets and liabilities, and will make the determination taking into account the loan portfolio as a whole. The transition to SOFR is not expected to have a material impact to CLNC 2019-FL1's assets and liabilities and related interest expense.

CLNC 2019-FL1 included a two-year reinvestment feature that allowed 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. The reinvestment period for CLNC 2019-FL1 expired on October 19, 2021. During the first half of 2022, five loans held in CLNC 2019-FL1 were repaid, totaling $138.4 million. The proceeds from the five loan payoffs were used to amortize the securitization bonds in accordance with the securitization priority of payments. As of August 2, 2022, the securitization advance rate was 80.9% at a weighted average cost of funds of Adjusted Term SOFR plus 1.66% (before transaction costs).

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.

In July 2021, we executed a securitization transaction through our subsidiaries BRSP 2021-FL1 Ltd. and BRSP 2021-FL1, LLC, which resulted in the sale of $670 million of investment grade notes. The securitization reflects an advance rate of 83.75% at a weighted costs of funds of LIBOR plus 1.49% (before transaction expenses) and is collateralized by a pool of 33 senior loan investments.

BRSP 2021-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 BRSP 2021-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 BRSP 2021-FL1. During the first half of 2022 and through August 2, 2022, five loans held in BRSP 2021-FL1 were fully repaid, totaling $73.8 million. We replaced the repaid loans by contributing existing loan investments of equal value.

Additionally, BRSP 2021-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. We will continue to closely monitor all loan investments contributed to BRSP 2021-FL1, a deterioration in the performance of an underlying loan could negatively impact our liquidity position.

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.

Liquidity Needs

In addition to our loan origination activity and general operating expenses, our primary liquidity needs include interest and principal payments under our Bank Credit Facility, securitization bonds, and secured debt. Information concerning our contractual obligations and commitments to make future payments, including our commitments to repay borrowings, is included in the following table as of June 30, 2022. This table excludes our obligations that are not fixed and determinable (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]	$ 1,868	$ 413	$ 825	$ 630	$ —
Secured debt[2]	2,426,754	257,127	688,285	1,190,628	290,714
Securitization bonds payable[3]	1,429,410	169,389	1,244,650	15,371	—
Ground lease obligations[4]	28,352	3,108	4,845	4,036	16,363
Office leases	8,630	797	2,586	2,647	2,600
	$ 3,895,014	$ 430,834	$ 1,941,191	$ 1,213,312	$ 309,677
Lending commitments[5]	312,903				
Total	$ 4,207,917				

(1) Future interest payments were estimated based on the applicable index at June 30, 2022 and unused commitment fee of 0.25% per annum, assuming principal is repaid on the current maturity date of January 2027.
(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 June 30, 2022.
(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 amounts represent minimum future base rent commitments through initial expiration dates of the respective noncancellable operating ground leases, excluding any contingent rent payments. Rents paid under ground 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.

Share Repurchases

In May 2022, our board of directors authorized a stock repurchase program ("Stock Repurchase Program") under which we may repurchase up to $100.0 million of our outstanding Class A common stock until April 30, 2023. Under the Stock Repurchase Program, we may repurchase shares in open market purchases, in privately negotiated transactions or otherwise. We have a written trading plan as part of the Share Repurchase Program that provides for share repurchases in open market transactions that is intended to comply with Rule 10b-18 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Stock Repurchase Program will be utilized at our discretion and in accordance with the requirements of the Securities and Exchange Commission ("SEC"). The timing and actual number of shares repurchased will depend on a variety of factors including price, corporate requirements and other conditions.

During the three months ended June 30, 2022, we repurchased 2.2 million shares of Class A common stock at a weighted average price of $8.40 per share for an aggregate cost of $18.3 million. Additionally, and separate from the Stock Repurchase Program, we redeemed the 3.1 million total outstanding membership units in the OP held by a third-party representing noncontrolling interests at a price of $8.25 per unit for a total cost of $25.4 million.

As of June 30, 2022, there was $81.7 million remaining available to make repurchases under the Stock Repurchase Plan.

Cash Flows

The following presents a summary of our consolidated statements of cash flows for the six months ended June 30, 2022 and 2021 (dollars in thousands):

	Six Months Ended June 30,		
Cash flow provided by (used in):	**2022**	**2021**	**Change**
Operating activities	$ 54,614	$ (128,611)	$ 183,225
Investing activities	(234,920)	(277,213)	42,293
Financing activities	243,885	155,876	88,009

Operating Activities

Cash inflows from operating activities are generated primarily through interest received from loans receivable and securities, and property operating income from our real estate portfolio. 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 provided net cash inflows of $54.6 million and net cash outflows of $128.6 million for the six months ended June 30, 2022 and 2021, respectively. Net cash provided by operating activities increased $183.2 million for the six months ended June 30, 2022 compared to the six months ended June 30, 2021, primarily due to higher net interest income earned resulting from loan originations throughout 2021 and 2022 and lower operating expenses following the Internalization on April 30, 2021.

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 used net cash outflows of $234.9 million for the six months ended June 30, 2022. Net cash used in investing activities in 2022 resulted primarily from originations and future advances on our loans held for investment, net of $815.5 million partially offset by repayments on loans held for investment of $470.4 million, proceeds from sales of real estate of $55.6 million, proceeds from sales of investments in unconsolidated ventures of $38.1 million and repayments of principal in mortgage loans held in securitization trusts of $15.9 million.

Investing activities used net cash outflows of $277.2 million for the six months ended June 30, 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 $822.8 million partially offset by proceeds from sales of real estate of $332.0 million, repayments on loan and preferred equity held for investment of $124.2 million and proceeds from sales of mortgage loans held in securitization trusts of $28.7 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 and through May 27, 2022, on distributions to our noncontrolling interests.

Financing activities provided net cash of $243.9 million for the six months ended June 30, 2022, which resulted primarily from borrowings from credit facilities of $698.7 million partially offset by repayment of securitization bonds of $138.4 million, repayment of credit facilities of $116.3 million, repayment of mortgage notes of $82.1 million, distributions paid on common stock of $49.2 million, redemption of OP units of $25.4 million, repurchase of common stock of $18.3 million and repayment of mortgage obligations issued by securitization trusts of $15.9 million.

Financing activities provided net cash of $155.9 million for the six months ended June 30, 2021. Net cash provided by financing activities in 2021 resulted primarily from borrowings from credit facilities in the amount of $675.4 million, partially offset by repayment of mortgage notes of $263.3 million, repayment of credit facilities of $208.0 million, and distributions to noncontrolling interests in the amount of $23.9 million.

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 investment strategy provides flexibility through economic cycles to achieve attractive risk-adjusted returns. This approach is driven by a disciplined investment strategy, focused on:

- leveraging long standing relationships, our organization structure and the experience of the team;
- the underlying real estate and market dynamics 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; and
- operating our net leased real estate investments and selectively pursuing new investments based on property location and purpose, tenant credit quality, market lease rates and potential appreciation of, and alternative uses for, the real estate.

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 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 manage 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.

Inflation

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

Refer to Item 3, “Quantitative and Qualitative Disclosures About Market Risk” for additional details.

Critical Accounting Policies and Estimates

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 and estimates described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

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 Statements.”

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 effects 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, international conflicts, inflation 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 and SOFR may affect the amount of interest income we earn on our floating rate borrowings and interest expense we incur on borrowings indexed to LIBOR and SOFR, 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 June 30, 2022, a hypothetical 100 basis point increase in the applicable interest rate benchmark on our loan portfolio would increase interest income by $6.4 million annually, net of interest expense.

See the "Factors Impacting Our Operating Results" section in "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" for further discussion on interest rates.

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 businesses. 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 our 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 our 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.

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 June 30, 2022, we had approximately NOK 686.9 million or a total of $69.5 million, in net investments in our European subsidiaries. A 1.0% change in the foreign currency rate would result in a $0.7 million increase or decrease in translation gain or loss included in other comprehensive income in connection with our European subsidiary.

A summary of the foreign exchange contracts in place at June 30, 2022, including notional amount and key terms, is included in Note 14, “Derivatives,” to Part I, Item 1, “Financial Statements.” 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 June 30, 2022, 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 June 30, 2022, 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—Other Information

Item 1. Legal Proceedings

The Company is not 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, 2021, 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. 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, 2021.

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

There were no sales of unregistered securities of our Company during the six months ended June 30, 2022, other than those previously disclosed in filings with the SEC.

Purchases of Equity Securities by Issuer

The following table summarizes the repurchase of common stock for the three months ended June 30, 2022 (in thousands, except per share data).

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number (or approximate dollar value) of shares that may yet be purchased under the plans or programs[(1)]
April 1-30, 2022	—	$ —	—	$ —
May 1-31, 2022	1,861	8.34	1,861	84,473
June 1-30, 2022	320	8.72	320	81,680
Total	2,181	$ 8.40	2,181	$ 81,680

(1) In May 2022, the Company's board of directors authorized the repurchase of up to an aggregate of $100.0 million of its outstanding Class A common stock until April 30, 2023.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Amendment to Master Repurchase Facility - Citibank, N.A.

On July 28, 2022, NSREIT CB Loan, LLC, CB Loan NT-II, LLC, BrightSpire Credit 3, LLC, BrightSpire Credit 4, LLC, BrightSpire Credit 3EU, LLC and BrightSpire Credit 3UK, LLC (collectively, "CB Seller"), each an indirect wholly-owned subsidiary of the Company, and the OP entered into a Fourth Amendment ("Fourth Amendment to Citi Repurchase Agreement") to that certain Amended and Restated Master Repurchase Agreement dated April 26, 2019, extending the maturity date by one year to July 28, 2024, replacing LIBOR with SOFR as the benchmark rate applicable to loans and providing CB Seller with three successive one year extension options, which may be exercised upon the satisfaction of certain conditions set forth in the repurchase agreement.

The foregoing summary does not purport to be a complete description and is qualified in its entirety by reference to the Fourth Amendment to Citi Repurchase Agreement, which is filed as Exhibit 10.5 to this Quarterly Report on Form 10-Q.

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 BrightSpire Capital, Inc., dated as of June 23, 2021 (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q (No. 001-38377) for the quarter ended June 30, 2021 filed on August 5, 2021)
3.2	Fourth Amended and Restated Bylaws of BrightSpire Capital, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K (No. 001-38377) filed on June 24, 2021)
10.1	BrightSpire Capital, Inc. 2022 Equity Incentive Plan, dated May 5, 2022 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (No. 001-38377) filed on May 5, 2022)
10.2	Form of Restricted Stock Award Agreement to the BrightSpire Capital, Inc. 2022 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (No. 001-38377) filed on May 5, 2022)
10.3	Third Amendment to Master Repurchase Agreement dated as of June 1, 2022, by and between Barclays Bank PLC and BrightSpire Credit 7, LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (No. 001-38377) filed on June 6, 2022)
10.4*	Fourth Amendment to Master Repurchase Agreement, dated as of July 7, 2022, by and between Barclays Bank PLC and BrightSpire Credit 7, LLC (f/k/a CLNC Credit 7, LLC)
10.5*	Fourth Amendment to Amended and Restated Master Repurchase Agreement, dated as of July 28, 2022 by and among NSREIT CB Loan, LLC, CB Loan NT-II, LLC, BrightSpire Credit 3, LLC, BrightSpire Credit 4, LLC, BrightSpire Credit 3EU, LLC and BrightSpire Credit 3UK, LLC, BrightSpire Capital Operating Company, LLC and Citibank, N.A.
10.6	Amendment No. 4 to Master Repurchase and Securities Contract, dated as of June 22, 2022, by and between BrightSpire Credit 8, LLC and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (No. 001-38377) filed on June 23, 2022)
10.7	Fourth Amendment to Guarantee Agreement, dated as of June 22, 2022, by and between BrightSpire Capital Operating Company, LLC and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (No. 001-38377) filed on June 23, 2022)
10.8	Eighth Omnibus Amendment to Transaction Documents, dated as of July 11, 2022, by and between BrightSpire Capital Operating Company, LLC and Morgan Stanley, N.A. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (No. 001-38377) filed on July 13, 2022)
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: August 3, 2022

BRIGHTSPIRE CAPITAL, INC.

By: /s/ Michael J. Mazzei

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

By: /s/ Frank V. Saracino

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

FOURTH AMENDMENT TO MASTER REPURCHASE AGREEMENT

FOURTH AMENDMENT TO MASTER REPURCHASE AGREEMENT, dated as of July 7, 2022 (this "Amendment"), by and between **BARCLAYS BANK PLC**, a public limited company organized under the laws of England and Wales (together with its successors and assigns, "Purchaser"), and **BRIGHTSPIRE CREDIT 7, LLC** (formerly known as CLNC CREDIT 7, LLC), a limited liability company organized under the laws of the State of Delaware ("Seller"). Capitalized terms used and not otherwise defined herein shall have the meanings given to such terms in the Repurchase Agreement (as defined below and as amended hereby).

RECITALS

WHEREAS, Seller and Purchaser are parties to that certain Master Repurchase Agreement, dated as of April 26, 2018, as amended by that certain First Amendment to Master Repurchase Agreement, dated as of January 22, 2021, that certain Second Amendment to Master Repurchase Agreement, dated as of February 8, 2022 and that certain Third Amendment to Master Repurchase Agreement, dated as of June 1, 2022 (as so amended, the "Existing Repurchase Agreement" and, as amended by this Amendment, and as hereafter further amended, modified, restated, replaced, waived, substituted, supplemented or extended from time to time, the "Repurchase Agreement"); and

WHEREAS, Purchaser and Seller desire to make certain amendments and modifications to the Existing Repurchase Agreement as further set forth herein.

NOW, THEREFORE, in consideration of the foregoing recitals, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

ARTICLE 1

AMENDMENTS TO REPURCHASE AGREEMENT

Article 2 of the Existing Repurchase Agreement is hereby amended by adding the following definitions in their respective alphabetical order, or to the extent any such definition already exists therein, replacing such definition with the one set forth below.

> "Term SOFR" shall mean, with respect to each Pricing Rate Period, the forward-looking term rate based on the secured overnight financing rate ("Term SOFR Reference Rate") for a tenor comparable to such Pricing Rate Period on the related Pricing Rate Determination Date (expressed as a percentage per annum and rounded upward, if necessary, to the next nearest 1/1000 of 1%), as such rate is published by CME Group Benchmark Administration Limited (CBA) (or a successor administrator of the Term SOFR Reference Rate selected by Purchaser in its sole discretion) (the "Term SOFR Administrator") as of the related Reference Time; provided, however, that if as of the related

Reference Time, the Term SOFR Reference Rate for the applicable tenor has not been published by the Term SOFR Administrator, then the Term SOFR Reference Rate shall be the Term SOFR Reference Rate for such tenor as published by the Term SOFR Administrator on the first preceding U.S. Government Securities Business Day for which such Term SOFR Reference Rate for such tenor was published by the Term SOFR Administrator so long as such first preceding U.S. Government Securities Business Day is not more than three (3) U.S. Government Securities Business Days prior to such Pricing Rate Determination Date. Notwithstanding the foregoing, if any setting of Term SOFR as provided above would result in such setting being less than the applicable Benchmark Floor, such setting of Term SOFR shall instead be deemed to be such Benchmark Floor.

"U.S. Government Securities Business Day" shall mean, any day except for (i) a Saturday, (ii) a Sunday or (iii) a day on which the Securities Industry and Financial Markets Association, or any successor thereto, recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in United States government securities.

ARTICLE 2

REPRESENTATIONS

Seller represents and warrants to Purchaser, as of the date of this Amendment, as follows:

(a) all representations and warranties made by any Seller Party in the Transaction Documents to which it is a party (other than representations and warranties made pursuant to Article 10(w) and Exhibit V of the Repurchase Agreement unless Seller shall have made any such representation or warranty with actual knowledge that it was materially false or misleading at the time made) are true and correct, as of the date hereof with the same force and effect as if made on and as of such date (or, if any such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date);

(b) it is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and is duly qualified in each jurisdiction necessary to conduct business as presently conducted;

(c) it is duly authorized to execute and deliver this Amendment and to perform its obligations under the Existing Repurchase Agreement, as amended and modified hereby, and has taken all necessary action to authorize such execution, delivery and performance;

(d) the person signing this Amendment on its behalf is duly authorized to do so on its behalf;

(e) the execution, delivery and performance of this Amendment will not violate any Requirement of Law applicable to it or its organizational documents or any agreement by which it is bound or by which any of its assets are affected;

(f) this Amendment has been duly executed and delivered by it; and

(g) the Existing Repurchase Agreement, as amended and modified hereby, constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, other limitations on creditors' rights generally and general principles of equity.

ARTICLE 3

EXPENSES

Seller shall pay on demand all of Purchaser's actual out-of-pocket costs and expenses, including but not limited to reasonable fees and expenses of Purchaser's outside counsel, incurred in connection with the preparation, negotiation, execution and consummation of this Amendment.

ARTICLE 4

GOVERNING LAW

THIS AMENDMENT (AND ANY CLAIM OR CONTROVERSY HEREUNDER) SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, AND THE OBLIGATIONS, RIGHTS, AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS WITHOUT REGARD TO THE CONFLICT OF LAWS DOCTRINE APPLIED IN SUCH STATE (OTHER THAN SECTIONS 5-1401 AND 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK).

ARTICLE 5

MISCELLANEOUS

(a) Except as expressly amended or modified hereby, the Repurchase Agreement and the other Transaction Documents shall each be and shall remain in full force and effect in accordance with their terms and are hereby ratified and confirmed. All references to the Transaction Documents shall be deemed to mean the Transaction Documents as modified by this Amendment.

(b) 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 of this Amendment in electronic format (such as PDF files) shall be as effective as delivery of a manually executed original counterpart of this Amendment and shall be binding on all parties.

(c) The headings in this Amendment are for convenience of reference only and shall not affect the interpretation or construction of this Amendment.

(d) This Amendment may not be amended or otherwise modified, waived or supplemented except as provided in the Repurchase Agreement.

(e) This Amendment contains a final and complete integration of all prior expressions by the parties with respect to the subject matter hereof and shall constitute the entire agreement among the parties with respect to such subject matter, superseding all prior oral or written understandings.

(f) This Amendment and the Repurchase Agreement, as amended hereby, is a single Transaction Document and shall be construed in accordance with the terms and provisions of the Repurchase Agreement.

[SIGNATURES FOLLOW]

IN WITNESS WHEREOF, the parties have caused this Amendment to be duly executed, as of the date first above written.

BARCLAYS BANK PLC, as Purchaser

By: /s/ Francis X. Gilhool
Name: Francis X. Gilhool
Title: Authorized Signatory

IN WITNESS WHEREOF, the parties have caused this Amendment to be duly executed, as of the date first above written.

BRIGHTSPIRE CREDIT 7, LLC, as Seller

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

Exhibit 10.5

FOURTH AMENDMENT TO AMENDED AND RESTATED MASTER REPURCHASE AGREEMENT

THIS FOURTH AMENDMENT TO AMENDED AND RESTATED MASTER REPURCHASE AGREEMENT (this "Amendment"), dated as of July 28, 2022 (the "Effective Date"), is made by and among NSREIT CB LOAN, LLC, CB LOAN NT-II, LLC, BRIGHTSPIRE CREDIT 3, LLC, BRIGHTSPIRE CREDIT 4, LLC, BRIGHTSPIRE CREDIT 3EU, LLC and BRIGHTSPIRE CREDIT 3UK, LLC, each a Delaware limited liability company (each such Person and any other Person when such Person joins as a Seller hereunder from time to time, individually and/or collectively as the context may require, "Seller"), BRIGHTSPIRE CAPITAL OPERATING COMPANY, LLC, a Delaware limited liability company ("Guarantor") (for the purpose of acknowledging and agreeing to the provision set forth in Section 3 hereof), and CITIBANK, N.A., a national banking association ("Buyer").

W I T N E S S E T H:

WHEREAS, Seller and Buyer have entered into that certain Amended and Restated Master Repurchase Agreement, dated as of April 26, 2019, as amended by that certain First Amendment to Amended and Restated Master Repurchase Agreement, dated as of April 14, 2021, that certain Second Amendment to Amended and Restated Master Repurchase Agreement, dated as of August 24, 2021, and that certain Third Amendment to Amended and Restated Master Repurchase Agreement, dated as of January 14, 2022 (as the same may be further amended, supplemented, extended, restated, replaced or otherwise modified from time to time, the "Repurchase Agreement");

WHEREAS, all capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Repurchase Agreement;

WHEREAS, Seller and Buyer desire to modify certain terms and provisions of the Repurchase Agreement as set forth herein.

NOW, THEREFORE, in consideration of ten dollars ($10) and for other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, Seller and Buyer covenant and agree as follows as of the Effective Date and Guarantor acknowledges and agrees as to the provision set forth in Section 3 as of the Effective Date:

1. Modification of Repurchase Agreement. The Repurchase Agreement is hereby modified as of the Effective Date as follows:

(a) The definitions of "LIBOR", "LIBOR Based Transaction", "LIBOR Based Pricing Rate Determination Date", and "London Business Day" in Article 2 of the Repurchase Agreement are hereby deleted in their entirety.

(b) The following definitions in Article 2 of the Repurchase Agreement are hereby deleted in their entirety and the following corresponding definitions are substituted therefor:

"Benchmark" shall mean, (a) for any SOFR Based Transaction for which the Applicable SOFR designated on the related Confirmation is the SOFR Average, initially, the SOFR Average and (b) for any SOFR Based Transaction for which the Applicable SOFR designated on the related Confirmation is Term SOFR, initially, Term SOFR; provided that if a Benchmark Transition Event or a SOFR Transition Event, as applicable, and its related Benchmark Replacement Date have occurred with respect to the then-current Benchmark or with respect to any Transaction, as applicable, then "Benchmark" shall mean, with respect to such then-current Benchmark or with respect to any applicable Transaction, as applicable, the related Benchmark Replacement. Notwithstanding the foregoing, if any setting of any Benchmark as provided above would result in such Benchmark setting being less than the applicable Benchmark Floor, such setting of such Benchmark shall instead be deemed to be such Benchmark Floor.

"Benchmark Replacement" shall mean, with respect to any replacement of any then-current Benchmark under the terms of this Agreement, the sum of (a) the alternate benchmark rate that has been selected by Buyer giving due consideration to (i) any selection or recommendation of a replacement benchmark rate or the mechanism for determining such a rate by the Relevant Governmental Body or (ii) any evolving or then-prevailing market convention for determining a benchmark rate as a replacement for such Benchmark for U.S. dollar-denominated commercial mortgage loan repurchase facilities or other similar agreements at such time and (b) the Benchmark Replacement Adjustment; provided, that such Unadjusted Benchmark Replacement is consistent with the benchmark rate selected by Buyer in its other commercial mortgage loan repurchase facilities with similarly situated counterparties and wherein Buyer has a similar contractual right; provided, further, that in connection with a SOFR Transition Event, such Unadjusted Benchmark Replacement shall be the SOFR Average or Term SOFR, as applicable (so long as no Benchmark Transition Event and Benchmark Replacement Date has occurred with respect to such rate), as determined by Buyer in its sole discretion. Notwithstanding the foregoing, if any setting of the Benchmark Replacement as provided above would result in such Benchmark Replacement setting being less than the applicable Benchmark Floor, such setting of the Benchmark Replacement shall instead be deemed to be such Benchmark Floor.

"Benchmark Replacement Conforming Changes" shall mean, with respect to any Benchmark or Benchmark Replacement, any technical, administrative or operational changes (including, without limitation, changes to the definitions of "Pricing Rate Period", "Pricing Rate Determination Date", "Reference Time", "SOFR Average", "SOFR Based Transaction", "Term SOFR" and any similar defined term in this Agreement, provisions with respect to timing and frequency of determining rates and making payments of interest or price differential, timing of transaction requests, future advance requests, conversion or continuation notices, length of lookback periods, the applicability of breakage provisions, the formula for calculating any benchmark rate (including, without limitation, SOFR, the SOFR Average and Term SOFR), the formula, methodology or convention for applying the successor Benchmark Floor to any benchmark rate (including, without limitation, SOFR, the SOFR Average and Term SOFR) and other technical, administrative or operational matters) that Buyer decides may be appropriate to reflect the adoption and implementation of such Benchmark or Benchmark Replacement, as applicable, 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 such Benchmark or Benchmark Replacement, as applicable, exists, in such other manner of administration as Buyer decides is reasonably necessary in connection with the administration of this Agreement and the other Transaction Documents).

"Benchmark Unavailability Period" shall mean, with respect to any Benchmark, the period (if any) during which Buyer determines that (a) adequate and reasonable means do not exist for ascertaining such Benchmark (including, without limitation, if the Benchmark (or the published component used in the calculation thereof) is the SOFR Average or Term SOFR, that the SOFR Average or Term SOFR, as applicable, cannot be determined in accordance with the definition thereof) or (b) it is unlawful to accrue Purchase Price Differential based on such Benchmark or to otherwise use such Benchmark to determine the applicable Purchase Price Differential due for any Pricing Rate Period. "Buyer" shall have the meaning specified in the introductory paragraph hereof.

"Business Day" shall mean a day other than (i) a Saturday or Sunday, (ii) a day in which the New York Stock Exchange or banks in the State of New York are authorized or obligated by law or executive order to be closed and (iii) a day on which commercial banks in London, England or, as it relates to a specific Foreign Purchased Asset, the relevant non-U.S. jurisdiction in which the Mortgaged Property securing the related Foreign Purchased Asset is located or the laws of which otherwise govern the Purchased Asset Documents relating to the subject Foreign Purchased Asset (or as otherwise designated in the Purchased Asset Documents relating to the subject Foreign Purchased Asset and stated in the related Confirmation) are authorized or obligated by law or executive order to be closed.

"Eligibility Criteria" shall mean, with respect to any Eligible Asset, as of the Purchase Date, therefor,

(i) the proposed Purchased Asset is a Whole Loan, Senior Interest or Mezzanine Loan accruing interest at a floating rate based on the SOFR Average, Term SOFR or any other benchmark rate approved by Buyer in its sole discretion,

(ii) after giving effect to the purchase of the proposed Purchased Asset, the Portfolio Purchase Price Debt Yield (including the proposed Purchased Asset), as determined by Buyer, will be greater than the Minimum Portfolio Purchase Price Debt Yield,

(iii) there is no monetary or material non-monetary default or event of default (beyond all applicable notice and grace periods) under the related Purchased Asset Documents,

(iv) the Mortgaged Property LTV of the proposed Purchased Asset does not exceed the Mortgaged Property LTV Threshold, and

(v) the maximum term of the proposed Purchased Asset, including all extension options, is not more than five (5) years.

"Pricing Rate Determination Date" shall mean, (a) with respect to any SOFR Based Transaction, the SOFR Based Pricing Rate Determination Date and (b) with respect to any Transaction that is not a SOFR Based Transaction, the date on which the Pricing Rate is to be set, as determined by Buyer in accordance with the Benchmark Replacement Conforming Changes.

"Reference Time" shall mean, with respect to any setting of the then-current Benchmark for each Pricing Rate Period, (a) if such Benchmark is the SOFR Average or Term SOFR, 3:00 p.m. (New York city) time on the SOFR Based Pricing Rate Determination Date and (b) if such Benchmark is not the SOFR Average or Term SOFR, then the time determined by Buyer in accordance with the Benchmark Replacement Conforming Changes.

"Stated Facility Expiration Date" shall mean July 28, 2024 (or if such day is not a Business Day, the immediately succeeding Business Day) as such date may be extended pursuant to Article 3(h) of this Agreement.

(c) The following definition is hereby added in Article 2 of the Repurchase Agreement:

"Fourth Amendment Closing Date" shall mean July 28, 2022.

(d) The last sentence of Article 3(e) of the Repurchase Agreement beginning with "Notwithstanding anything in this Article 3(e) to the contrary…" is hereby deleted in its entirety.

(e) Clauses (v) and (vi) of Article 3(g) of the Repurchase Agreement are hereby deleted in their entirety and replaced with the following.

(v) Intentionally Omitted.

(vi) Disclaimer. Buyer does not warrant or accept any responsibility for, and shall not have any liability with respect to (a) the administration, submission or any other matter related to SOFR, the SOFR Average or Term SOFR or with respect to any alternative or successor rate thereto, or replacement rate thereof (including, without limitation any Benchmark Replacement implemented hereunder), (b) the composition or characteristics of any such Benchmark Replacement, including whether it is similar to, or produces the same value or economic equivalence to SOFR, the SOFR Average or Term SOFR (or any other Benchmark) or have the same volume or liquidity as SOFR, the SOFR Average or Term SOFR (or any other Benchmark), (c) any actions or use of its discretion or other decisions or determinations made with respect to any matters covered by Article 3(g) or Article 3(i) including, without limitation, whether or not a Benchmark Transition Event has occurred, whether to declare a SOFR Transition Event, the removal or lack thereof of unavailable or non-representative tenors of SOFR, the SOFR Average or Term SOFR (or any other Benchmark), the implementation or lack thereof of any Benchmark Replacement Conforming Changes, the delivery or non-delivery of any notices required by Article 3(g)(iv) or otherwise in accordance herewith, and (d) the effect of any of the foregoing provisions of Article 3(g) or Article 3(i).

(f) Article 3(h) of the Repurchase Agreement is hereby deleted in its entirety and replaced with the following.

(h) Extension Options. Seller shall have three (3) options to extend the Stated Facility Expiration Date to the anniversary of such date in the immediately succeeding year (or if such day is not a Business Day, the immediately succeeding Business Day) (each, an "Extension Term"); provided, that the exercise of each such extension option by Seller shall be subject to the following conditions precedent: (i) Seller shall have delivered to Buyer a written request to extend the then applicable Stated Facility Expiration Date not less than thirty (30) and not more than one hundred twenty (120) calendar days prior to the then applicable Stated Facility Expiration Date, (ii) on the date Seller delivers the written request to extend the Stated Facility Expiration Date and on the first day of each Extension Term, no Default or Event of Default has occurred and is continuing and no uncured Margin Deficit in the excess of the Margin Threshold then exists, (iii) the Minimum Portfolio Purchase Price Debt Yield is satisfied, (iv) on the first day of each Extension Term, Seller pays to Buyer any amount payable pursuant to the Fee Letter and (v) on the first day of the third Extension Term, no Purchased Asset is subject to a Transaction where the related Purchase Date occurred prior to July 28, 2023.

(g) Exhibit III of the Repurchase Agreement is hereby deleted in its entirety and replaced with Exhibit A attached hereto.

2. Seller's Representations. Seller has taken all necessary action to authorize the execution, delivery and performance of this Amendment. This Amendment has been duly executed and delivered by or on behalf of Seller and constitutes the legal, valid and binding obligation of Seller enforceable against Seller in accordance with its terms subject to bankruptcy, insolvency, and other limitations on creditors' rights generally and to equitable principles. No Event of Default has occurred and is continuing, and no Event of Default will occur as a result of the execution, delivery and performance by Seller of this Amendment. Any consent, approval, authorization, order, registration or qualification of or with any Governmental Authority required for the execution, delivery and performance by Seller of this Amendment has been obtained and is in full force and effect (other than consents, approvals, authorizations, orders, registrations or qualifications that if not obtained, are not reasonably likely to have a Material Adverse Effect).

3. **Reaffirmation of Guaranty**. Guarantor has executed this Amendment for the purpose of acknowledging and agreeing that, notwithstanding the execution and delivery of this Amendment and the amendment of the Repurchase Agreement hereunder, all of Guarantor's obligations under the Guaranty remain in full force and effect and the same are hereby irrevocably and unconditionally ratified and confirmed by Guarantor in all respects.

4. **Conditions Precedent**. This Amendment and its provisions shall become effective upon the execution and delivery of this Amendment by a duly authorized officer of each of Seller, Buyer and Guarantor.

5. **Agreement Regarding Expenses**. Seller agrees to pay Buyer's reasonable out of pocket expenses (including reasonable legal fees) incurred in connection with the preparation and negotiation of this Amendment promptly after Buyer or Buyer's counsel gives Seller an invoice for such expenses.

6. **Full Force and Effect**. Except as expressly modified hereby, all of the terms, covenants and conditions of the Repurchase Agreement and the other Transaction Documents remain unmodified and in full force and effect and are hereby ratified and confirmed by Seller. Any inconsistency between this Amendment and the Repurchase Agreement (as it existed before this Amendment) shall be resolved in favor of this Amendment, whether or not this Amendment specifically modifies the particular provision(s) in the Repurchase Agreement inconsistent with this Amendment. All references to the "Agreement" in the Repurchase Agreement or to the "Repurchase Agreement" in any of the other Transaction Documents shall mean and refer to the Repurchase Agreement as modified and amended hereby.

7. **No Waiver**. The execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Buyer under the Repurchase Agreement, any of the other Transaction Documents or any other document, instrument or agreement executed and/or delivered in connection therewith.

8. **Headings**. Each of the captions contained in this Amendment are for the convenience of reference only and shall not define or limit the provisions hereof.

9. **Counterparts**. This Amendment may be executed in any number of counterparts, and all such counterparts shall together constitute the same agreement. Signatures delivered by email (in PDF format) shall be considered binding with the same force and effect as original signatures

10. **Governing Law**. This Amendment shall be governed in accordance with the terms and provisions of Article 19 of the Repurchase Agreement.

[No Further Text on this Page; Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their duly authorized representatives as of the day and year first above written and effective as of the Effective Date.

BUYER:

CITIBANK, N.A.

By: /s/ Lindsay DeChiaro
Name: Lindsay Dechiaro
Title: Authorized Signatory

[SIGNATURES CONTINUE ON NEXT PAGE]

SELLER:

NSREIT CB LOAN, LLC,
a Delaware limited liability company

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

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

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

BRIGHTSPIRE CREDIT 3, LLC,
a Delaware limited liability company

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

BRIGHTSPIRE CREDIT 4, LLC,
a Delaware limited liability company

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

BRIGHTSPIRE CREDIT 3EU, LLC,
a Delaware limited liability company

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

BRIGHTSPIRE CREDIT 3UK, LLC,
a Delaware limited liability company

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

[SIGNATURES CONTINUE ON NEXT PAGE]

GUARANTOR:

BRIGHTSPIRE CAPITAL OPERATING COMPANY, LLC,

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

[*Signature Page to Fourth Amendment to Amended and Restated Master Repurchase Agreement*]

EXHIBIT A

EXHIBIT III

FORM OF CONFIRMATION STATEMENT

[DATE]

To: [_________________________]

Re: Amended and Restated Master Repurchase Agreement, dated as of April 26, 2019 (as amended, restated, supplemented, or otherwise modified and in effect from time to time, the "Repurchase Agreement") by and among NSREIT CB Loan, LLC, CB Loan NT-II, LLC, Brightspire Credit 3, LLC, Brightspire Credit 4, LLC, Brightspire Credit 3EU, LLC and Brightspire Credit 3UK, LLC, each a Delaware limited liability company (each such Person and any other Person when such Person joins as a Seller under the Repurchase Agreement from time to time, individually and/or collectively as the context may require, "Seller") and Citibank, N.A. ("Buyer").

Ladies and Gentlemen:

In accordance with Article 3(a) of the Repurchase Agreement, Buyer is pleased to deliver this written CONFIRMATION of its agreement to enter into a Transaction with you pursuant to which Buyer will purchase from you the Eligible Asset identified below and you will agree to repurchase such Eligible Asset from Buyer on the terms set forth herein and in accordance with the Repurchase Agreement. Capitalized terms used but not otherwise defined herein shall have the meanings assigned thereto in the Repurchase Agreement.

Purchase Date:	__________, 20__
Eligible Asset(s):	As identified on attached Schedule 1
Aggregate Principal Amount of Eligible Asset(s):	As identified on attached Schedule 1
Governing Agreements:	As identified on attached Schedule 1
Repurchase Date:	__________, 20__
Purchase Price:	$/£/€
Repurchase Price:	As provided in the Repurchase Agreement.
Initial Market Value of Purchased Asset:	$/£/€
Purchase Price Debt Yield	__________________%

Pricing Rate:	[Term SOFR/SOFR Average] plus Applicable Spread of _______ basis points
Purchase Price Percentage:	_____%
Effective Purchase Price Percentage:	_____%
Amount of Seller's Future Funding Obligations:	$__
Purchase Price LTV:	_____%
Applicable Currency:	[U.S. Dollars/Euros]
[Purchase Date Spot Rate (U.S. Dollars):	[____]][1]
[Purchase Date Spot Rate (EUR):	[____]][2]
[Other Applicable Business Day:	As identified on attached Schedule 1][3]
Amount of Buyer's Future Funding Advance Obligations:	$__

[FOR FUTURE FUNDING ADVANCE DRAW, IF APPLICABLE][In addition to the satisfaction of all terms and conditions set forth in the Repurchase Agreement, the pending Transaction shall be subject to the following conditions precedent:]

[FUTURE FUNDING ADVANCE DRAW CONDITIONS PRECEDENT TO BE ADDED]

Seller's Wiring Instructions:

Bank Name:	JP Morgan Chase Bank
ABA Number:	021-000-021
Account Number:	209-598-819
Reference:	Credit RE Operating Company, LLC

You hereby certify that the representations and warranties in Article 9 of the Repurchase Agreement (subject to any exceptions set forth in the Requested Exceptions Report attached hereto) are true and correct with respect to the Purchased Asset subject to this Confirmation on and as of the Purchase Date for this Transaction in all material respects (or, if any such

[1] For Foreign Purchased Assets.
[2] For Foreign Purchased Assets denominated in Euro where underlying Mortgaged Property is denominated in currency other than Euro.
[3] For Foreign Purchased Assets, as necessary pursuant to clause (iii) of the definition of "Business Day".

representation or warranty is expressly stated to have been made as of a specific date, as of such specific date).

Please evidence your agreement to proceed with the proposed Transaction by promptly returning to Buyer a countersigned counterpart of this Confirmation.

CITIBANK, N.A.

By: __
Name:
Title:

AGREED AND ACKNOWLEDGED:

[_________________________]

By: __
Name:
Title:

Schedule 1 to Confirmation Statement

ASSET INFORMATION

Loan / Property Flag:
Number of Properties:
Borrower:
Property Name (for each property):
Property Address (for each property):
Origination Date:

Loan Amount:
Current Principal Balance $_______________
Maximum Principal Balance $_______________
Interest Rate:
Maturity Date:
Governing Agreements:

[Other Applicable Business Day:]

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 BrightSpire Capital, 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

Date: August 3, 2022

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 BrightSpire Capital, 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: August 3, 2022

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 BrightSpire Capital, Inc. (the “Company”) for the three months ended June 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael J. Mazzei, as Chief Executive 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/ Michael J. Mazzei
Michael J. Mazzei
Chief Executive Officer
Date: August 3, 2022

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 BrightSpire Capital, Inc. (the "Company") for the three months ended June 30, 2022, 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: August 3, 2022

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.