MERIT MEDICAL SYSTEMS INC
Form 8-K
May 28, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (date of earliest event reported): **May 23, 2008**

Merit Medical Systems, Inc.

(Exact name of registrant as specified in its charter)

Utah	**0-18592**	**87-0447695**
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

1600 West Merit Parkway **South Jordan, Utah** (Address of principal executive offices)	**84095** (Zip Code)

(801) 253-1600

(Registrant s telephone number, including area code)

N/A

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 3.03. Material Modification to Rights of Security Holders.

On May 23, 2008, Merit Medical Systems, Inc. (Merit) filed with the Utah Division of Corporations and Commercial Code the Articles of Amendment to Merit s Articles of Incorporation, as previously amended (the Articles of Amendment). The Articles of Amendment were approved at Merit s 2008 Annual Meeting of Shareholders, held on May 21, 2008, by the holders of a majority of Merit s issued and outstanding shares of capital stock. The proposal to approve the Articles of Amendment was discussed in greater detail in Merit s definitive proxy statement filed with the U.S. Securities and Exchange Commission on April 8, 2008. The Articles of Amendment provide for an increase in the number of authorized shares of Merit s capital stock to one hundred five million (105,000,000), of which five million (5,000,000) shall be shares of preferred stock, no par value, and one hundred million (100,000,000) shall be shares of common stock, no par value. Merit s board of directors previously adopted, subject to shareholder approval, resolutions approving the Amendment on March 19, 2008.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

3.1 Articles of Amendment to the Articles of Incorporation of Merit Medical Systems, Inc., dated May 23, 2008.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MERIT MEDICAL SYSTEMS, INC.

Date: May 28, 2008	By:	/s/ Kent W. Stanger Chief Financial Officer, Secretary and Treasurer

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION
3.1	Articles of Amendment to the Articles of Incorporation of Merit Medical Systems, Inc., dated May 23, 2008

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:Times New Roman,Times,serif;font-size: 10pt;">

(74,014)

(37,007)

27,329

Net investment income from variable rate instruments

$

2,180,060

$

88,412

$

56,567

$

26,177

$

(7,690)

Impact per diluted shares outstanding

$

0.34

$

0.22

$

0.10

$

(0.03)

---

(1) Assumes LIBOR does not go below 0%.

Prepayment Risk

Prepayment risk is the risk that principal will be repaid at a different rate than anticipated, causing the return on certain investments to be less than expected. As we receive prepayments of principal on our assets, any premiums paid

on such assets are amortized against interest income. In general, an increase in prepayment rates accelerates the amortization of purchase premiums, thereby reducing the interest income earned on the assets. Conversely, discounts on such assets are accreted into interest income. In general, an increase in prepayment rates accelerates the accretion of purchase discounts, thereby increasing the interest income earned on the assets.

Extension Risk

Our Manager computes the projected weighted average life of our assets based on assumptions regarding the rate at which the borrowers will prepay the mortgages or extend. If prepayment rates decrease in a rising interest rate

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environment or extension options are exercised, the life of the fixed rate assets could extend beyond the term of the secured debt agreements. This could have a negative impact on our results of operations. In some situations, we may be forced to sell assets to maintain adequate liquidity, which could cause us to incur losses.

Fair Value Risk

The estimated fair value of our investments fluctuates primarily due to changes in interest rates and other factors. Generally, in a rising interest rate environment, the estimated fair value of the fixed rate investments would be expected to decrease; conversely, in a decreasing interest rate environment, the estimated fair value of the fixed rate investments would be expected to increase. As market volatility increases or liquidity decreases, the fair value of our assets recorded and/or disclosed may be adversely impacted. Our economic exposure is generally limited to our net investment position as we seek to fund fixed rate investments with fixed rate financing or variable rate financing hedged with interest rate swaps.

Foreign Currency Risk

We intend to hedge our currency exposures in a prudent manner. However, our currency hedging strategies may not eliminate all of our currency risk due to, among other things, uncertainties in the timing and/or amount of payments received on the related investments, and/or unequal, inaccurate, or unavailability of hedges to perfectly offset changes in future exchange rates. Additionally, we may be required under certain circumstances to collateralize our currency hedges for the benefit of the hedge counterparty, which could adversely affect our liquidity.

Consistent with our strategy of hedging foreign currency exposure on certain investments, we typically enter into a series of forwards to fix the U.S. dollar amount of foreign currency denominated cash flows (interest income, rental income and principal payments) we expect to receive from our foreign currency denominated investments. Accordingly, the notional values and expiration dates of our foreign currency hedges approximate the amounts and timing of future payments we expect to receive on the related investments.

The following table represents our current currency hedge exposure as it relates to our investments denominated in foreign currencies, along with the aggregate notional amount of the hedges in place (amounts in thousands except for number of contracts, using the December 31, 2016 pound sterling ("GBP") closing rate of 1.2336, Euro ("EUR") closing rate of 1.0519, Swedish Krona ("SEK") closing rate of 0.1098, Norwegian Krone ("NOK") closing rate of 0.1158 and Danish Krone ("DKK") closing rate of 0.1416):

Carrying Value of Net Investment	Local Currency	Number of Foreign Exchange Contracts	Aggregate Notional Value of Hedges Applied	Expiration Range of Contracts
$ 86,384	GBP	24	$ 88,051	January 2017 – March 2017
118,704	GBP	24	131,953	January 2018
17,141	GBP	92	21,177	January 2017 – June 2019
26,351	EUR	8	33,896	March 2017 – December 2018
5,003	EUR, DKK, NOK, SEK	4	5,455	September 2017
17,683	EUR	8	22,613	February 2017 – November 2018
52,112	GBP	15	73,088	May 2017 – July 2020

	1,552	GBP	2		2,103	June 2017 – March 2018
	144,279	EUR	42	(1)	251,657	March 2017 – June 2020
	12,177	GBP	6		12,262	January 2017 – January 2018
$	481,386		225	$	642,255	

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(1) These foreign exchange contracts hedge our Euro currency exposure created by our acquisition of the Ireland Portfolio.

Real Estate Risk

The market values of commercial and residential mortgage assets 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 (which may be adversely affected by industry slowdowns and other factors); local real estate conditions; changes or continued weakness in specific industry segments; construction quality, age and design; demographic factors; and retroactive changes to building or similar codes. In addition, decreases in property values reduce the value of the collateral and the potential proceeds available to a borrower to repay the underlying loans, which could also cause us to suffer losses.

Inflation Risk

Most 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. Changes in interest rates may correlate with inflation rates and/or changes in inflation rates. Our financial statements are prepared in accordance with GAAP and our distributions are determined by our board of directors consistent with our obligation to distribute to our stockholders at least 90% of our REIT taxable income on an annual basis in order to maintain our REIT qualification; in each case, our activities and balance sheet are measured with reference to historical cost and/or fair value without considering inflation.

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All other schedules are omitted because they are not required or the required information is shown in the financial statements or the notes thereto.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

Starwood Property Trust, Inc.

Greenwich, Connecticut

We have audited the accompanying consolidated balance sheets of Starwood Property Trust, Inc. and subsidiaries (the "Company") as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2016. Our audits also included the financial statement schedules listed in the Index at Item 15. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Starwood Property Trust, Inc. and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2016, based on the criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 23, 2017 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP
Certified Public Accountants
Miami, Florida
February 23, 2017

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

Starwood Property Trust, Inc.

Greenwich, Connecticut

We have audited the internal control over financial reporting of Starwood Property Trust, Inc. and subsidiaries (the "Company") as of December 31, 2016, based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedules as of and for the year ended

December 31, 2016 of the Company and our report dated February 23, 2017 expressed an unqualified opinion on those financial statements and financial statement schedules.

/s/ DELOITTE & TOUCHE LLP

Certified Public Accountants

Miami, Florida

February 23, 2017

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Starwood Property Trust, Inc. and Subsidiaries

Consolidated Balance Sheets

(Amounts in thousands, except share data)

	As of December 31,	
	2016	2015
Assets:		
Cash and cash equivalents	$ 615,522	$ 368,815
Restricted cash	35,233	23,069
Loans held-for-investment, net	5,847,995	5,973,079
Loans held-for-sale, at fair value	63,279	203,865
Loans transferred as secured borrowings	35,000	86,573
Investment securities ($297,638 and $403,703 held at fair value)	807,618	724,947
Properties, net	1,944,720	919,225
Intangible assets ($55,082 and $119,698 held at fair value)	219,248	201,570
Investment in unconsolidated entities	204,605	199,201
Goodwill	140,437	140,437
Derivative assets	89,361	45,091
Accrued interest receivable	28,224	34,314
Other assets	101,763	102,479
Variable interest entity ("VIE") assets, at fair value	67,123,261	76,675,689
Total Assets	$ 77,256,266	$ 85,698,354
Liabilities and Equity		
Liabilities:		
Accounts payable, accrued expenses and other liabilities	$ 198,134	$ 156,805
Related-party payable	37,818	40,955
Dividends payable	125,075	114,947
Derivative liabilities	3,904	5,196
Secured financing agreements, net	4,154,126	3,980,699
Unsecured senior notes, net	2,011,544	1,323,795
Secured borrowings on transferred loans	35,000	88,000
VIE liabilities, at fair value	66,130,592	75,817,014
Total Liabilities	72,696,193	81,527,411
Commitments and contingencies (Note 22)		
Equity:		
Starwood Property Trust, Inc. Stockholders' Equity:		
Preferred stock, $0.01 per share, 100,000,000 shares authorized, no shares issued and outstanding	—	—
Common stock, $0.01 per share, 500,000,000 shares authorized, 263,893,806 issued and 259,286,921 outstanding as of December 31, 2016 and 241,044,775 issued and 237,490,779 outstanding as of December 31, 2015	2,639	2,410
Additional paid-in capital	4,691,180	4,192,844
Treasury stock (4,606,885 shares and 3,553,996 shares)	(92,104)	(72,381)
Accumulated other comprehensive income	36,138	29,729

Accumulated deficit	(115,579)	(12,286)
Total Starwood Property Trust, Inc. Stockholders' Equity	4,522,274	4,140,316
Non-controlling interests in consolidated subsidiaries	37,799	30,627
Total Equity	4,560,073	4,170,943
Total Liabilities and Equity	$ 77,256,266	$ 85,698,354

See notes to consolidated financial statements.

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Starwood Property Trust, Inc. and Subsidiaries

Consolidated Statements of Operations

(Amounts in thousands, except per share data)

	For the Year Ended December 31,		
	2016	2015	2014
Revenues:			
Interest income from loans	$ 467,195	$ 477,931	$ 434,662
Interest income from investment securities	70,848	93,665	112,016
Servicing fees	88,956	117,068	135,565
Rental income	152,760	36,622	9,831
Other revenues	4,908	10,591	10,801
Total revenues	784,667	735,877	702,875
Costs and expenses:			
Management fees	117,451	124,733	117,732
Interest expense	230,799	202,550	161,104
General and administrative	152,941	154,628	169,661
Acquisition and investment pursuit costs	13,462	13,429	3,681
Costs of rental operations	65,101	11,542	5,938
Depreciation and amortization	66,786	29,010	16,627
Loan loss allowance, net	3,759	(2)	2,047
Other expense	100	389	7,219
Total costs and expenses	650,399	536,279	484,009
Income before other income, income taxes and non-controlling interests	134,268	199,598	218,866
Other income:			
Change in net assets related to consolidated VIEs	151,593	185,490	212,506
Change in fair value of servicing rights	(47,149)	(12,605)	(16,787)
Change in fair value of investment securities, net	(1,401)	3,084	15,077
Change in fair value of mortgage loans held-for-sale, net	74,251	64,320	70,420
Earnings from unconsolidated entities	21,723	26,674	19,932
Gain on sale of investments and other assets, net	1,942	22,664	12,886
Gain on derivative financial instruments, net	70,734	21,598	20,451
Foreign currency loss, net	(33,967)	(37,221)	(29,942)
Total other-than-temporary impairment (“OTTI”)	(782)	(12)	(1,788)
Noncredit portion of OTTI recognized in other comprehensive income	54	12	732
Net impairment losses recognized in earnings	(728)	—	(1,056)
Loss on extinguishment of debt	(8,781)	(5,921)	—
Other income, net	13,510	1,708	3,832
Total other income	241,727	269,791	307,319
Income from continuing operations before income taxes	375,995	469,389	526,185
Income tax provision	(8,344)	(17,206)	(24,096)
Income from continuing operations	367,651	452,183	502,089
Loss from discontinued operations, net of tax (Note 3)	—	—	(1,551)
Net income	367,651	452,183	500,538
Net income attributable to non-controlling interests	(2,465)	(1,486)	(5,517)
Net income attributable to Starwood Property Trust, Inc.	$ 365,186	$ 450,697	$ 495,021

Earnings per share data attributable to Starwood Property Trust, Inc.:			
Basic:			
Income from continuing operations	$ 1.52	$ 1.92	$ 2.29
Loss from discontinued operations	—	—	(0.01)
Net income	$ 1.52	$ 1.92	$ 2.28
Diluted:			
Income from continuing operations	$ 1.50	$ 1.91	$ 2.25
Loss from discontinued operations	—	—	(0.01)
Net income	$ 1.50	$ 1.91	$ 2.24

See notes to consolidated financial statements.

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Starwood Property Trust, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income

(Amounts in thousands)

	For the Year Ended December 31,		
	2016	2015	2014
Net income	$ 367,651	$ 452,183	$ 500,538
Other comprehensive income (loss) (net change by component):			
Cash flow hedges	39	32	507
Available-for-sale securities	7,622	(22,883)	(6,376)
Foreign currency remeasurement	(1,252)	(3,316)	(13,684)
Other comprehensive gain (loss)	6,409	(26,167)	(19,553)
Comprehensive income	374,060	426,016	480,985
Less: Comprehensive income attributable to non-controlling interests	(2,465)	(1,486)	(5,517)
Comprehensive income attributable to Starwood Property Trust, Inc.	$ 371,595	$ 424,530	$ 475,468

See notes to consolidated financial statements.

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Starwood Property Trust, Inc. and Subsidiaries

Consolidated Statements of Equity

(Amounts in thousands, except share data)

Common stock		Additional	Treasury Stock			Accumulated Other	Total Starwood Property Trust, Inc.	Non-
Shares	Par Value	Paid-In Capital	Shares	Amount	Accumulated Deficit	Comprehensive Income	Stockholders' Equity	Controlling Interests
196,139,045	$ 1,961	$ 4,300,479	625,850	$ (10,642)	$ (84,719)	$ 75,449	$ 4,282,528	$ 44,605
25,300,000	253	564,442	—	—	—	—	564,695	—
1,512,925	16	36,156	—	—	—	—	36,172	—
5,612	—	131	—	—	—	—	131	—
—	—	(1,535)	—	—	—	—	(1,535)	—
—	—	—	587,900	(12,993)	—	—	(12,993)	—
—	—	15,568	—	—	—	—	15,568	—
1,324,674	13	28,609	—	—	—	—	28,622	—
469,797	5	11,118	—	—	—	—	11,123	—
—	—	—	—	—	495,021	—	495,021	5,517
—	—	—	—	—	(419,680)	—	(419,680)	—
—	—	(1,119,243)	—	—	—	—	(1,119,243)	(1,594)
—	—	—	—	—	—	(19,553)	(19,553)	—
—	—	—	—	—	—	—	—	141

—	—	—	—	—	—	—	—	7,267
—	—	—	—	—	—	—	—	(33,880)
224,752,053	$ 2,248	$ 3,835,725	1,213,750	$ (23,635)	$ (9,378)	$ 55,896	$ 3,860,856	$ 22,056
13,800,000	138	326,004	—	—	—	—	326,142	—
12,670	—	286	—	—	—	—	286	—
—	—	(945)	—	—	—	—	(945)	—
—	—	—	2,340,246	(48,746)	—	—	(48,746)	—
—	—	(17,727)	—	—	—	—	(17,727)	—
1,734,642	17	32,129	—	—	—	—	32,146	—
745,410	7	17,372	—	—	—	—	17,379	—
—	—	—	—	—	450,697	—	450,697	1,486
—	—	—	—	—	(453,605)	—	(453,605)	—
—	—	—	—	—	—	(26,167)	(26,167)	—
—	—	—	—	—	—	—	—	2,232
—	—	—	—	—	—	—	—	6,974
—	—	—	—	—	—	—	—	(2,121)
241,044,775	$ 2,410	$ 4,192,844	3,553,996	$ (72,381)	$ (12,286)	$ 29,729	$ 4,140,316	$ 30,627

20,470,000	205	448,620	—	—	—	—	448,825	—
19,451	—	405	—	—	—	—	405	—
—	—	(778)	—	—	—	—	(778)	—
—	—	—	1,052,889	(19,723)	—	—	(19,723)	—
—	—	(355)	—	—	—	—	(355)	—
1,427,027	15	32,618	—	—	—	—	32,633	—
932,553	9	17,826	—	—	—	—	17,835	—
—	—	—	—	—	365,186	—	365,186	2,465
—	—	—	—	—	(468,479)	—	(468,479)	—
—	—	—	—	—	—	6,409	6,409	—
—	—	—	—	—	—	—	—	254
—	—	—	—	—	—	—	—	11,387
—	—	—	—	—	—	—	—	(6,934)
263,893,806	$ 2,639	$ 4,691,180	4,606,885	$ (92,104)	$ (115,579)	$ 36,138	$ 4,522,274	$ 37,799

See notes to consolidated financial statements.

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Starwood Property Trust, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(Amounts in thousands)

	For the Year Ended December 31,		
	2016	2015	2014
Cash Flows from Operating Activities:			
Net income	$ 367,651	$ 452,183	$ 500,538
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of deferred financing costs, premiums and discounts on secured financing agreements and secured borrowings on transferred loans	16,190	14,617	10,854
Amortization of discounts and deferred financing costs on senior notes	21,667	20,832	14,665
Accretion of net discount on investment securities	(16,527)	(24,556)	(25,023)
Accretion of net deferred loan fees and discounts	(48,384)	(36,862)	(21,286)
Share-based compensation	32,633	32,146	28,622
Share-based component of incentive fees	17,835	17,379	11,123
Change in fair value of fair value option investment securities	1,401	(3,084)	(15,077)
Change in fair value of consolidated VIEs	28,734	45,646	(52,559)
Change in fair value of servicing rights	47,149	12,605	16,787
Change in fair value of loans held-for-sale	(74,251)	(64,320)	(70,420)
Change in fair value of derivatives	(75,122)	(28,549)	(24,646)
Foreign currency loss, net	33,660	37,110	29,366
Gain on sale of investments and other assets	(1,942)	(22,664)	(13,829)
Other-than-temporary impairment	728	—	1,056
Loan loss allowance, net	3,759	(2)	2,047
Depreciation and amortization	61,571	27,232	16,622
Earnings from unconsolidated entities	(21,723)	(26,674)	(19,932)
Distributions of earnings from unconsolidated entities	19,983	23,082	15,245
Bargain purchase gain	(8,406)	—	—
Loss on extinguishment of debt	8,781	5,921	—
Origination and purchase of loans held-for-sale, net of principal collections	(1,669,543)	(1,848,141)	(1,785,050)
Proceeds from sale of loans held-for-sale	1,884,352	2,100,216	1,670,522
Changes in operating assets and liabilities:			
Related-party payable, net	(3,137)	204	22,958
Accrued and capitalized interest receivable, less purchased interest	(76,071)	(65,972)	(52,514)
Other assets	12,383	(28,485)	1,591
Accounts payable, accrued expenses and other liabilities	(6,741)	(27,358)	(40,951)
Net cash provided by operating activities	556,630	612,506	220,709
Cash Flows from Investing Activities:			
Origination and purchase of loans held-for-investment	(2,815,333)	(2,360,225)	(3,034,696)
Proceeds from principal collections on loans	2,665,050	1,552,422	1,192,823
Proceeds from loans sold	382,881	637,124	501,988

Purchase of investment securities	(360,341)	(182,018)	(189,422)
Proceeds from sales of investment securities	18,725	6,410	100,166
Proceeds from principal collections on investment securities	108,790	428,569	54,295
Real estate business combinations, net of cash acquired	(849,950)	(555,051)	—
Proceeds from sale of properties	—	35,576	1,784
Additions to properties and other assets	(15,963)	(1,920)	(37,879)
Investment in unconsolidated entities	(11,148)	(32,436)	(183,043)
Distribution of capital from unconsolidated entities	15,895	30,855	62,013
Payments for purchase or termination of derivatives	(27,820)	(27,054)	(19,928)
Proceeds from termination of derivatives	85,614	36,547	5,996
Return of investment basis in purchased derivative asset	272	337	1,513
(Increase) decrease in restricted cash, net	(9,494)	30,069	2,268
Spin-off of Starwood Waypoint Residential Trust	—	—	(111,960)
Acquisition and improvement of single family homes	—	—	(61,901)
Proceeds from sale of non-performing loans	—	—	1,153
Net cash used in investing activities	(812,822)	(400,795)	(1,714,830)

See notes to consolidated financial statements.

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Starwood Property Trust, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (Continued)

(Amounts in thousands)

	For the Year Ended December 31,		
	2016	2015	2014
Cash Flows from Financing Activities:			
Proceeds from borrowings	$ 6,024,032	$ 4,856,319	$ 4,742,285
Principal repayments on and repurchases of borrowings	(5,266,115)	(4,335,654)	(3,419,957)
Payment of deferred financing costs	(37,304)	(21,701)	(16,514)
Proceeds from common stock issuances	449,230	326,428	600,998
Payment of equity offering costs	(718)	(945)	(1,535)
Payment of dividends	(458,351)	(446,847)	(401,661)
Contributions from non-controlling interests	11,387	71	—
Distributions to non-controlling interests	(6,934)	(2,121)	(33,880)
Purchase of treasury stock	(19,723)	(48,746)	(12,993)
Issuance of debt of consolidated VIEs	35,728	9,132	89,354
Repayment of debt of consolidated VIEs	(283,038)	(464,243)	(136,115)
Distributions of cash from consolidated VIEs	57,293	34,724	27,531
Net cash provided by (used in) financing activities	505,487	(93,583)	1,437,513
Net increase (decrease) in cash and cash equivalents	249,295	118,128	(56,608)
Cash and cash equivalents, beginning of year	368,815	255,187	317,627
Effect of exchange rate changes on cash	(2,588)	(4,500)	(5,832)
Cash and cash equivalents, end of year	$ 615,522	$ 368,815	$ 255,187
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 185,053	$ 160,386	$ 131,917
Income taxes paid	9,742	29,171	34,611
Supplemental disclosure of non-cash investing and financing activities:			
Fair value of assets acquired, net of cash	$ 1,043,112	$ 883,172	$ —
Fair value of liabilities assumed	184,756	328,121	—
Net assets acquired from consolidated VIEs	181,715	125,309	—
Net assets divested of Europe servicing and advisory business, net of cash	1,438	—	—
Equity interest acquired in Situs Group Holdings Corporation	12,234	—	—
Dividends declared, but not yet paid	125,075	114,947	108,189
Consolidation of VIEs (VIE asset/liability additions)	21,289,873	12,050,421	29,363,132
Deconsolidation of VIEs (VIE asset/liability reductions)	5,717,982	7,825,212	9,392,128
Settlement of loans transferred as secured borrowings	68,206	94,446	50,260
Unsettled derivative transactions	28,472	—	—
Net assets acquired through foreclosure	—	14,530	—
Net assets distributed in spin-off of Starwood Waypoint Residential Trust	—	—	1,008,377
Contributions from non-controlling interests	—	—	7,267

See notes to consolidated financial statements.

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Starwood Property Trust, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

As of December 31, 2016

1. Business and Organization

Starwood Property Trust, Inc. ("STWD" and, together with its subsidiaries, "we" or the "Company") is a Maryland corporation that commenced operations in August 2009, upon the completion of our initial public offering ("IPO"). We are focused primarily on originating, acquiring, financing and managing commercial mortgage loans and other commercial real estate debt investments, commercial mortgage backed securities ("CMBS"), and other commercial real estate investments in both the U.S. and Europe. We refer to the following as our target assets: commercial real estate mortgage loans, preferred equity interests, CMBS and other commercial real estate related debt investments. Our target assets may also include residential mortgage backed securities ("RMBS"), certain residential mortgage loans, distressed or non-performing commercial loans, commercial properties subject to net leases and equity interests in commercial real estate. As market conditions change over time, we may adjust our strategy to take advantage of changes in interest rates and credit spreads as well as economic and credit conditions.

We have three reportable business segments as of December 31, 2016:

- Real estate lending (the "Lending Segment")—engages primarily in originating, acquiring, financing and managing commercial first mortgages, subordinated mortgages, mezzanine loans, preferred equity, CMBS, RMBS and other real estate and real estate-related debt investments in both the U.S. and Europe that are held for investment.

- Real estate investing and servicing (the "Investing and Servicing Segment")—includes (i) a servicing business in the U.S. that manages and works out problem assets, (ii) an investment business that selectively acquires and manages unrated, investment grade and non-investment grade rated CMBS, including subordinated interests of securitization and resecuritization transactions, (iii) a mortgage loan business which originates conduit loans for the primary purpose of selling these loans into securitization transactions, and (iv) an investment business that selectively acquires commercial real estate assets, including properties acquired from CMBS trusts. This segment excludes the consolidation of securitization variable interest entities ("VIEs").

- Real estate property (the "Property Segment")—engages primarily in acquiring and managing equity interests in stabilized commercial real estate properties, including multi-family properties, that are held for investment.

On January 31, 2014, we completed the spin off of our former single family residential ("SFR") segment to our stockholders as discussed further in Note 3.

We are organized and conduct our operations to qualify as a real estate investment trust (“REIT”) under the Internal Revenue Code of 1986, as amended (the “Code”). As such, we will generally not be subject to U.S. federal corporate income tax on that portion of our net income that is distributed to stockholders if we distribute at least 90% of our taxable income to our stockholders by prescribed dates and comply with various other requirements.

We are organized as a holding company and conduct our business primarily through our various wholly owned subsidiaries. We are externally managed and advised by SPT Management, LLC (our “Manager”) pursuant to the terms of a management agreement. Our Manager is controlled by Barry Sternlicht, our Chairman and Chief Executive Officer. Our Manager is an affiliate of Starwood Capital Group, a privately held private equity firm founded and controlled by Mr. Sternlicht.

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2. Summary of Significant Accounting Policies

Balance Sheet Presentation of the Investing and Servicing Segment's Variable Interest Entities

As noted above, the Investing and Servicing Segment operates an investment business that acquires unrated, investment grade and non investment grade rated CMBS. These securities represent interests in securitization structures (commonly referred to as special purpose entities, or "SPEs"). These SPEs are structured as pass through entities that receive principal and interest on the underlying collateral and distribute those payments to the certificate holders. Under accounting principles generally accepted in the United States of America ("GAAP"), SPEs typically qualify as VIEs. These are entities that, by design, either (1) lack sufficient equity to permit the entity to finance its activities without additional subordinated financial support from other parties, or (2) have equity investors that do not have the ability to make significant decisions relating to the entity's operations through voting rights, or do not have the obligation to absorb the expected losses, or do not have the right to receive the residual returns of the entity.

Because the Investing and Servicing Segment often serves as the special servicer of the trusts in which it invests, consolidation of these structures is required pursuant to GAAP as outlined in detail below. This results in a consolidated balance sheet which presents the gross assets and liabilities of the VIEs. The assets and other instruments held by these VIEs are restricted and can only be used to fulfill the obligations of the entity. Additionally, the obligations of the VIEs do not have any recourse to the general credit of any other consolidated entities, nor to us as the consolidator of these VIEs.

The VIE liabilities initially represent investment securities on our balance sheet (pre consolidation). Upon consolidation of these VIEs, our associated investment securities are eliminated, as is the interest income related to those securities. Similarly, the fees we earn in our roles as special servicer of the bonds issued by the consolidated VIEs or as collateral administrator of the consolidated VIEs are also eliminated. Finally, an allocable portion of the identified servicing intangible associated with the eliminated fee streams is eliminated in consolidation.

Refer to the segment data in Note 23 for a presentation of the Investing and Servicing Segment without consolidation of these VIEs.

Basis of Accounting and Principles of Consolidation

The accompanying consolidated financial statements include our accounts and those of our consolidated subsidiaries and VIEs. Intercompany amounts have been eliminated in consolidation.

Entities not deemed to be VIEs are consolidated if we own a majority of the voting securities or interests or hold the general partnership interest, except in those instances in which the minority voting interest owner or limited partner effectively participates through substantive participative rights. Substantive participative rights include the ability to select, terminate and set compensation of the investee's management, if applicable, and the ability to participate in capital and operating decisions of the investee, including budgets, in the ordinary course of business.

We invest in entities with varying structures, many of which do not have voting securities or interests, such as general partnerships, limited partnerships, and limited liability companies. In many of these structures, control of the entity rests with the general partners or managing members, while other members hold passive interests. The general partner or managing member may hold anywhere from a relatively small percentage of the total financial interests to a majority of the financial interests. For entities not deemed to be VIEs, where we serve as the sole general partner or managing member, we are considered to have the controlling financial interest and therefore the entity is consolidated, regardless of our financial interest percentage, unless there are other limited partners or investing members that effectively participate through substantive participative rights. In those circumstances where we, as majority

controlling interest owner, cannot cause the entity to take actions that are significant in the ordinary course of business, because such actions could be vetoed by the minority controlling interest owner, we do not consolidate the entity.

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When we consolidate entities other than VIEs, the ownership interests of any minority parties are reflected as non controlling interests. A non controlling interest in a consolidated subsidiary is defined as "the portion of the equity (net assets) in a subsidiary not attributable, directly or indirectly, to a parent." Non controlling interests are presented as a separate component of equity in the consolidated balance sheets. In addition, the presentation of net income attributes earnings to controlling and non controlling interests. When we consolidate VIEs, beneficial interests payable to third parties are reflected as liabilities when the interests are legally issued in the form of debt.

Variable Interest Entities

We evaluate all of our interests in VIEs for consolidation. When our interests are determined to be variable interests, we assess whether we are deemed to be the primary beneficiary of the VIE. The primary beneficiary of a VIE is required to consolidate the VIE. Accounting Standards Codification ("ASC") 810, Consolidation, defines the primary beneficiary as the party that has both (i) the power to direct the activities of the VIE that most significantly impact its economic performance, and (ii) the obligation to absorb losses and the right to receive benefits from the VIE which could be potentially significant. We consider our variable interests as well as any variable interests of our related parties in making this determination. Where both of these factors are present, we are deemed to be the primary beneficiary and we consolidate the VIE. Where either one of these factors is not present, we are not the primary beneficiary and do not consolidate the VIE.

To assess whether we have the power to direct the activities of a VIE that most significantly impact the VIE's economic performance, we consider all facts and circumstances, including our role in establishing the VIE and our ongoing rights and responsibilities. This assessment includes first, identifying the activities that most significantly impact the VIE's economic performance; and second, identifying which party, if any, has power over those activities. In general, the parties that make the most significant decisions affecting the VIE or have the right to unilaterally remove those decision makers are deemed to have the power to direct the activities of a VIE.

Effective January 1, 2016, we implemented Accounting Standards Update ("ASU") 2015-02, Consolidation (Topic 810) – Amendments to the Consolidation Analysis, which specifies that the right to remove the decision maker in a VIE must be exercisable without cause for the decision maker to not be deemed the party that has the power to direct the activities of a VIE. In connection with the implementation of this ASU, we consolidated VIE assets and VIE liabilities from CMBS trusts as of March 31, 2016 where the right to remove the Company as special servicer was not exercisable without cause.

Our implementation of the ASU also resulted in the determination that certain entities in which we hold interests, which prior to the implementation of the ASU were not considered VIEs, are now considered VIEs as the limited partners of these entities do not collectively possess (i) the right to remove the general partner without cause or (ii) the right to participate in significant decisions made by the partnership. The application of the ASU to these particular entities did not change our respective conclusions as to whether or not they should be consolidated. We applied the provisions of this ASU using a modified retrospective approach which does not require the restatement of prior period financial statements. There was no cumulative-effect adjustment to equity upon adoption. Refer to Note 15 for further discussion of the impact of our implementation of ASU 2015-02.

To assess whether we have the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE, we consider all of our economic interests, including debt and equity investments, servicing fees, and other arrangements deemed to be variable interests in the VIE. This assessment

requires that we apply judgment in determining whether these interests, in the aggregate, are considered potentially significant to the VIE. Factors considered in assessing significance include: the design of the VIE, including its capitalization structure; subordination of interests; payment priority; relative share of interests held across various classes within the VIE's capital structure; and the reasons why the interests are held by us.

Our purchased investment securities include CMBS which are unrated and non investment grade rated securities issued by CMBS trusts. In certain cases, we may contract to provide special servicing activities for these CMBS trusts, or, as holder of the controlling class, we may have the right to name and remove the special servicer for these trusts. In our role as special servicer, we provide services on defaulted loans within the trusts, such as foreclosure

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or work out procedures, as permitted by the underlying contractual agreements. In exchange for these services, we receive a fee. These rights give us the ability to direct activities that could significantly impact the trust's economic performance. However, in those instances where an unrelated third party has the right to unilaterally remove us as special servicer without cause, we do not have the power to direct activities that most significantly impact the trust's economic performance. We evaluated all of our positions in such investments for consolidation.

For securitization VIEs in which we are determined to be the primary beneficiary, all of the underlying assets, liabilities and equity of the structures are recorded on our books, and the initial investment, along with any associated unrealized holding gains and losses, are eliminated in consolidation. Similarly, the interest income earned from these structures, as well as the fees paid by these trusts to us in our capacity as special servicer, are eliminated in consolidation. Further, an allocable portion of the identified servicing intangible asset associated with the servicing fee streams, and the corresponding allocable amortization or change in fair value of the servicing intangible asset, are also eliminated in consolidation.

We perform ongoing reassessments of: (1) whether any entities previously evaluated under the majority voting interest framework have become VIEs, based on certain events, and therefore subject to the VIE consolidation framework, and (2) whether changes in the facts and circumstances regarding our involvement with a VIE causes our consolidation conclusion regarding the VIE to change.

We elect the fair value option for initial and subsequent recognition of the assets and liabilities of our consolidated securitization VIEs. Interest income and interest expense associated with these VIEs are no longer relevant on a standalone basis because these amounts are already reflected in the fair value changes. We have elected to present these items in a single line on our consolidated statements of operations. The residual difference shown on our consolidated statements of operations in the line item "Change in net assets related to consolidated VIEs" represents our beneficial interest in the VIEs.

We separately present the assets and liabilities of our consolidated securitization VIEs as individual line items on our consolidated balance sheets. The liabilities of our consolidated securitization VIEs consist solely of obligations to the bondholders of the related CMBS trusts, and are thus presented as a single line item entitled "VIE liabilities." The assets of our consolidated securitization VIEs consist principally of loans, but at times, also include foreclosed loans which have been temporarily converted into real estate owned ("REO"). These assets in the aggregate are likewise presented as a single line item entitled "VIE assets."

Loans comprise the vast majority of our securitization VIE assets and are carried at fair value due to the election of the fair value option. When an asset becomes REO, it is due to nonperformance of the loan. Because the loan is already at fair value, the carrying value of an REO asset is also initially at fair value. Furthermore, when we consolidate a CMBS trust, any existing REO would be consolidated at fair value. Once an asset becomes REO, its disposition time is relatively short. As a result, the carrying value of an REO generally approximates fair value under GAAP.

In addition to sharing a similar measurement method as the loans in a CMBS trust, the securitization VIE assets as a whole can only be used to settle the obligations of the consolidated VIE. The assets of our securitization VIEs are not individually accessible by the bondholders, which creates inherent limitations from a valuation perspective. Also creating limitations from a valuation perspective is our role as special servicer, which provides us very limited

visibility, if any, into the performing loans of a CMBS trust.

REO assets generally represent a very small percentage of the overall asset pool of a CMBS trust. In a new issue CMBS trust there are no REO assets. We estimate that REO assets constitute approximately 4% of our consolidated securitization VIE assets, with the remaining 96% representing loans. However, it is important to note that the fair value of our securitization VIE assets is determined by reference to our securitization VIE liabilities as permitted under ASU 2014-13, Consolidation (Topic 810): Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity. In other words, our VIE liabilities are more reliably measurable than the VIE assets, resulting in our current measurement methodology which utilizes this value to determine the fair value of our securitization VIE assets as a whole. As a result, these percentages are not necessarily indicative of the relative fair values of each of these asset categories if the assets were to be valued individually.

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Due to our accounting policy election under ASU 2014-13, separately presenting two different asset categories would result in an arbitrary assignment of value to each, with one asset category representing a residual amount, as opposed to its fair value. However, as a pool, the fair value of the assets in total is equal to the fair value of the liabilities.

For these reasons, the assets of our securitization VIEs are presented in the aggregate.

Fair Value Option

The guidance in ASC 825, Financial Instruments, provides a fair value option election that allows entities to make an irrevocable election of fair value as the initial and subsequent measurement attribute for certain eligible financial assets and liabilities. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. The decision to elect the fair value option is determined on an instrument by instrument basis and must be applied to an entire instrument and is irrevocable once elected. Assets and liabilities measured at fair value pursuant to this guidance are required to be reported separately in our consolidated balance sheets from those instruments using another accounting method.

We have elected the fair value option for eligible financial assets and liabilities of our consolidated securitization VIEs, loans held for sale originated by the Investing and Servicing Segment's conduit platform, purchased CMBS issued by VIEs we could consolidate in the future and certain investments in marketable equity securities. The fair value elections for VIE and securitization related items were made in order to mitigate accounting mismatches between the carrying value of the instruments and the related assets and liabilities that we consolidate at fair value. The fair value elections for mortgage loans held for sale originated by the Investing and Servicing Segment's conduit platform were made due to the short term nature of these instruments. The fair value elections for investments in marketable equity securities were made because the shares are listed on an exchange, which allows us to determine the fair value using a quoted price from an active market.

Fair Value Measurements

We measure our mortgage backed securities, derivative assets and liabilities, domestic servicing rights intangible asset and any assets or liabilities where we have elected the fair value option at fair value. When actively quoted observable prices are not available, we either use implied pricing from similar assets and liabilities or valuation models based on net present values of estimated future cash flows, adjusted as appropriate for liquidity, credit, market and/or other risk factors.

As discussed above, we measure the assets and liabilities of consolidated securitization VIEs at fair value pursuant to our election of the fair value option. The securitization VIEs in which we invest are "static"; that is, no reinvestment is permitted, and there is no active management of the underlying assets. In determining the fair value of the assets and liabilities of the securitization VIE, we maximize the use of observable inputs over unobservable inputs. We also acknowledge that our principal market for selling CMBS assets is the securitization market where the market participant is considered to be a CMBS trust or a collateralized debt obligation ("CDO"). This methodology results in the fair value of the assets of a static CMBS trust being equal to the fair value of its liabilities. Refer to Note 20 for further discussion regarding our fair value measurements.

Business Combinations

Under ASC 805, Business Combinations, the acquirer in a business combination must recognize, with certain exceptions, the fair values of assets acquired, liabilities assumed, and non controlling interests when the acquisition constitutes a change in control of the acquired entity. As goodwill is calculated as a residual, all goodwill of the acquired business, not just the acquirer's share, is recognized under this "full goodwill" approach.

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We apply the provisions of ASC 805 in accounting for acquisitions of real estate assets. In doing so, we record provisional amounts for certain items as of the date of acquisition. During the measurement period, a period which shall not exceed one year, we prospectively adjust the provisional amounts recognized to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized.

We also apply the provisions of ASC 805 in accounting for the acquisition of a controlling interest in a previously unconsolidated entity. Such transactions are treated as a business combination achieved in stages, whereby the acquirer remeasures its previously held equity interest in the acquiree at its acquisition date fair value and recognizes the resulting gain or loss in earnings.

Cash and Cash Equivalents

Cash and cash equivalents include cash in banks and short term investments. Short term investments are comprised of highly liquid instruments with original maturities of three months or less. The Company maintains its cash and cash equivalents in multiple financial institutions and at times these balances exceed federally insurable limits.

Loans Held for Investment and Provision for Loan Losses

Loans that are held for investment are carried at cost, net of unamortized acquisition premiums or discounts, loan fees, and origination costs as applicable, unless the loans are deemed impaired. We evaluate each loan classified as held for investment for impairment at least quarterly. In connection with this evaluation, we assess the performance of each loan and assign a risk rating based on several factors, including risk of loss, loan-to-collateral value ratio (“LTV”), collateral performance, structure, exit plan, and sponsorship. Loans are rated “1” through “5”, from less risk to greater risk, in connection with this review.

Impairment occurs when it is deemed probable that we will not be able to collect all amounts due according to the contractual terms of the loan. If a loan is considered to be impaired, we record an allowance through the provision for loan losses to reduce the carrying value of the loan to the present value of expected future cash flows discounted at the loan’s contractual effective rate or the fair value of the collateral, if repayment is expected solely from the collateral. Actual losses, if any, could ultimately differ from these estimates.

Our loans are typically collateralized by real estate. As a result, we regularly evaluate the extent and impact of any credit deterioration associated with the performance and/or value of the underlying collateral property, as well as the financial and operating capability of the borrower. Specifically, a property’s operating results and any cash reserves are analyzed and used to assess (i) whether cash from operations is sufficient to cover the debt service requirements currently and into the future, (ii) the ability of the borrower to refinance the loan, and/or (iii) the property’s liquidation value. We also evaluate the financial wherewithal of any loan guarantors as well as the borrower’s competency in managing and operating the properties. In addition, we consider the overall economic environment, real estate sector, and geographic sub market in which the borrower operates. Such impairment analyses are completed and reviewed by asset management and finance personnel, who utilize various data sources, including (i) periodic financial data such as property occupancy, tenant profile, rental rates, operating expenses, the borrower’s exit plan, and capitalization and discount rates, (ii) site inspections, and (iii) current credit spreads and discussions with market participants.

Loans Held For Sale

Our loans that we intend to sell or liquidate in the short term are classified as held for sale and are carried at the lower of amortized cost or fair value, unless we have elected to apply the fair value option at origination or purchase. The Investing and Servicing Segment's conduit business originates fixed rate commercial mortgage loans for future sale to multi seller securitization trusts. We periodically enter into derivative financial instruments to hedge unpredictable changes in fair value of this loan portfolio, including changes resulting from both interest rates and credit quality. Because these derivatives are not designated, changes in their fair value are recorded in earnings. In order to best reflect the results of the hedged loan portfolio in earnings, we have elected the fair value option for these loans. As a result, changes in the fair value of the loans are also recorded in earnings.

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Investment Securities

We designate investment securities as held to maturity, available for sale, or trading depending on our investment strategy and ability to hold such securities to maturity. Held to maturity securities where we have not elected to apply the fair value option are stated at cost plus any premiums or discounts, which are amortized or accreted through the consolidated statements of operations using the effective interest method. Securities we (i) do not hold for the purpose of selling in the near term, or (ii) may dispose of prior to maturity, are classified as available for sale and are carried at fair value in the accompanying financial statements. Unrealized gains or losses on available for sale securities where we have not elected the fair value option are reported as a component of accumulated other comprehensive income (loss) ("AOCI") in stockholders' equity.

When the estimated fair value of a security for which we have not elected the fair value option is less than its amortized cost, we consider whether there is OTTI in the value of the security. An impairment is deemed an OTTI if (i) we intend to sell the security, (ii) it is more likely than not that we will be required to sell the security before recovering our cost basis, or (iii) we do not expect to recover the entire amortized cost basis of the security even if we do not intend to sell the security or do not believe it is more likely than not that we will be required to sell the security before recovering our cost basis. If the impairment is deemed to be an OTTI, the resulting accounting treatment depends on the factors causing the OTTI. If the OTTI has resulted from (i) our intention to sell the security, or (ii) our judgment that it is more likely than not that we will be required to sell the security before recovering our cost basis, an impairment loss is recognized in earnings equal to the entire difference between our amortized cost basis and fair value. Whereas, if the OTTI has resulted from our conclusion that we will not recover our cost basis even if we do not intend to sell the security or do not believe it is more likely than not that we will be required to sell the security before recovering our cost basis, only the credit loss portion of the impairment is recorded in earnings, and the portion of the loss related to other factors, such as changes in interest rates, continues to be recognized in AOCI. Following the recognition of an OTTI through earnings, a new cost basis is established for the security. Determining whether there is an OTTI may require us to exercise significant judgment and make significant assumptions, including, but not limited to, estimated cash flows, estimated prepayments, loss assumptions, and assumptions regarding changes in interest rates.

Properties

Our properties consist of commercial real estate properties held-for-investment and are recorded at cost, less accumulated depreciation and impairments, if any. Properties consist primarily of land, buildings and improvements. Land is not depreciated, and buildings and improvements are depreciated on a straight-line basis over their estimated useful lives. Ordinary repairs and maintenance are expensed as incurred; major replacements and betterments are capitalized and depreciated on a straight-line basis over their estimated useful lives. We review properties for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Recoverability is determined by comparing the carrying amount of the property to the undiscounted future net cash flows it is expected to generate. If such carrying amount exceeds the expected undiscounted future net cash flows, we adjust the carrying amount of the property to its estimated fair value.

Servicing Rights Intangibles

Our identifiable intangible assets include U.S. special servicing rights and, as of December 31, 2015, also included European servicing rights. For the U.S. special servicing rights, we have elected to apply the fair value measurement

method, which is necessary to conform to our election of the fair value option for measuring the assets and liabilities of the VIEs consolidated pursuant to ASC 810. For the European servicing rights, the amortization method was elected and the asset was amortized in proportion to and over the period of estimated net servicing income.

Lease Intangibles

In connection with our acquisition of properties, we recognized intangible lease assets and liabilities associated with certain noncancelable operating leases of the acquired properties. These intangible lease assets and liabilities include in-place lease intangible assets, favorable lease intangible assets and unfavorable lease liabilities. In-place lease intangible assets reflect the acquired benefit of purchasing properties with in-place leases and are measured based on

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estimates of direct costs associated with leasing the property and lost rental income during projected lease-up and free rent periods, both of which are avoided due to the presence of in-place leases at the acquisition date. Favorable and unfavorable lease intangible assets and liabilities reflect the terms of in-place tenant leases being either favorable or unfavorable relative to market terms at the acquisition date. The estimated fair values of our favorable and unfavorable lease assets and liabilities at the respective acquisition dates represent the discounted cash flow differential between the contractual cash flows of such leases and the estimated cash flows that comparable leases at market terms would generate. Our intangible lease assets and liabilities are recognized within intangible assets and other liabilities, respectively, in our consolidated balance sheet. Our in-place lease intangible assets are amortized to amortization expense while our favorable and unfavorable lease intangible assets and liabilities where we are the lessor are amortized to rental income. Favorable and unfavorable lease intangible assets and liabilities where we are the lessee are amortized to costs of rental operations, except in the case of our unfavorable lease liability associated with office space occupied by the Company, which is amortized to general and administrative expense. Both our favorable and unfavorable lease intangible assets and liabilities are amortized over the remaining noncancelable term of the respective leases on a straight-line basis.

Investment in Unconsolidated Entities

We own non controlling equity interests in various privately held partnerships and limited liability companies. Unless we elect the fair value option under ASC 825, we use the cost method to account for investments in which our interest is so minor that we have virtually no influence over the underlying investees. We use the equity method to account for all other non controlling interests in partnerships and limited liability companies. Cost method investments are initially recorded at cost and income is generally recorded when distributions are received. Equity method investments are initially recorded at cost and subsequently adjusted for our share of income or loss, as well as contributions made or distributions received.

Investments in unconsolidated entities are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is measured based on the excess of the carrying amount of an investment over its estimated fair value. Impairment analyses are based on current plans, intended holding periods and available information at the time the analyses are prepared.

Goodwill

Goodwill is not amortized, but rather tested for impairment annually or more frequently if events or changes in circumstances indicate potential impairment. Goodwill at December 31, 2016 and 2015 represents the excess of the consideration paid in connection with the acquisition of LNR Property LLC (“LNR”) in April 2013 over the fair value of net assets acquired.

In testing goodwill for impairment, we follow ASC 350, Intangibles—Goodwill and Other, which permits a qualitative assessment of whether it is more likely than not that the fair value of a reporting unit is less than its carrying value including goodwill. If the qualitative assessment determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying value including goodwill, then no impairment is determined to exist for the reporting unit. However, if the qualitative assessment determines that it is more likely than not that the fair value of the reporting unit is less than its carrying value including goodwill, we compare the fair value of that reporting unit with its carrying value, including goodwill. If the carrying value of a reporting unit exceeds its fair value, goodwill is considered impaired with the impairment loss equal to the amount by which the carrying value of the goodwill exceeds the implied fair value of that goodwill.

Derivative Instruments and Hedging Activities

We record all derivatives on our consolidated balance sheets at fair value. The accounting for changes in the fair value of derivatives depends on whether we have elected to designate a derivative in a hedging relationship and have satisfied the criteria necessary to apply hedge accounting under GAAP. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to

variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. We regularly enter into derivative contracts that are intended to economically hedge certain of our risks, even though the transactions may not qualify for, or we may not elect to pursue, hedge accounting. In such cases, changes in the fair value of the derivatives are recorded in earnings.

Generally, our derivatives are subject to master netting arrangements, though we elect to present all derivative assets and liabilities on a gross basis within our consolidated balance sheets.

Convertible Senior Notes

ASC 470, Debt, requires the liability and equity components of convertible debt instruments that may be settled in cash upon conversion to be separately accounted for in a manner that reflects the issuer's nonconvertible debt borrowing rate. ASC 470-20 requires that the initial proceeds from the sale of these notes be allocated between a liability component and an equity component in a manner that reflects interest expense at the interest rate of similar nonconvertible debt that could have been issued by the Company at such time. The equity components of the convertible senior notes have been reflected within additional paid-in capital in our consolidated balance sheets. The resulting debt discount is being amortized over the period during which the convertible senior notes are expected to be outstanding (the maturity date) as additional non-cash interest expense.

Upon repurchase of convertible debt instruments, ASC 470-20 requires the issuer to allocate total settlement consideration, inclusive of transaction costs, amongst the liability and equity components of the instrument based on the fair value of the liability component immediately prior to repurchase. The difference between the settlement consideration allocated to the liability component and the net carrying value of the liability component, including unamortized debt issuance costs, is recognized as gain (loss) on extinguishment of debt in our consolidated statements of operations. The remaining settlement consideration allocated to the equity component is recognized as a reduction of additional paid-in capital in our consolidated balance sheets.

Revenue Recognition

Interest Income

Interest income on performing loans and financial instruments is accrued based on the outstanding principal amount and contractual terms of the instrument. For loans where we do not elect the fair value option, origination fees and direct loan origination costs are also recognized in interest income over the loan term as a yield adjustment using the effective interest method. When we elect the fair value option, origination fees and direct loan costs are recorded directly in income and are not deferred. Discounts or premiums associated with the purchase of non performing loans and investment securities are amortized or accreted into interest income as a yield adjustment on the effective interest method, based on expected cash flows through the expected maturity date of the investment. On at least a quarterly basis, we review and, if appropriate, make adjustments to our cash flow projections.

We cease accruing interest on non-performing loans at the earlier of (i) the loan becoming significantly past due or (ii) management concluding that a full recovery of all interest and principal is doubtful. Interest income on non-accrual

loans in which management expects a full recovery of the loan's outstanding principal balance is only recognized when received in cash. If a full recovery of principal is doubtful, the cost recovery method is applied whereby any cash received is applied to the outstanding principal balance of the loan. A non-accrual loan is returned to accrual status at such time as the loan becomes contractually current and management believes all future principal and interest will be received according to the contractual loan terms.

For the majority of our RMBS, which have been purchased at a discount to par value, we do not expect to collect all amounts contractually due at the time we acquired the securities. Accordingly, we expect that a portion of the purchase discount will not be recognized as interest income, which is referred to as non accretable yield. This amount of

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non accretable yield may change over time based on the actual performance of these securities, their underlying collateral, actual and projected cash flow from such collateral, economic conditions and other factors. If the performance of a credit deteriorated security is more favorable than forecasted, we will generally accrete more credit discount into interest income than initially or previously expected. These adjustments are made prospectively beginning in the period subsequent to the determination that a favorable change in performance is projected. Conversely, if the performance of a credit deteriorated security is less favorable than forecasted, an other than temporary impairment may be taken, and the amount of discount accreted into income will generally be less than previously expected.

Upon the sale of loans or securities which are not accounted for pursuant to the fair value option, the excess (or deficiency) of net proceeds over the net carrying value of such loans or securities is recognized as a realized gain (loss).

Servicing Fees

We typically seek to be the special servicer on CMBS transactions in which we invest. When we are appointed to serve in this capacity, we earn special servicing fees from the related activities performed, which consist primarily of overseeing the workout of under performing and non performing loans underlying the CMBS transactions. These fees are recognized in income in the period in which the services are performed and the revenue recognition criteria have been met.

Rental Income

Rental income is recognized when earned from tenants. For leases that provide rent concessions or fixed escalations over the lease term, rental income is recognized on a straight-line basis over the noncancelable term of the lease. In net lease arrangements, costs reimbursable from tenants are recognized in rental income in the period in which the related expenses are incurred as we are generally the primary obligor with respect to purchasing goods and services for property operations. In instances where the tenant is responsible for property maintenance and repairs and contracts and settles such costs directly with third party service providers, we do not reflect those expenses in our consolidated statement of operations as the tenant is the primary obligor.

Securitizations, Sales and Financing Arrangements

We periodically sell our financial assets, such as commercial mortgage loans, CMBS, RMBS and other assets. In connection with these transactions, we may retain or acquire senior or subordinated interests in the related assets. Gains and losses on such transactions are recognized in accordance with ASC 860, Transfers and Servicing, which is based on a financial components approach that focuses on control. Under this approach, after a transfer of financial assets that meets the criteria for treatment as a sale—legal isolation, ability of transferee to pledge or exchange the transferred assets without constraint, and transferred control—an entity recognizes the financial assets it retains and any liabilities it has incurred, derecognizes the financial assets it has sold, and derecognizes liabilities when extinguished. We determine the gain or loss on sale of the assets by allocating the carrying value of the sold asset between the sold asset and the interests retained based on their relative fair values, as applicable. The gain or loss on sale is the difference between the cash proceeds from the sale and the amount allocated to the sold asset. If the sold asset is being accounted for pursuant to the fair value option, there is no gain or loss.

Deferred Financing Costs

Costs incurred in connection with debt issuance are capitalized and amortized to interest expense over the terms of the respective debt agreements. In accordance with ASU 2015-03, Interest – Imputation of Interest (Subtopic 835-30), effective January 1, 2016 we modified our presentation of deferred financing costs in our consolidated balance sheets to present such costs as a direct deduction from the carrying value of the related debt liability, consistent with debt discounts, rather than as a separate deferred asset as the previous guidance required. As required by this ASU, we applied this change retrospectively to our prior period consolidated balance sheet presentation.

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Acquisition and Investment Pursuit Costs

Costs incurred in connection with acquiring properties, investments, loans and businesses, as well as in pursuing unsuccessful acquisitions and investments, are recorded within acquisition and investment pursuit costs in our consolidated statements of operations when incurred. These costs reflect services performed by third parties and principally include due diligence and legal services.

Share based Payments

The fair value of the restricted stock ("RSAs") or restricted stock units ("RSUs") granted is recorded as expense on a straight line basis over the vesting period for the award, with an offsetting increase in stockholders' equity. For grants to employees and directors, the fair value is determined based upon the stock price on the grant date. For non employee grants, the fair value is based on the stock price when the shares vest, which requires the amount to be adjusted in each subsequent reporting period based on the fair value of the award at the end of the reporting period until the award has vested.

Foreign Currency Translation

Our assets and liabilities denominated in foreign currencies are translated into U.S. dollars using foreign currency exchange rates at the end of the reporting period. Income and expenses are translated at the average exchange rates for each reporting period. The effects of translating the assets, liabilities and income of our foreign investments held by entities with a U.S. dollar functional currency are included in foreign currency gain (loss) in the consolidated statements of operations or other comprehensive income ("OCI") for securities available-for-sale for which the fair value option has not been elected. The effects of translating the assets, liabilities and income of our foreign investments held by entities with functional currencies other than the U.S. dollar are included in OCI. Realized foreign currency gains and losses and changes in the value of foreign currency denominated monetary assets and liabilities are included in the determination of net income and are reported as foreign currency gain (loss) in our consolidated statements of operations.

Income Taxes

The Company has elected to be qualified and taxed as a REIT under the Code. The Company is subject to federal income taxation at corporate rates on its REIT taxable income, however, the Company is allowed a deduction for the amount of dividends paid to its stockholders, thereby subjecting the distributed net income of the Company to taxation at the stockholder level only. The Company intends to continue to operate in a manner consistent with and to elect to be treated as a REIT for tax purposes.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company evaluates the realizability of its deferred tax assets and recognizes a valuation allowance if, based on the available evidence, both positive and negative, 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, among other matters, estimates of expected future taxable income, nature of current and cumulative losses, 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.

We recognize tax positions in the financial statements only when it is more likely than not that the position will be sustained upon examination of the relevant taxing authority, based on the technical merits of the tax position. A tax position is measured at the largest amount of benefit that will more likely than not be realized upon settlement. A liability is established for the differences between positions taken in a tax return and amounts recognized in the financial statements and no portion of the benefit is recognized in our consolidated statements of operations. We report interest and penalties, if any, related to income tax matters as a component of income tax expense.

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Discontinued Operations

On January 31, 2014, we completed the spin-off of our former SFR segment to our stockholders as discussed in Note 3. In accordance with ASC 205, Presentation of Financial Statements, the results of the SFR segment are presented within discontinued operations in our consolidated statement of operations for the year ended December 31, 2014.

Earnings Per Share

We present both basic and diluted earnings per share ("EPS") amounts in our financial statements. Basic EPS excludes dilution and is computed by dividing income available to common stockholders by the weighted-average number of shares of common stock outstanding for the period. Diluted EPS reflects the maximum potential dilution that could occur from (i) our share-based compensation, consisting of unvested RSUs and RSAs, (ii) shares contingently issuable to our Manager, and (iii) the "in-the-money" conversion options associated with our outstanding convertible senior notes (see further discussion in Note 18). Potential dilutive shares are excluded from the calculation if they have an anti-dilutive effect in the period.

Nearly all of the Company's unvested RSUs and RSAs contain rights to receive non-forfeitable dividends and thus are participating securities. Due to the existence of these participating securities, the two-class method of computing EPS is required, unless another method is determined to be more dilutive. Under the two-class method, undistributed earnings are reallocated between shares of common stock and participating securities. For the years ended December 31, 2016, 2015 and 2014, the two-class method resulted in the most dilutive EPS calculation.

Concentration of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash investments, CMBS, RMBS, loan investments and interest receivable. We may place cash investments in excess of insured amounts with high quality financial institutions. We perform an ongoing analysis of credit risk concentrations in our investment portfolio by evaluating exposure to various counterparties, markets, underlying property types, contract terms, tenant mix and other credit metrics.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. The most significant and subjective estimate that we make is the projection of cash flows we expect to receive on our loans, investment securities and intangible assets, which has a significant impact on the amounts of interest income, credit losses (if any), and fair values that we record and/or disclose. In addition, the fair value of financial assets and liabilities that are estimated using a discounted cash flows method is significantly impacted by the rates at which we estimate market participants would discount the expected cash flows.

Reclassifications

In connection with our implementation of ASU 2015-03 discussed above, we reclassified deferred financing costs of $38.3 million and $1.4 million previously reported in other assets to secured financing agreements, net and unsecured senior notes, net, respectively, within our consolidated balance sheet as of December 31, 2015.

Recent Accounting Developments

On May 28, 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, Revenue from Contracts with Customers, which establishes key principles by which an entity determines the amount and timing of revenue recognized from customer contracts. At issuance, the ASU was effective for the first interim or annual period beginning after December 15, 2016. On August 12, 2015, the FASB issued ASU 2015-14, Revenue from Contracts with

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Customers – Deferral of the Effective Date, which delayed the effective date of ASU 2014-09 by one year, resulting in the ASU becoming effective for the first interim or annual period beginning after December 15, 2017. Early application, which was not permissible under the initial effectiveness timeline, is now permissible though no earlier than as of the first interim or annual period beginning after December 15, 2016. Though we have not completed our assessment of this ASU, we expect to identify similar performance obligations as currently identified, therefore, we do not expect the application of this ASU to materially impact the Company.

On January 5, 2016, the FASB issued ASU 2016-01, Financial Instruments – Overall (Subtopic 825-10) – Recognition and Measurement of Financial Assets and Financial Liabilities, which impacts the accounting for equity investments, financial liabilities under the fair value option, and disclosure requirements for financial instruments. The ASU shall be applied prospectively and is effective for annual periods, and interim periods therein, beginning after December 15, 2017. Early application is not permitted. We are in the process of assessing the impact this ASU will have on the Company.

On February 25, 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which establishes a right-of-use model for lessee accounting which results in the recognition of most leased assets and lease liabilities on the balance sheet of the lessee. Lessor accounting was not significantly changed. The ASU is effective for annual periods, and interim periods therein, beginning after December 15, 2018 by applying a modified retrospective approach. Early application is permitted. We are in the process of assessing the impact this ASU will have on the Company.

On March 14, 2016, the FASB issued ASU 2016-05, Derivatives and Hedging (Topic 815) – Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships, which clarifies that the change in counterparty to a derivative designated in a hedging relationship, in and of itself, would not require that the hedging relationship be de-designated for hedge accounting purposes. The ASU is effective for annual periods, and interim periods therein, beginning after December 15, 2016. Early application is permitted. We do not expect the application of this ASU to materially impact the Company.

On March 15, 2016, the FASB issued ASU 2016-07, Investments – Equity Method and Joint Ventures (Topic 323) – Simplifying the Transition to the Equity Method of Accounting, which amends existing guidance to require that in instances where an investee is transitioning from the cost method of accounting to the equity method of accounting due to an increase in ownership level or degree of influence, the investee applies the equity method of accounting prospectively from the date significant influence is obtained, whereas existing guidance requires an investee to retrospectively apply the equity method of accounting for all previous periods in which the investment was held. The ASU is effective for annual periods, and interim periods therein, beginning after December 15, 2016. Early application is permitted. We do not expect the application of this ASU to materially impact the Company.

On March 17, 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers (Topic 606) – Principal versus Agent Considerations (Reporting Revenue Gross versus Net), which amends the principal-versus-agent implementation guidance and illustrations in the FASB's revenue recognition standard issued in ASU 2014-09. The

ASU provides further guidance to assist an entity in the determination of whether the nature of its promise to its customer is to provide the underlying goods or services, meaning the entity is a principal, or to arrange for a third party to provide the underlying goods or services, meaning the entity is an agent. The ASU is effective for the first interim or annual period beginning after December 15, 2017. Early application is permissible though no earlier than the first interim or annual period beginning after December 15, 2016. We do not expect the application of this ASU to materially impact the Company.

On March 30, 2016, the FASB issued ASU 2016-09, Compensation—Stock Compensation (Topic 718) – Improvements to Employee Share-Based Payment Accounting, which seeks to simplify the accounting for employee share-based payment transactions, including the accounting for associated income taxes and forfeitures. The ASU is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2016. Early application is permitted in any interim or annual period. We do not expect the application of this ASU to materially impact the Company.

On April 14, 2016, the FASB issued ASU 2016-10, Revenue from Contracts with Customers (Topic 606) – Identifying Performance Obligations and Licensing, which amends guidance and illustrations in the FASB's revenue recognition standard issued in ASU 2014-09 regarding the identification of performance obligations and the implementation guidance on licensing arrangements. The ASU is effective for the first interim or annual period beginning after December 15, 2017. Early application is permissible though no earlier than the first interim or annual period beginning after December 15, 2016. We do not expect the application of this ASU to materially impact the Company.

On June 16, 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326) – Measurement of Credit Losses on Financial Instruments, which mandates use of an "expected loss" credit model for estimating future credit losses of certain financial instruments instead of the "incurred loss" credit model that existing GAAP currently mandates. The "expected loss" model requires the consideration of possible credit losses over the life of an instrument compared to only estimating credit losses upon the occurrence of a discrete loss event in accordance with the current "incurred loss" methodology. The ASU is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2019. Early application is permissible though no earlier than the first interim or annual period beginning after December 15, 2018. Though we have not completed our assessment of this ASU, we expect the ASU to result in our recognition of higher levels of allowances for loan losses. Our assessment of the estimated amount of such increases in our allowances for loan losses as a result of the ASU remains in process.

On August 26, 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230) – Classification of Certain Cash Receipts and Cash Payments, which seeks to reduce diversity in practice regarding how various cash receipts and payments are reported within the statement of cash flows. The ASU is effective for annual periods, and interim periods therein, beginning after December 15, 2017. Early application is permitted in any interim or annual period. We do not expect the application of this ASU to materially impact the Company.

On October 24, 2016, the FASB issued ASU 2016-16, Income Taxes (Topic 740) – Intra-Entity Transfers of Assets Other Than Inventory, which requires that an entity recognize the income tax consequences of intra-entity transfers of assets other than inventory at the time of the transfer instead of deferring the tax consequences until the asset has been sold to an outside party, as current GAAP requires. The ASU is effective for annual periods, and interim periods therein, beginning after December 15, 2017. Early application is permitted in any interim or annual period. We are in the process of assessing the impact this ASU will have on the Company.

On October 26, 2016, the FASB issued ASU 2016-17, Consolidation (Topic 810) – Interests Held through Related Parties That Are under Common Control, which requires when assessing which party is the primary beneficiary in a VIE, the decision maker considers interests held by entities under common control on a proportionate basis instead of treating those interests as if they were that of the decision maker itself, as current GAAP requires. The ASU is effective for annual periods, and interim periods therein, beginning after December 15, 2016. Early application is permitted in any interim or annual period. We do not expect the application of this ASU to materially impact the Company.

On November 17, 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230) – Restricted Cash, which requires that restricted cash be included as a component of total cash and cash equivalents as presented on the statement of cash flows. The ASU is effective for annual periods, and interim periods therein, beginning after December 15, 2017. Early application is permitted in any interim or annual period. We do not expect the application of this ASU to materially impact the Company.

On January 5, 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805) – Clarifying the Definition of a Business, which amends the definition of a business to exclude acquisitions of groups of assets where substantially all of the fair value of the assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. This ASU results in most real estate acquisitions no longer being considered business combinations and instead being accounted for as asset acquisitions. The ASU is effective for annual periods, and interim periods therein, beginning after December 15, 2017 and is applied prospectively. Early application is permitted. We are in the process of assessing the impact this ASU will have on the Company.

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On January 26, 2017, the FASB issued ASU 2017-04, Goodwill and Other (Topic 350) – Simplifying the Test for Goodwill Impairment, which simplifies the method applied for measuring impairment in cases where goodwill is impaired. The ASU specifies that goodwill impairment will be measured as the excess of the reporting unit's carrying value (inclusive of goodwill) over its fair value, eliminating the requirement that all assets and liabilities of the reporting unit be remeasured individually in connection with measurement of goodwill impairment. The ASU is effective for annual periods, and interim periods therein, beginning after December 15, 2019 and is applied prospectively. Early application is permitted though no earlier than January 1, 2017. We do not expect the application of this ASU to materially impact the Company.

On February 22, 2017, the FASB issued ASU 2017-05, Other Income – Gains and Losses from the Derecognition of Nonfinancial Assets (Topic 610-20), which requires that all entities account for the derecognition of a business in accordance with ASC 810, including instances in which the business is considered in substance real estate. The ASU is effective for annual periods, and interim periods therein, beginning after December 15, 2017. Early application is permitted. We are in the process of assessing the impact this ASU will have on the Company.

3. Acquisitions and Divestitures

Medical Office Portfolio Acquisition

On December 29, 2016, we acquired 34 medical office buildings for a purchase price of $758.8 million (the "Medical Office Portfolio"). These properties, which collectively comprise 1.9 million square feet, are geographically dispersed throughout the U.S. and primarily affiliated with major hospitals or located on or adjacent to a major hospital campus. The portfolio is 94% occupied and primarily net leased to investment-grade health systems and major physician-owned medical groups. We utilized $491.2 million in new financing in order to fund the acquisition (as set forth in Note 10).

No goodwill or bargain purchase gains were recognized in connection with the Medical Office Portfolio acquisition as the purchase price equaled the fair value of the net assets acquired. From the acquisition date through December 31, 2016, we have recognized revenues of $0.4 million and a net loss of $9.7 million related to the Medical Office Portfolio. Such net loss includes one-time acquisition-related costs, such as legal, due diligence and hedging costs, of approximately $9.5 million.

Woodstar Portfolio Acquisition

The Woodstar Portfolio is comprised of 32 affordable housing communities with 8,948 units concentrated primarily in the Tampa, Orlando and West Palm Beach metropolitan areas.

During the year ended December 31, 2015, we acquired 18 of the 32 affordable housing communities of the Woodstar Portfolio, comprised of 5,238 units, for an aggregate acquisition price of $324.0 million. During the year ended December 31, 2016, we acquired the final 14 affordable housing communities of the Woodstar Portfolio, comprised of 3,710 units with total assets of $276.3 million and assumed liabilities of $170.4 million as of their respective acquisition dates. These assumed liabilities include federal, state and county sponsored financing and other assumed debt. Refer to Note 10 for further discussion of these assumed debt facilities.

For the 14 affordable housing communities acquired during 2016, we recognized revenues of $32.8 million and net income of $4.7 million during the year ended December 31, 2016. Such net income includes (i) bargain purchase gains of $8.4 million, (ii) depreciation and amortization expense of $14.8 million and (iii) one-time acquisition-related costs, such as legal and due diligence costs, of approximately $0.9 million.

No goodwill was recognized in connection with the Woodstar Portfolio acquisition as the purchase price did not exceed the fair value of the net assets acquired. During the year ended December 31, 2016, a bargain purchase gain of $8.4 million was recognized within other income, net in our consolidated statements of operations as the fair value of the net assets acquired exceeded the purchase price due to favorable changes in net asset fair values occurring between the date the purchase price was negotiated and the closing date.

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Investing and Servicing Segment Property Portfolio Acquisition

During the year ended December 31, 2016, our Investing and Servicing Segment acquired nine controlling interests in commercial real estate properties as well as a non-performing loan from CMBS trusts for $129.8 million. In addition, during the year ended December 31, 2016, we foreclosed on the non-performing loan that was previously acquired from a CMBS trust for $8.2 million. These 10 properties, aggregated with the controlling interests in 14 U.S. commercial real estate properties acquired from CMBS trusts during the year ended December 31, 2015 for $138.7 million, comprise the Investing and Servicing Segment Property Portfolio (the "REO Portfolio"). When the properties are acquired from CMBS trusts that are consolidated as VIEs on our balance sheet, the acquisitions are reflected as repayment of debt of consolidated VIEs in our consolidated statements of cash flows.

For the 10 commercial real estate properties acquired during 2016, we recognized revenues of $12.3 million and net income of $8.0 million during the year ended December 31, 2016. Such net income includes (i) bargain purchase gains of $8.8 million, (ii) depreciation and amortization expense of $5.5 million and (iii) one-time acquisition-related costs, such as legal and due diligence costs, of approximately $1.0 million.

No goodwill was recognized in connection with the REO Portfolio acquisitions as the purchase prices did not exceed the fair values of the net assets acquired. During the year ended December 31, 2016, a bargain purchase gain of $8.8 million was recognized within change in net assets related to consolidated VIEs in our consolidated statements of operations as the fair value of the net assets acquired for certain properties exceeded the purchase price.

During the year ended December 31, 2016, in accordance with ASU 2015-16, Business Combinations (Topic 805) – Simplifying the Accounting for Measurement-Period Adjustments, we adjusted our initial provisional estimates of the acquisition date fair values of the identified assets acquired and liabilities assumed for certain properties acquired within the REO Portfolio to reflect new information obtained regarding facts and circumstances that existed at the respective acquisition dates. The following table summarizes the measurement period adjustments applied to the REO Portfolio's initial provisional acquisition date balance sheets for these certain properties (amounts in thousands):

Assets acquired:	Initial Provisional Amounts	Measurement Period Adjustments	Adjusted Provisional Amounts
Properties	$ 71,496	$ 17,277	$ 88,773
Intangible assets	25,387	(6,271)	19,116
Other assets	2,862	—	2,862
Total assets acquired	99,745	11,006	110,751
Liabilities assumed:			

Accounts payable, accrued expenses and other liabilities	3,202	2,184	5,386
Total liabilities assumed	3,202	2,184	5,386
Non-controlling interests	5,492	—	5,492
Net assets acquired	$ 91,051	$ 8,822	$ 99,873

There was no effect attributable to our consolidated statements of operations for the years ended December 31, 2015 and 2014 as a result of the measurement period adjustments applied to the REO Portfolio's initial provisional acquisition date balance sheets during 2016.

Ireland Portfolio Acquisition

During the year ended December 31, 2015, we acquired 12 net leased fully occupied office properties and one multi-family property all located in Dublin, Ireland. Collectively, these 13 properties comprise our "Ireland Portfolio".

The Ireland Portfolio, which collectively is comprised of approximately 600,000 square feet, included total assets of $518.2 million and assumed debt of $283.0 million at acquisition. Following our acquisition, all assumed debt was immediately extinguished and replaced with new financing of $328.6 million from the Ireland Portfolio Mortgage

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(as set forth in Note 10). All properties within the Ireland Portfolio were acquired from entities controlled by the same third party investment fund. No goodwill or bargain purchase gain was recognized in connection with the Ireland Portfolio acquisition as the purchase price equaled the fair value of the net assets acquired.

Purchase Price Allocations of Acquisitions

We applied the provisions of ASC 805, Business Combinations, in accounting for our acquisitions of the Medical Office Portfolio, Woodstar Portfolio, Ireland Portfolio and REO Portfolio. In doing so, we have recorded all identifiable assets acquired and liabilities assumed at fair value as of the respective acquisition dates. These amounts for the Medical Office Portfolio and certain properties within the Woodstar and REO Portfolios are provisional and may be adjusted during the measurement period, which expires no later than one year from the acquisition dates, if new information is obtained that, if known, would have affected the amounts recognized as of the acquisition dates.

The following table summarizes the identified assets acquired and liabilities assumed at the respective acquisition dates, as well as adjusted provisional estimates for the REO Portfolio (amounts in thousands):

	2016			2015		
Assets acquired:	Medical Office Portfolio	Woodstar Portfolio	REO Portfolio	Woodstar Portfolio	REO Portfolio	Ireland Portfolio
Cash and cash equivalents	$ —	$ 6,254	$ —	$ —	$ —	$ —
Restricted cash	—	—	—	—	—	10,829
Properties	686,984	245,430	123,819	339,040	128,218	445,369
Intangible assets	85,596	8,174	25,638	11,337	19,381	59,529
Other assets	511	16,417	2,978	652	4,973	2,508
Total assets acquired	773,091	276,275	152,435	351,029	152,572	518,235
Liabilities assumed:						
Accounts payable, accrued expenses and other liabilities	14,327	19,666	7,358	18,030	6,998	17,552
Secured financing agreements	—	150,763	—	8,982	—	283,010
Total liabilities assumed	14,327	170,429	7,358	27,012	6,998	300,562
Non-controlling interests	—	—	6,462	—	6,904	—
Net assets acquired	$ 758,764	$ 105,846	$ 138,615	$ 324,017	$ 138,670	$ 217,673

Pro-Forma Operating Data (Unaudited)

The unaudited pro-forma revenues and net income attributable to the Company for the years ended December 31, 2016 and 2015, assuming all the properties acquired within the Medical Office Portfolio, Woodstar Portfolio, Ireland Portfolio and REO Portfolio were acquired on January 1, 2014 for the 2015 acquisitions and January 1, 2015 for the 2016 acquisitions, are as follows (amounts in thousands, except per share amounts):

	For the Year Ended December 31,	
(Unaudited)	2016	2015
Revenues	$ 854,416	$ 914,355
Net income attributable to STWD	341,972	441,150
Net income per share - Basic	1.42	1.87
Net income per share - Diluted	1.41	1.87

Pro-forma net income was adjusted to include the following estimated incremental management fees the combined entity would have incurred (amounts in thousands):

	For the Year Ended December 31,	
(Unaudited)	2016	2015
Management fee expense addition	$ 4,921	$ 11,121

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European Servicing and Advisory Business Divestiture

On October 31, 2016, we contributed the equity in the subsidiary which owned our European servicing and advisory business to Situs Group Holdings Corporation ("Situs") in exchange for a non-controlling 6.25% equity interest valued at $12.2 million. We contributed net assets with a carrying value of $3.2 million and recognized a gain of $0.2 million in connection with the exchange, which includes an $8.8 million loss resulting from a release of the accumulated foreign currency translation adjustment component of equity, all recognized within gain on sale of investments and other assets, net in our consolidated statement of operations during the year ended December 31, 2016. We account for the interest we received in Situs as a cost method investment, as discussed in Note 8.

SFR Spin-off

On January 31, 2014, we completed the spin-off of our former SFR segment to our stockholders. The real estate investment trust, Starwood Waypoint Residential Trust ("SWAY"), was listed on the New York Stock Exchange ("NYSE") and traded under the ticker symbol "SWAY" following the spin-off until its merger with Colony American Homes in January 2016. Our stockholders received one common share of SWAY for every five shares of our common stock held at the close of business on January 24, 2014. As part of the spin-off, we contributed $100 million to the unlevered balance sheet of SWAY to fund its growth and operations. As of January 31, 2014, SWAY held net assets of $1.1 billion. The net assets of SWAY consisted of approximately 7,200 units of single-family homes and residential non-performing mortgage loans as of January 31, 2014. In connection with the spin-off, 40.1 million shares of SWAY were issued. The results of operations for the SFR segment are presented within discontinued operations in our consolidated statements of operations for the year ended December 31, 2014. We have no continuing involvement with the SFR segment following the spin-off. Subsequent to the spin-off, SWAY entered into a management agreement with an affiliate of our Manager. The following table presents the summarized consolidated results of discontinued operations prior to the spin-off (amounts in thousands):

	For the year ended December 31,		
	2016	2015	2014
Total revenues	$ —	$ —	$ 3,876
Total costs and expenses	—	—	6,369
Loss before other income and income taxes	—	—	(2,493)
Total other income	—	—	942
Loss before income taxes	—	—	(1,551)
Income tax provision	—	—	—
Net loss	$ —	$ —	$ (1,551)

4. Restricted Cash

A summary of our restricted cash as of December 31, 2016 and 2015 is as follows (amounts in thousands):

	As of December 31,	
	2016	2015
Cash collateral for derivative financial instruments	$ 14,341	$ 16,497
Funds held on behalf of borrowers and tenants	5,306	3,786
Other restricted cash	15,586	2,786
	$ 35,233	$ 23,069

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5. Loans

Our loans held for investment are accounted for at amortized cost and our loans held for sale are accounted for at the lower of cost or fair value, unless we have elected the fair value option. The following tables summarize our investments in mortgages and loans by subordination class as of December 31, 2016 and 2015 (amounts in thousands):

December 31, 2016	Carrying Value	Face Amount	Weighted Average Coupon		Weighted Average Life (“WAL”) (years)(3)
First mortgages (1)	$ 4,865,994	$ 4,881,656	5.7	%	2.2
Subordinated mortgages (2)	278,032	293,925	8.9	%	3.3
Mezzanine loans (1)	713,757	714,608	9.6	%	1.8
Total loans held-for-investment	5,857,783	5,890,189			
Loans held-for-sale, fair value option elected	63,279	63,065	5.3	%	10.0
Loans transferred as secured borrowings	35,000	35,000	6.2	%	0.4
Total gross loans	5,956,062	5,988,254			
Loan loss allowance (loans held-for-investment)	(9,788)	—			
Total net loans	$ 5,946,274	$ 5,988,254			
December 31, 2015					
First mortgages (1)	$ 4,723,852	$ 4,776,576	6.0	%	2.7
Subordinated mortgages (2)	392,563	416,713	8.5	%	3.4
Mezzanine loans (1)	862,693	850,024	9.9	%	2.5
Total loans held-for-investment	5,979,108	6,043,313			
Loans held-for-sale, fair value option elected	203,865	203,710	4.9	%	9.8
Loans transferred as secured borrowings	86,573	88,000	6.1	%	2.4
Total gross loans	6,269,546	6,335,023			
Loan loss allowance (loans held-for-investment)	(6,029)	—			
Total net loans	$ 6,263,517	$ 6,335,023			

(1) First mortgages include first mortgage loans and any contiguous mezzanine loan components because as a whole, the expected credit quality of these loans is more similar to that of a first mortgage loan. The application of this methodology resulted in mezzanine loans with carrying values of $964.1 million and $930.0 million being classified as first mortgages as of December 31, 2016 and 2015, respectively.

(2) Subordinated mortgages include B-Notes and junior participation in first mortgages where we do not own the senior A-Note or senior participation. If we own both the A-Note and B-Note, we categorize the loan as a first mortgage loan.

(3) Represents the WAL of each respective group of loans as of the respective balance sheet date. The WAL of each individual loan is calculated using amounts and timing of future principal payments, as projected at origination.

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As of December 31, 2016, approximately $5.3 billion, or 91.0%, of our loans held for-investment were variable rate and paid interest principally at LIBOR plus a weighted average spread of 5.5%. The following table summarizes our investments in floating rate loans (dollars in thousands):

	December 31, 2016			December 31, 2015		
Index	Base Rate		Carrying Value	Base Rate		Carrying Value
One-month LIBOR USD	0.7717	%	$ 880,357	0.4295	%	$ 438,641
Three-month LIBOR GBP	N/A		—	0.5904	%	375,467
LIBOR floor	0.15 - 3.00	% (1)	4,449,861	0.15 - 3.00	% (1)	4,237,947
Total			$ 5,330,218			$ 5,052,055

(1) The weighted average LIBOR floor was 0.36% and 0.31% as of December 31, 2016 and 2015, respectively.

Our loans are typically collateralized by real estate. As a result, we regularly evaluate the extent and impact of any credit deterioration associated with the performance and/or value of the underlying collateral property, as well as the financial and operating capability of the borrower. Specifically, a property's operating results and any cash reserves are analyzed and used to assess (i) whether cash flow from operations is sufficient to cover the debt service requirements currently and into the future, (ii) the ability of the borrower to refinance the loan at maturity, and/or (iii) the property's liquidation value. We also evaluate the financial wherewithal of any loan guarantors as well as the borrower's competency in managing and operating the properties. In addition, we consider the overall economic environment, real estate sector, and geographic sub market in which the borrower operates. Such impairment analyses are completed and reviewed by asset management and finance personnel who utilize various data sources, including (i) periodic financial data such as property operating statements, occupancy, tenant profile, rental rates, operating expenses, the borrower's exit plan, and capitalization and discount rates, (ii) site inspections, and (iii) current credit spreads and discussions with market participants.

Our evaluation process, as described above, produces an internal risk rating between 1 and 5, which is a weighted average of the numerical ratings in the following categories: (i) sponsor capability and financial condition, (ii) loan and collateral performance relative to underwriting, (iii) quality and stability of collateral cash flows, and (iv) loan structure. We utilize the overall risk ratings as a concise means to monitor any credit migration on a loan as well as on the whole portfolio. While the overall risk rating is generally not the sole factor we use in determining whether a loan is impaired, a loan with a higher overall risk rating would tend to have more adverse indicators of impairment, and therefore would be more likely to experience a credit loss.

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The rating categories generally include the characteristics described below, but these are utilized as guidelines and therefore not every loan will have all of the characteristics described in each category:

Rating	Characteristics
1	Sponsor capability and financial condition—Sponsor is highly rated or investment grade or, if private, the equivalent thereof with significant management experience. Loan collateral and performance relative to underwriting—The collateral has surpassed underwritten expectations. Quality and stability of collateral cash flows—Occupancy is stabilized, the property has had a history of consistently high occupancy, and the property has a diverse and high quality tenant mix. Loan structure—LTV does not exceed 65%. The loan has structural features that enhance the credit profile.
2	Sponsor capability and financial condition—Strong sponsorship with experienced management team and a responsibly leveraged portfolio. Loan collateral and performance relative to underwriting—Collateral performance equals or exceeds underwritten expectations and covenants and performance criteria are being met or exceeded. Quality and stability of collateral cash flows—Occupancy is stabilized with a diverse tenant mix. Loan structure—LTV does not exceed 70% and unique property risks are mitigated by structural features.
3	Sponsor capability and financial condition—Sponsor has historically met its credit obligations, routinely pays off loans at maturity, and has a capable management team. Loan collateral and performance relative to underwriting—Property performance is consistent with underwritten expectations. Quality and stability of collateral cash flows—Occupancy is stabilized, near stabilized, or is on track with underwriting. Loan structure—LTV does not exceed 80%.
4	Sponsor capability and financial condition—Sponsor credit history includes missed payments, past due payment, and maturity extensions. Management team is capable but thin. Loan collateral and performance relative to underwriting—Property performance lags behind underwritten expectations. Performance criteria and loan covenants have required occasional waivers. A sale of the property may be necessary in order for the borrower to pay off the loan at maturity. Quality and stability of collateral cash flows—Occupancy is not stabilized and the property has a large amount of rollover. Loan structure—LTV is 80% to 90%.
5	Sponsor capability and financial condition—Credit history includes defaults, deeds in lieu, foreclosures, and/or bankruptcies. Loan collateral and performance relative to underwriting—Property performance is significantly worse than underwritten expectations. The loan is not in compliance with loan covenants and performance criteria and may be in default. Sale proceeds would not be sufficient to pay off the loan at maturity. Quality and stability of collateral cash flows—The property has material vacancy and significant rollover of remaining tenants. Loan structure—LTV exceeds 90%.

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As of December 31, 2016, the risk ratings for loans subject to our rating system, which excludes loans for which the fair value option has been elected, by class of loan were as follows (dollars in thousands):

	Balance Sheet Classification Loans Held-For-Investment				Loans Transferred		
Risk Rating Category	First Mortgages	Subordinated Mortgages	Mezzanine Loans	Loans Held-For-Sale	As Secured Borrowings	Total	% of Total Loans
1	$ 921	$ —	$ —	$ —	$ —	$ 921	— %
2	1,092,731	27,069	194,803	—	35,000	1,349,603	22.6 %
3	3,348,874	250,963	425,972	—	—	4,025,809	67.6 %
4	365,151	—	92,982	—	—	458,133	7.7 %
5	58,317	—	—	—	—	58,317	1.0 %
N/A	—	—	—	63,279	—	63,279	1.1 %
	$ 4,865,994	$ 278,032	$ 713,757	$ 63,279	$ 35,000	$ 5,956,062	100.0 %

As of December 31, 2015, the risk ratings for loans subject to our rating system by class of loan were as follows (dollars in thousands):

	Balance Sheet Classification Loans Held-For-Investment				Loans Transferred		
Risk Rating Category	First Mortgages	Subordinated Mortgages	Mezzanine Loans	Loans Held-For-Sale	As Secured Borrowings	Total	% of Total Loans
1	$ 664	$ —	$ —	$ —	$ —	$ 664	— %
2	496,372	88,857	90,449	—	—	675,678	10.8 %
3	3,979,247	270,435	651,204	—	86,573	4,987,459	79.6 %
4	247,569	33,271	121,040	—	—	401,880	6.4 %
5	—	—	—	—	—	—	— %
N/A	—	—	—	203,865	—	203,865	3.2 %
	$ 4,723,852	$ 392,563	$ 862,693	$ 203,865	$ 86,573	$ 6,269,546	100.0 %

The Lending Segment held a $151.0 million first mortgage and $58.1 million mezzanine loan on a residential conversion project located in New York City, both of which are greater than 90 days past due as of December 31, 2016. During the three months ended December 31, 2016, we ceased accruing interest income on these past due loans and only recognized interest income once received in cash. After completing our impairment evaluation process as of December 31, 2016, we concluded that none of our loans were impaired and therefore no individual loan impairment charges were required on any individual loans, as we expect to collect all outstanding principal and interest. With the exception of the past due loans noted above, no other loans were 90 days or greater past due as of December 31, 2016.

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In accordance with our policies, we record an allowance for loan losses equal to (i) 1.5% of the aggregate carrying amount of loans rated as a "4," plus (ii) 5% of the aggregate carrying amount of loans rated as a "5," plus (iii) impaired loan reserves, if any. The following table presents the activity in our allowance for loan losses (amounts in thousands):

	For the year ended December 31,		
	2016	2015	2014
Allowance for loan losses at January 1	$ 6,029	$ 6,031	$ 3,984
Provision for loan losses	3,759	(2)	2,047
Charge-offs	—	—	—
Recoveries	—	—	—
Allowance for loan losses at December 31	$ 9,788	$ 6,029	$ 6,031
Recorded investment in loans related to the allowance for loan loss	$ 516,450	$ 401,880	$ 294,767

The activity in our loan portfolio was as follows (amounts in thousands):

	For the year ended December 31,			
	2016		2015	2014
Balance at January 1	$ 6,263,517		$ 6,300,285	$ 4,750,804
Acquisitions/originations/additional funding	4,502,842		4,223,178	4,820,464
Capitalized interest (1)	80,992		70,675	49,611
Basis of loans sold (2)	(2,266,901)		(2,732,501)	(2,171,300)
Loan maturities/principal repayments	(2,742,462)		(1,647,852)	(1,244,445)
Discount accretion/premium amortization	48,384		36,862	21,287
Changes in fair value	74,251		64,320	70,420
Unrealized foreign currency remeasurement loss	(47,906)		(51,278)	(47,392)
Change in loan loss allowance, net	(3,759)		2	(2,047)
Transfer to/from other asset classifications	37,316	(3)	(174)	52,883
Balance at December 31	$ 5,946,274		$ 6,263,517	$ 6,300,285

(1) Represents accrued interest income on loans whose terms do not require current payment of interest.

(2) See Note 12 for additional disclosure on these transactions.

(3) Primarily represents commercial mortgage loans acquired from CMBS trusts which are consolidated as VIEs on our balance sheet. Refer to Notes 3 and 16 for further discussion.

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6. Investment Securities

Investment securities were comprised of the following as of December 31, 2016 and 2015 (amounts in thousands):

	Carrying Value as of December 31,	
	2016	2015
RMBS, available-for-sale	$ 253,915	$ 176,224
CMBS, fair value option (1)	990,570	1,038,200
Held-to-maturity ("HTM") securities	509,980	321,244
Equity security, fair value option	12,177	14,498
Subtotal—Investment securities	1,766,642	1,550,166
VIE eliminations (1)	(959,024)	(825,219)
Total investment securities	$ 807,618	$ 724,947

(1) Certain fair value option CMBS are eliminated in consolidation against VIE liabilities pursuant to ASC 810.

Purchases, sales and principal collections for all investment securities were as follows (amounts in thousands):

	Available-for-sale		CMBS, fair	HTM	Equity	
	RMBS	CMBS	value option	Securities	Security	Total
Year Ended December 31, 2016						
Purchases (1)	$ 98,035	$ —	$ 57,576	$ 204,730	$ —	$ 360,341
Sales (2)	—	—	18,725	—	—	18,725
Principal collections	43,445	—	58,435	6,910	—	108,790
Year Ended December 31, 2015						
Purchases (1)	$ —	$ —	$ 14,653	$ 167,365	$ —	$ 182,018
Sales (2)		—	6,410	—	—	6,410
Principal collections	35,244	92,018	8,720	292,587	—	428,569
Year Ended December 31, 2014						
Purchases (1)	$ —	$ —	$ 120,122	$ 69,300	$ —	$ 189,422
Sales (2)	68,134	—	32,032	—	—	100,166
Principal collections	53,126	1,121	3	45	—	54,295

(1) During the years ended December 31, 2016, 2015 and 2014, we purchased $168.0 million, $354.2 million and $264.0 million of CMBS, respectively, for which we elected the fair value option. Due to our consolidation of securitization VIEs, $110.4 million, $339.5 million and $143.9 million, respectively, of this amount is eliminated and reflected as repayment of debt of consolidated VIEs in our consolidated statements of cash flows.

(2) During the years ended December 31, 2016, 2015 and 2014, we sold $54.4 million, $15.5 million and $121.4 million of CMBS, respectively, for which we had previously elected the fair value option. Due to our consolidation of securitization VIEs, $35.7 million, $9.1 million and $89.4 million, respectively, of this amount is

eliminated and reflected as issuance of debt of consolidated VIEs in our consolidated statements of cash flows.

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RMBS, Available for Sale

The Company classified all of its RMBS as available for sale as of December 31, 2016 and 2015. These RMBS are reported at fair value in the balance sheet with changes in fair value recorded in AOCI.

The tables below summarize various attributes of our investments in available for sale RMBS as of December 31, 2016 and 2015 (amounts in thousands):

				Unrealized Gains or (Losses) Recognized in AOCI				
	Purchase Amortized Cost	Credit OTTI	Recorded Amortized Cost	Non-Credit OTTI	Gross Unrealized Gains	Gross Unrealized Losses	Net Fair Value Adjustment	Fair Value
December 31, 2016 RMBS	$ 219,171	$ (10,185)	$ 208,986	$ (94)	$ 45,113	$ (90)	$ 44,929	$ 253,915
December 31, 2015 RMBS	$ 149,102	$ (10,185)	$ 138,917	$ (340)	$ 37,647	$ —	$ 37,307	$ 176,224

	Weighted Average Coupon (1)	Weighted Average Rating	WAL (Years) (2)
December 31, 2016 RMBS	2.1%	B	6.1
December 31, 2015 RMBS	1.3%	B−	6.2

(1) Calculated using the December 31, 2016 and 2015 one-month LIBOR rate of 0.772% and 0.430%, respectively, for floating rate securities.

(2) Represents the WAL of each respective group of securities as of the respective balance sheet date. The WAL of each individual security is calculated using projected amounts and projected timing of future principal payments.

As of December 31, 2016, approximately $211.1 million, or 83.2%, of RMBS were variable rate and paid interest at LIBOR plus a weighted average spread of 1.22%. As of December 31, 2015, approximately $122.7 million, or 69.7%, of RMBS were variable rate and paid interest at LIBOR plus a weighted average spread of 0.43%. We purchased all of the RMBS at a discount that will be accreted into income over the expected remaining life of the security. The majority of the income from this strategy is earned from the accretion of these discounts.

The following table contains a reconciliation of aggregate principal balance to amortized cost for our RMBS as of December 31, 2016 and 2015 (amounts in thousands):

	As of December 31,	
	2016	2015
Principal balance	$ 399,883	$ 233,976
Accretable yield	(64,290)	(68,345)
Non-accretable difference	(126,607)	(26,714)
Total discount	(190,897)	(95,059)
Amortized cost	$ 208,986	$ 138,917

The principal balance of credit deteriorated RMBS was $371.5 million and $199.0 million as of December 31, 2016 and 2015, respectively. Accretable yield related to these securities totaled $55.9 million and $57.7 million as of December 31, 2016 and 2015, respectively.

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The following table discloses the changes to accretable yield and non accretable difference for our RMBS during the years ended December 31, 2016 and 2015 (amounts in thousands):

	Accretable Yield	Non-Accretable Difference
Balance as of January 1, 2015	$ 85,495	$ 31,752
Accretion of discount	(20,625)	—
Principal write-downs, net	—	(1,563)
Purchases	—	—
Sales	—	—
OTTI	—	—
Transfer to/from non-accretable difference	3,475	(3,475)
Balance as of December 31, 2015	68,345	26,714
Accretion of discount	(15,479)	—
Principal write-downs, net	—	953
Purchases	11,349	99,015
Sales	—	—
OTTI	—	—
Transfer to/from non-accretable difference	75	(75)
Balance as of December 31, 2016	$ 64,290	$ 126,607

We have engaged a third party manager who specializes in RMBS to execute the trading of RMBS, the cost of which was $1.8 million, $0.9 million and $1.9 million for the years ended December 31, 2016, 2015 and 2014, respectively, which has been recorded as management fees in the accompanying consolidated statements of operations.

The following table presents the gross unrealized losses and estimated fair value of any available for sale securities that were in an unrealized loss position as of December 31, 2016 and 2015, and for which OTTIs (full or partial) have not been recognized in earnings (amounts in thousands):

	Estimated Fair Value		Unrealized Losses	
	Securities with a loss less than 12 months	Securities with a loss greater than 12 months	Securities with a loss less than 12 months	Securities with a loss greater than 12 months
As of December 31, 2016				
RMBS	$ 8,819	$ 957	$ (90)	$ (94)
As of December 31, 2015				
RMBS	$ 17,026	$ 653	$ (180)	$ (160)

As of December 31, 2016 and 2015, there were three securities and five securities, respectively, with unrealized losses reflected in the table above. After evaluating these securities and recording adjustments for credit-related OTTI, we concluded that the remaining unrealized losses reflected above were noncredit-related and would be recovered from the securities' estimated future cash flows. We considered a number of factors in reaching this conclusion, including that we did not intend to sell the securities, it was not considered more likely than not that we would be forced to sell the securities prior to recovering our amortized cost, and there were no material credit events that would have caused us to otherwise conclude that we would not recover our cost. Credit losses, which represent most of the OTTI we record on securities, are calculated by comparing (i) the estimated future cash flows of each security discounted at the yield determined as of the initial acquisition date or, if since revised, as of the last date previously revised, to (ii) our amortized cost basis. Significant judgment is used in projecting cash flows for our non-agency RMBS. As a result, actual income and/or impairments could be materially different from what is currently projected and/or reported.

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CMBS, Fair Value Option

As discussed in the "Fair Value Option" section of Note 2 herein, we elect the fair value option for the Investing and Servicing Segment's CMBS in an effort to eliminate accounting mismatches resulting from the current or potential consolidation of securitization VIEs. As of December 31, 2016, the fair value and unpaid principal balance of CMBS where we have elected the fair value option, before consolidation of securitization VIEs, were $1.0 billion and $4.5 billion, respectively. The $1.0 billion fair value balance represents our economic interests in these assets. However, as a result of our consolidation of securitization VIEs, the vast majority of this fair value ($959.0 million at December 31, 2016) is eliminated against VIE liabilities before arriving at our GAAP balance for fair value option CMBS.

As of December 31, 2016, none of our CMBS where we have elected the fair value option were variable rate. The table below summarizes various attributes of our investment in fair value option CMBS as of December 31, 2016 and 2015:

	Weighted Average Coupon		Weighted Average Rating (1)	WAL (Years) (2)
December 31, 2016				
CMBS, fair value option	5.5	%	C	4.0
December 31, 2015				
CMBS, fair value option	3.9	%	CCC+	7.4

(1) As of December 31, 2016 and 2015, excludes $5.1 million and $51.3 million, respectively, in fair value option CMBS that are not rated.

(2) The WAL of each security is calculated based on the period of time over which we expect to receive principal cash flows. Expected principal cash flows are based on contractual payments net of expected losses.

HTM Securities

The table below summarizes unrealized gains and losses of our investments in HTM securities as of December 31, 2016 and 2015 (amounts in thousands):

	Net Carrying Amount (Amortized Cost)	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
December 31, 2016				
CMBS	$ 490,107	$ 2,106	$ (8,648)	$ 483,565
Preferred interests	19,873	727	—	20,600

Total	$ 509,980	$ 2,833	$ (8,648)	$ 504,165
December 31, 2015				
CMBS	$ 301,858	$ 257	$ (5,651)	$ 296,464
Preferred interests	19,386	—	(595)	18,791
Total	$ 321,244	$ 257	$ (6,246)	$ 315,255

The table below summarizes the maturities of our HTM CMBS and our HTM preferred equity interests in limited liability companies that own commercial real estate as of December 31, 2016 (amounts in thousands):

	CMBS	Preferred Interests	Total
Less than one year	$ 209,998	$ —	$ 209,998
One to three years	89,927	—	89,927
Three to five years	190,182	—	190,182
Thereafter	—	19,873	19,873
Total	$ 490,107	$ 19,873	$ 509,980

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Equity Security, Fair Value Option

During 2012, we acquired 9,140,000 ordinary shares from a related-party in Starwood European Real Estate Finance Limited ("SEREF"), a debt fund that is externally managed by an affiliate of our Manager and is listed on the London Stock Exchange. We have elected to report the investment using the fair value option because the shares are listed on an exchange, which allows us to determine the fair value using a quoted price from an active market, and also due to potential lags in reporting resulting from differences in the respective regulatory requirements. The fair value of the investment remeasured in USD was $12.2 million and $14.5 million as of December 31, 2016 and 2015, respectively. As of December 31, 2016, our shares represent an approximate 2% interest in SEREF.

7. Properties

Our properties include the Medical Office Portfolio, Woodstar Portfolio, REO Portfolio and Ireland Portfolio as discussed in Note 3. The table below summarizes our properties held as of December 31, 2016 and December 31, 2015 (dollars in thousands):

		December 31,	
	Depreciable Life	2016	2015
Property Segment			
Land and land improvements	0 – 12 years	$ 385,860	$ 247,589
Buildings and building improvements	5 – 40 years	1,291,531	516,117
Furniture & fixtures	3 – 7 years	23,035	11,980
Investing and Servicing Segment			
Land and land improvements	0 – 15 years	89,425	39,103
Buildings and building improvements	3 – 40 years	195,178	112,524
Furniture & fixtures	3 – 5 years	1,256	747
Properties, cost		1,986,285	928,060
Less: accumulated depreciation		(41,565)	(8,835)
Properties, net		$ 1,944,720	$ 919,225

In March 2015, the Investing and Servicing Segment sold an operating property that we had previously acquired from a CMBS trust, which resulted in a $17.8 million gain on sale of investments and other assets in our consolidated statement of operations for the year ended December 31, 2015. There were no properties sold during the year ended December 31, 2016.

Future rental payments due to us from tenants under existing non-cancellable operating leases for each of the next five years and thereafter are as follows (in thousands):

2017	$ 133,062
2018	91,625

2019	82,485
2020	75,717
2021	69,860
Thereafter	418,144
Total	$ 870,893

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8. Investment in Unconsolidated Entities

The table below summarizes our investments in unconsolidated entities as of December 31, 2016 and 2015 (dollars in thousands):

	Participation / Ownership % (1)	Carrying value as of December 31, 2016	2015
Equity method:			
Retail Fund (see Note 16)	33%	$ 124,977	$ 122,454
Investor entity which owns equity in an online real estate company	50%	21,677	23,972
Equity interests in commercial real estate (2) (3)	16% - 50%	23,297	28,230
Various	25% - 50%	6,640	6,376
		176,591	181,032
Cost method:			
Equity interest in a servicing and advisory business (4)	6%	12,234	—
Investment funds which own equity in a loan servicer and other real estate assets	4% - 6%	9,225	9,225
Various	2% - 3%	6,555	8,944
		28,014	18,169
		$ 204,605	$ 199,201

(1) None of these investments are publicly traded and therefore quoted market prices are not available.

(2) During the year ended December 31, 2016, a partnership in which we hold a 50% interest acquired a $28.4 million real estate asset from a CMBS trust for a purchase price of $19.0 million. As of December 31, 2016, our investment in the partnership was $8.1 million.

(3) During the year ended December 31, 2016, we received a repayment of $13.0 million from an in-substance loan, which was accounted for as an equity method investment.

(4) During the year ended December 31, 2016, we acquired a non-controlling equity interest in Situs in exchange for the contribution of our European servicing and advisory business. Refer to Note 3 for further discussion.

There were no differences between the carrying value of our equity method investments and the underlying equity in the net assets of the investees as of December 31, 2016.

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9. Goodwill and Intangibles

Goodwill

Goodwill at December 31, 2016 and 2015 represents the excess of consideration transferred over the fair value of net assets of LNR acquired on April 19, 2013. The goodwill recognized is attributable to value embedded in LNR's existing platform, which includes an international network of commercial real estate asset managers, work out specialists, underwriters and administrative support professionals as well as proprietary historical performance data on commercial real estate assets. The tax deductible component of our goodwill as of April 19, 2013 was $149.9 million and is deductible over 15 years. As discussed in Note 2, goodwill is tested for impairment at least annually. Based on our qualitative assessment during the fourth quarter of 2016, we determined that it is not more likely than not that the fair value of the Investing and Servicing Segment reporting unit to which the goodwill is attributed is less than its carrying value including goodwill. Therefore, we concluded goodwill was not impaired.

Intangible Assets

Servicing Rights Intangibles

In connection with the LNR acquisition, we identified domestic and European servicing rights that existed at the purchase date, based upon the expected future cash flows of the associated servicing contracts. All of our servicing fees are specified by these Pooling and Servicing Agreements. At December 31, 2016 and 2015, the balance of the domestic servicing intangible was net of $34.2 million and $11.8 million, respectively, that was eliminated in consolidation pursuant to ASC 810 against VIE assets in connection with our consolidation of securitization VIEs. Before VIE consolidation, as of December 31, 2016 and 2015, the domestic servicing intangible had a balance of $89.3 million and $131.5 million, respectively, which represents our economic interest in this asset.

Lease Intangibles

In connection with our acquisitions of commercial real estate, we recognized in-place lease intangible assets and favorable lease intangible assets associated with certain noncancelable operating leases of the acquired properties. The following table summarizes our intangible assets, which are comprised of servicing rights intangibles and lease intangibles, as of December 31, 2016 and 2015 (amounts in thousands):

	As of December 31, 2016			As of December 31, 2015		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Domestic servicing rights, at fair value	$ 55,082	$ —	$ 55,082	$ 119,698	$ —	$ 119,698
European servicing rights (1)	—	—	—	31,593	(28,967)	2,626
In-place lease intangible assets	175,409	(38,532)	136,877	74,983	(8,898)	66,085
	30,459	(3,170)	27,289	14,103	(942)	13,161

Favorable lease intangible assets						
Total net intangible assets	$ 260,950	$ (41,702)	$ 219,248	$ 240,377	$ (38,807)	$ 201,570

(1) During the year ended December 31, 2016, we contributed our European servicing and advisory business to Situs in exchange for a non-controlling equity interest in Situs. Refer to Note 3 for further discussion. The fair value of our European servicing rights as of December 31, 2015 was $5.3 million.

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The following table summarizes the activity within intangible assets for the years ended December 31, 2016 and 2015 (amounts in thousands):

	Domestic Servicing Rights	European Servicing Rights	In-place Lease Intangible Assets	Favorable Lease Intangible Assets	Total
Balance as of January 1, 2015	$ 132,303	$ 11,849	$ —	$ —	$ 144,152
Acquisition of Ireland Portfolio properties	—	—	47,999	11,530	59,529
Acquisition of Woodstar Portfolio properties	—	—	11,337	—	11,337
Acquisition of REO Portfolio properties	—	—	16,610	2,771	19,381
Amortization	—	(8,893)	(9,027)	(960)	(18,880)
Foreign exchange loss	—	(330)	(834)	(180)	(1,344)
Changes in fair value due to changes in inputs and assumptions	(12,605)	—	—	—	(12,605)
Balance as of December 31, 2015	119,698	2,626	66,085	13,161	201,570
Impact of ASU 2015-02 adoption (1)	(17,467)	—	—	—	(17,467)
Acquisition of Medical Office Portfolio properties	—	—	71,486	14,110	85,596
Acquisition of additional Woodstar Portfolio properties	—	—	8,174	—	8,174
Acquisition of additional REO Portfolio properties	—	—	22,946	2,692	25,638
Contribution of European servicing and advisory business (2)	—	(989)	—	—	(989)
Amortization	—	(1,337)	(30,227)	(2,334)	(33,898)
Foreign exchange loss	—	(300)	(933)	(266)	(1,499)
Impairment	—	—	(654)	(74)	(728)
Changes in fair value due to changes in inputs and assumptions	(47,149)	—	—	—	(47,149)
Balance as of December 31, 2016	$ 55,082	$ —	$ 136,877	$ 27,289	$ 219,248

(1) As discussed in Notes 2 and 15, our implementation of ASU 2015-02 resulted in the consolidation of certain CMBS trusts effective January 1, 2016, which required the elimination of $17.5 million of domestic servicing rights associated with these newly consolidated trusts.

(2) During the year ended December 31, 2016, we contributed our European servicing and advisory business to Situs in exchange for a non-controlling equity interest in Situs. Refer to Note 3 for further discussion.

The following table sets forth the estimated aggregate amortization of our in-place lease intangible assets and favorable lease intangible assets for the next five years and thereafter (amounts in thousands):

2017	$ 30,069
2018	26,532
2019	20,186
2020	15,189
2021	12,816
Thereafter	59,374
Total	$ 164,166

Lease Liabilities

In connection with our acquisition of certain properties within our Medical Office Portfolio, we recognized aggregate unfavorable lease liabilities of $4.8 million with weighted average lives of 9.7 years at acquisition.

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In connection with our acquisition of LNR in 2013, we recognized an unfavorable lease liability of $15.3 million related to an assumed operating lease for our offices in Miami Beach, Florida, which expires in 2021. This liability is being amortized over the remaining five years of the underlying lease term at a rate of approximately $1.9 million per year. The liability balance was $8.4 million and $10.2 million as of December 31, 2016 and 2015, respectively.

10. Secured Financing Agreements

The following table is a summary of our secured financing agreements in place as of December 31, 2016 and 2015 (dollars in thousands):

	Current Maturity	Extended Maturity (a)	Pricing		Pledged Asset Carrying Value	Maximum Facility Size		Carrying Value at December 31, 2016	2015
Lender 1 Repo 1	(b)	(b)	LIBOR + 1.75% to 5.75%		$ 1,645,064	$ 2,000,000	(c)	$ 944,712	$ 975,735
Lender 2 Repo 1	Oct 2017	Oct 2020	LIBOR + 1.75% to 2.75%		387,528	500,000		132,941	233,705
Lender 3 Repo 1	May 2017	May 2019	LIBOR + 2.50% to 2.85%		110,401	78,288		78,288	131,997
Lender 4 Repo 1	N/A	N/A	N/A		—	—		—	309,498
Lender 4 Repo 2	Dec 2018	Dec 2020	LIBOR + 2.00% to 2.50%		484,072	1,000,000	(d)	166,394	—
Lender 6 Repo 1	Aug 2019	N/A	LIBOR + 2.50% to 2.75%		376,953	500,000		182,586	491,263
Lender 6 Repo 2	Nov 2019	Nov 2020	GBP LIBOR + 2.75%		173,621	121,509		121,509	—
Lender 9 Repo 1	Dec 2017	Dec 2018	LIBOR + 1.65%		378,152	283,575		283,575	—
Lender 7 Secured Financing	Jul 2018	Jul 2019	LIBOR + 2.75%	(e)	86,650	650,000	(f)	—	38,055
Lender 8 Secured Financing	Aug 2019	N/A	LIBOR + 4.00%		66,243	75,000		43,555	—
Conduit Repo 1	N/A	N/A	N/A		—	—		—	80,741
Conduit Repo 2	Nov 2017	N/A	LIBOR + 2.25%		20,035	150,000		14,944	—
Conduit Repo 3	Feb 2018	Feb 2019	LIBOR + 2.10%		—	150,000		—	66,041
Conduit Repo 4	Oct 2017	Oct 2020	LIBOR + 2.25%		—	100,000		—	—

MBS Repo 1	(g)	(g)	LIBOR + 1.90%		31,840	21,052	21,052	—
MBS Repo 2	Jun 2020	N/A	LIBOR/EURIBOR + 2.00% to 2.95%		329,667	239,434	239,434	120,850
MBS Repo 3	(h)	(h)	LIBOR + 1.37% to 2.00%		411,173	285,209	285,209	243,434
MBS Repo 4	(i)	N/A	LIBOR + 1.20% to 1.90%		188,670	225,000	5,633	2,000
Investing and Servicing Segment Property Mortgages	Feb 2018 to Jun 2026	N/A	Various		218,156	168,811	164,611	82,964
Ireland Portfolio Mortgage	May 2020	N/A	EURIBOR + 1.69%		450,158	309,246	309,246	319,322
Woodstar Portfolio Mortgages	Nov 2025 to Oct 2026	N/A	3.72% to 3.97%		376,653	276,748	276,748	248,630
Woodstar Portfolio Government Financing	Mar 2026 to Jun 2049	N/A	1.00% to 5.00%		314,441	135,584	135,584	8,982
Medical Office Portfolio Mortgages	Dec 2021	Dec 2023	LIBOR + 2.50%	(j)	767,540	524,499	491,197	—
Term Loan A	Dec 2020	Dec 2021	LIBOR + 2.25%	(e)	1,095,189	300,000	300,000	—
Term Loan B	N/A	N/A	N/A		—	—	—	658,270
Revolving Secured Financing	Dec 2020	Dec 2021	LIBOR + 2.25%	(e)	—	100,000	—	—
FHLB Advances	N/A	N/A	N/A		—	—	—	9,250
					$ 7,912,206	$ 8,193,955	4,197,218	4,020,737
Unamortized premium (discount), net							2,640	(1,702)
Unamortized deferred financing costs							(45,732)	(38,336)
							$ 4,154,126	$ 3,980,699

(a) Subject to certain conditions as defined in the respective facility agreement.

(b) Maturity date for borrowings collateralized by loans is September 2018 before extension options and September 2021 assuming exercise of extension options. Borrowings collateralized by loans existing at maturity may remain

outstanding until such loan collateral matures, subject to certain specified conditions and not to exceed September 2025.

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(c) The initial maximum facility size of $1.8 billion may be increased to $2.0 billion at our option, subject to certain conditions.
(d) The initial maximum facility size of $600.0 million may be increased to $1.0 billion at our option, subject to certain conditions.
(e) Subject to borrower's option to choose alternative benchmark based rates pursuant to the terms of the credit agreement.
(f) The initial maximum facility size of $450.0 million may be increased to $650.0 million at our option, subject to certain conditions.
(g) Facility carries a rolling 11 month term which may reset monthly with the lender's consent not to exceed December 2018. This facility carries no maximum facility size. Amount herein reflects the outstanding balance as of December 31, 2016.
(h) Facility carries a rolling 12 month term which may reset monthly with the lender's consent. Current maturity is December 2017. This facility carries no maximum facility size. Amount herein reflects the outstanding balance as of December 31, 2016.
(i) The date that is 270 days after the buyer delivers notice to seller, subject to a maximum date of May 2018.
(j) Subject to a 25 basis point floor.

In the normal course of business, the Company is in discussions with its lenders to extend or amend any financing facilities which contain near term expirations.

During the year ended December 31, 2016, we entered into eight mortgage facilities with aggregate borrowings of $75.6 million to finance commercial real estate acquired by our Investing and Servicing Segment. As of December 31, 2016, these facilities carry a remaining weighted average term of 4.0 years. Four of the facilities carry floating annual interest rates with average spreads of LIBOR + 2.27% while the remaining facilities carry average fixed annual interest rates of 3.53%.

In connection with our acquisition of the Woodstar Portfolio, we assumed 22 federal, state and county sponsored mortgage facilities ("Woodstar Portfolio Government Financing") with aggregate outstanding balances of $135.6 million as of December 31, 2016. At their respective acquisition dates, we also assumed two additional mortgage facilities with aggregate outstanding balances of $18.6 million. These acquisitions were refinanced in September 2016 for $28.1 million with 10-year fixed rate financing at 3.97%.

In January 2016, we amended the mortgage-backed securities ("MBS") Repo 2 facility to extend the maturity from December 2016 to December 2017. Subsequently in June 2016, we expanded the facility to finance our acquisition of a first mortgage loan and a first mortgage loan portfolio, each of which had been securitized into single-borrower securitizations by the seller. The financing for these assets matures in June 2020 and carries an annual interest rate of three-month EURIBOR + 2.00%.

In March 2016, we amended the Lender 2 Repo 1 facility to upsize available borrowings from $500.0 million to $600.0 million. This additional $100.0 million of borrowing capacity is exclusively for the financing of conduit mortgage loans and therefore this component of the Lender 2 Repo 1 facility is separately presented in the secured financing agreements table above as Conduit Repo 4.

In April 2016, we amended the Lender 4 Repo 2 facility to allow for up to $200.0 million of financing for conduit mortgage loan originations under the existing borrowing capacity.

In April 2016, we terminated the Conduit Repo 1 facility.

In April 2016, we terminated the Lender 4 Repo 1 facility.

In May 2016, we amended the MBS Repo 4 facility to upsize available borrowings from $125.0 million to $185.0 million and amend the maturity date to the earlier of (i) 270 days from when the lender delivers notice to the Company or (ii) May 2018. Subsequently in September 2016, we amended this facility to upsize available borrowings from $185.0 million to $225.0 million and allow for up to $50.0 million of the facility to be utilized for financing of CMBS.

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In August 2016, we entered into a $75.0 million secured financing agreement (“Lender 8 Secured Financing”) that carries a three year initial term and an annual interest rate of LIBOR + 4.00% to finance an existing first mortgage loan within our Lending Segment.

In September 2016, we amended the Lender 6 Repo 1 facility to extend the maturity from August 2018 to August 2019.

In September 2016, we amended the Lender 1 Repo 1 facility to upsize available borrowings from $1.6 billion to $1.8 billion and extend the maturity from January 2017 to September 2018. Subject to certain conditions defined in the facility agreement, the maximum facility size may be increased to $2.0 billion at our option.

In November 2016, we amended the Conduit Repo 2 facility to extend the maturity from November 2016 to November 2017.

In November 2016, we entered into a £98.5 million repurchase facility (“Lender 6 Repo 2”) that carries a three year initial term with a one year extension option and an annual interest rate of GBP LIBOR + 2.75% to finance the co-origination of a £142.5 first mortgage loan within our Lending Segment.

In December 2016, entered into a credit agreement which consists of: (i) a $300.0 million term loan facility (“Term Loan A”) that carries a four year initial term with two six-month extension options and an annual interest rate of LIBOR + 2.25%; and (ii) a $100.0 million revolving credit facility (“Revolving Secured Financing”) that carries a four year initial term with two six-month extension options and an annual interest rate of LIBOR + 2.25%. A portion of the net proceeds from these facilities was used to repay the amount outstanding under our existing Term Loan B, which had an outstanding balance of $653.2 million at payoff. In connection with the repayment of our Term Loan B, we recognized the write-off of $8.2 million of deferred financing costs and unamortized discount within loss on extinguishment of debt in our consolidated statement of operations during the year ended December 31, 2016.

In December 2016, to finance our acquisition of the Medical Office Portfolio, we entered into two mortgage loans with total available borrowings of $524.5 million (“Medical Office Portfolio Mortgages”), of which $491.2 million was outstanding as of December 31, 2016. These loans carry five year initial terms with two 12-month extension options and annual interest rates of LIBOR + 2.50%.

In December 2016, we entered into a $283.6 million secured financing agreement ("Lender 9 Repo 1") that carries a one year initial term with a one year extension option and an annual interest rate of LIBOR + 1.65% to finance the acquisition of a $378.1 million first mortgage loan within our Lending Segment.

Our secured financing agreements contain certain financial tests and covenants. As of December 31, 2016, we were in compliance with all such covenants.

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The following table sets forth our five year principal repayments schedule for secured financings assuming no defaults and excluding loans transferred as secured borrowings. Our credit facilities generally require principal to be paid down prior to the facilities' respective maturities if and when we receive principal payments on, or sell, the investment collateral that we have pledged. The amount reflected in each period includes principal repayments on our credit facilities that would be required if (i) we received the repayments that we expect to receive on the investments that have been pledged as collateral under the credit facilities, as applicable, and (ii) the credit facilities that are expected to have amounts outstanding at their current maturity dates are extended where extension options are available to us (amounts in thousands):

	Repurchase Agreements	Other Secured Financing	Total
2017	$ 655,791	$ 25,689	$ 681,480
2018	622,858	53,889	676,747
2019	593,184	39,726	632,910
2020	439,752	322,578	762,330
2021	81,456	315,575	397,031
Thereafter	83,236	963,484	1,046,720
Total	$ 2,476,277	$ 1,720,941	$ 4,197,218

Secured financing maturities for 2017 primarily relate to $285.2 million on the MBS Repo 3 facility, $142.9 million on the Lender 1 Repo 1 facility and $109.5 million on the MBS Repo 2 facility.

For the years ended December 31, 2016, 2015 and 2014, approximately $16.2 million, $14.2 million and $11.3 million, respectively, of amortization of deferred financing costs from secured financing agreements was included in interest expense on our consolidated statements of operations.

The following table sets forth our outstanding balance of repurchase agreements related to the following asset collateral classes as of December 31, 2016 and 2015 (amounts in thousands):

	As of December 31,	
	2016	2015
Loans held-for-investment	$ 1,890,925	$ 2,142,198
Loans held-for-sale	34,024	146,782
Investment securities	551,328	366,284
	$ 2,476,277	$ 2,655,264

We seek to mitigate risks associated with our repurchase agreements by managing risk related to the credit quality of our assets, interest rates, liquidity, prepayment speeds and market value. The margin call provisions under the majority of our repurchase facilities, consisting of 41% of these agreements, do not permit valuation adjustments based on capital markets activity. Instead, margin calls on these facilities are limited to collateral-specific credit

marks. To monitor credit risk associated with the performance and value of our loans and investments, our asset management team regularly reviews our investment portfolios and is in regular contact with our borrowers, monitoring performance of the collateral and enforcing our rights as necessary. For repurchase agreements containing margin call provisions for general capital markets activity, approximately 18% of these pertain to our loans held-for-sale, for which we manage credit risk through the purchase of credit index instruments. We further seek to manage risks associated with our repurchase agreements by matching the maturities and interest rate characteristics of our loans with the related repurchase agreements.

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11. Unsecured Senior Notes

The following table is a summary of our unsecured senior notes outstanding as of December 31, 2016 and 2015 (dollars in thousands):

	Coupon Rate	Effective Rate (1)	Maturity Date	Remaining Period of Amortization	Carrying Value at December 31, 2016	2015
2017 Convertible Notes	3.75 %	5.86 %	10/15/2017	0.8 years	$ 411,885	$ 431,250
2018 Convertible Notes	4.55 %	6.10 %	3/1/2018	1.2 years	599,981	599,981
2019 Convertible Notes	4.00 %	5.35 %	1/15/2019	2.0 years	341,363	341,363
2021 Senior Notes	5.00 %	5.32 %	12/15/2021	5.0 years	700,000	—
Total principal amount					2,053,229	1,372,594
Unamortized discount—Convertible Notes					(26,135)	(47,351)
Unamortized discount—Senior Notes					(9,728)	—
Unamortized deferred financing costs					(5,822)	(1,448)
Carrying amount of debt components					$ 2,011,544	$ 1,323,795
Carrying amount of conversion option equity components recorded in additional paid-in capital					$ 45,988	$ 46,343

(1) Effective rate includes the effects of underwriter purchase discount and the adjustment for the conversion option on our convertible notes, the value of which reduced the initial liability and was recorded in additional paid in capital.

Senior Notes Due 2021

On December 16, 2016, we issued $700.0 million of 5.00% Senior Notes due 2021 (the “2021 Notes”). The 2021 Notes mature on December 15, 2021. Prior to September 15, 2021, we may redeem some or all of the 2021 Notes at a price equal to 100% of the principal amount thereof, plus the applicable “make-whole” premium as of the applicable date of redemption. On and after September 15, 2021, we may redeem some or all of the 2021 Notes at a price equal to 100% of the principal amount thereof. In addition, we may redeem up to 35% of the 2021 Notes at the applicable redemption prices using the proceeds of certain equity offerings.

Convertible Senior Notes

On October 8, 2014, we issued $431.3 million of 3.75% Convertible Senior Notes due 2017 (the “2017 Notes”). On February 15, 2013, we issued $600.0 million of 4.55% Convertible Senior Notes due 2018 (the “2018 Notes”). On July 3, 2013, we issued $460.0 million of 4.00% Convertible Senior Notes due 2019 (the “2019 Notes”). We recognized

interest expense of $57.1 million, $58.0 million and $49.4 million during the years ended December 31, 2016, 2015 and 2014, respectively, from our unsecured convertible senior notes (collectively, the “Convertible Notes”). The following table details the conversion attributes of our Convertible Notes outstanding as of December 31, 2016 (amounts in thousands, except rates):

	December 31, 2016		Conversion Spread Value - Shares (3) For the Year Ended December 31,		
	Conversion Rate (1)	Conversion Price (2)	2016	2015	2014
2017 Notes	41.7397	$ 23.96	—	—	—
2018 Notes	47.2712	$ 21.15	1,097	—	1,221
2019 Notes	49.9717	$ 20.01	1,600	97	2,211
			2,697	97	3,432

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(1) The conversion rate represents the number of shares of common stock issuable per $1,000 principal amount of Convertible Notes converted, as adjusted in accordance with the indentures governing the Convertible Notes (including the applicable supplemental indentures) as a result of the spin-off of our former SFR segment to our stockholders in January 2014 and cash dividend payments.

(2) As of December 31, 2016, 2015 and 2014, the market price of the Company's common stock was $21.95, $20.56 and $23.24 per share, respectively.

(3) The conversion spread value represents the portion of the convertible senior notes that are "in-the-money", representing the value that would be delivered to investors in shares upon an assumed conversion.

The if-converted value of the 2018 Notes and 2019 Notes exceeded their principal amount by $22.7 million and $33.1 million, respectively, at December 31, 2016 since the closing market price of the Company's common stock of $21.95 per share exceeded the implicit conversion prices of $21.15 and $20.01 per share, respectively. However, the if converted value of the 2017 Notes was less than its principal amount by $34.6 million at December 31, 2016 since the closing market price of the Company's common stock was less than the implicit conversion price of $23.96.

The Company has asserted its intent and ability to settle the principal amount of the Convertible Notes in cash. As such, only the conversion spread value, if any, is included in the computation of diluted EPS.

Under the repurchase program approved by our board of directors (refer to Note 17), we repurchased $19.4 million aggregate principal amount of our 2017 Notes during the year ended December 31, 2016 and $118.6 million aggregate principal amount of our 2019 Notes during the year ended December 31, 2015 for $19.9 million and $136.3 million, respectively, plus transaction expenses of $0.1 million during the year ended December 31, 2015. The repurchase price was allocated between the fair value of the liability component and the fair value of the equity component of the convertible security. The portion of the repurchase price attributable to the equity component totaled $0.4 million and $17.7 million, respectively, and was recognized as a reduction of additional paid-in capital during the years ended December 31, 2016 and 2015. The remaining repurchase price was attributable to the liability component. The difference between this amount and the net carrying amount of the liability and debt issuance costs was reflected as a loss on extinguishment of debt in our consolidated statement of operations. For the years ended December 31, 2016 and 2015, the loss on extinguishment of debt totaled $0.6 million and $5.9 million, respectively, consisting principally of the write-off of unamortized debt discount. There were no repurchases of Convertible Notes during the year ended December 31, 2014.

Conditions for Conversion

Prior to April 15, 2017 for the 2017 Notes, September 1, 2017 for the 2018 Notes and July 15, 2018 for the 2019 Notes, the Convertible Notes will be convertible only upon satisfaction of one or more of the following conditions:

(1) the closing market price of the Company's common stock is at least 110%, in the case of the 2017 Notes, or 130%, in the case of the 2018 Notes and the 2019 Notes, of the conversion price of the respective Convertible Notes for at least 20 out of 30 trading days prior to the end of the preceding fiscal quarter, (2) the trading price of the Convertible Notes is less than 98% of the product of (i) the conversion rate and (ii) the closing price of the Company's common stock during any five consecutive trading day period, (3) the Company issues certain equity instruments at less than the 10 day average closing market price of its common stock or the per share value of certain distributions exceeds the market price of the Company's common stock by more than 10% or (4) other specified corporate events (significant consolidation, sale, merger, share exchange, fundamental change, etc.) occur.

On or after April 15, 2017, in the case of the 2017 Notes, September 1, 2017, in the case of the 2018 Notes, and July 15, 2018, in the case of the 2019 Notes, holders may convert each of their Convertible Notes at the applicable conversion rate at any time prior to the close of business on the second scheduled trading day immediately preceding the maturity date.

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12. Loan Securitization/Sale Activities

As described below, we regularly sell loans and notes under various strategies. We evaluate such sales as to whether they meet the criteria for treatment as a sale—legal isolation, ability of transferee to pledge or exchange the transferred assets without constraint, and transfer of control.

Within the Investing and Servicing Segment, we originate commercial mortgage loans with the intent to sell these mortgage loans to VIEs for the purposes of securitization. These VIEs then issue CMBS that are collateralized in part by these assets, as well as other assets transferred to the VIE. In certain instances, we retain a subordinated interest in the VIE and serve as special servicer for the VIE. The following summarizes the fair value and par value of loans sold from our conduit platform, as well as the amount of sale proceeds used in part to repay the outstanding balance of the repurchase agreements associated with these loans for the years ended December 31, 2016, 2015 and 2014 (amounts in thousands):

	For the Year Ended December 31,		
	2016	2015	2014
Fair value of loans sold	$ 1,884,380	$ 2,100,216	$ 1,670,522
Par value of loans sold	1,798,215	2,034,773	1,603,807
Repayment of repurchase agreements	1,170,230	1,548,111	1,196,778

Within the Lending Segment, we originate or acquire loans and then subsequently sell a portion, which can be in various forms including first mortgages, A Notes, senior participations and mezzanine loans. Typically, our motivation for entering into these transactions is to effectively create leverage on the subordinated position that we will retain and hold for investment. In certain instances, we continue to service the loan following its sale. The following table summarizes our loans sold and loans transferred as secured borrowings by the Lending Segment net of expenses (amounts in thousands):

	Loan Transfers Accounted for as Sales		Loan Transfers Accounted for as Secured Borrowings	
For the Year Ended December 31,	Face Amount	Proceeds	Face Amount	Proceeds
2016	$ 386,389	$ 382,881	$ —	$ —
2015	645,425	637,124	38,925	38,925
2014	510,539	501,988	—	—

During the years ended December 31, 2016, 2015 and 2014, the Lending Segment recognized gains on sales of loans of $0.4 million, $4.8 million and $1.2 million, respectively, within gain on sale of investments and other assets in our consolidated statements of operations.

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13. Derivatives and Hedging Activity

Risk Management Objective of Using Derivatives

We are exposed to certain risks arising from both our business operations and economic conditions. We principally manage our exposures to a wide variety of business and operational risks through management of our core business activities. We manage economic risks, including interest rate, foreign exchange, liquidity, and credit risk primarily by managing the amount, sources, and duration of our debt funding and the use of derivative financial instruments. Specifically, we enter into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates, credit spreads, and foreign exchange rates. Our derivative financial instruments are used to manage differences in the amount, timing, and duration of the known or expected cash receipts and known or expected cash payments principally related to our investments, anticipated level of loan sales, and borrowings.

Designated Hedges

Our objective in using interest rate derivatives is to manage our exposure to interest rate movements. To accomplish this objective, we primarily use interest rate swaps as part of our interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for us making fixed rate payments over the life of the agreements without exchange of the underlying notional amount.

In connection with our repurchase agreements, we have entered into six outstanding interest rate swaps that have been designated as cash flow hedges of the interest rate risk associated with forecasted interest payments. As of December 31, 2016, the aggregate notional amount of our interest rate swaps designated as cash flow hedges of interest rate risk totaled $55.6 million. Under these agreements, we will pay fixed monthly coupons at fixed rates ranging from 0.60% to 1.52% of the notional amount to the counterparty and receive floating rate LIBOR. Our interest rate swaps designated as cash flow hedges of interest rate risk have maturities ranging from August 2017 to May 2021.

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in AOCI and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. During the years ended December 31, 2016, 2015 and 2014, we did not recognize any hedge ineffectiveness in earnings.

Amounts reported in AOCI related to derivatives will be reclassified to interest expense as interest payments are made on the associated variable rate debt. Over the next 12 months, we estimate that an immaterial amount will be reclassified as an increase to interest expense. We are hedging our exposure to the variability in future cash flows for forecasted transactions over a maximum period of 53 months.

Non designated Hedges

Derivatives not designated as hedges are derivatives that do not meet the criteria for hedge accounting under GAAP or which we have not elected to designate as hedges. We do not use these derivatives for speculative purposes but instead they are used to manage our exposure to foreign exchange rates, interest rate changes and certain credit spreads. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in gain (loss) on derivative financial instruments in our consolidated statements of operations.

We have entered into a series of forward contracts whereby we agreed to sell an amount of foreign currency for an agreed upon amount of USD at various dates through July 2020. These forward contracts were entered into to economically fix the USD amounts of foreign denominated cash flows expected to be received by us related to certain foreign denominated loan investments and properties.

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The following table summarizes our non-designated foreign exchange (“Fx”) forwards, interest rate swaps, interest rate caps and credit index instruments as of December 31, 2016 (notional amounts in thousands):

Type of Derivative	Number of Contracts	Aggregate Notional Amount	Notional Currency	Maturity
Fx contracts – Sell Danish Krone ("DKK")	1	5,960	DKK	September 2017
Fx contracts – Sell Euros ("EUR") (1)	59	297,128	EUR	February 2017 – June 2020
Fx contracts – Sell Pounds Sterling ("GBP")	163	266,402	GBP	January 2017 – July 2020
Fx contracts – Sell Norwegian Krone ("NOK")	1	836	NOK	September 2017
Fx contracts – Sell Swedish Krona ("SEK")	1	1,317	SEK	September 2017
Interest rate swaps – Paying fixed rates	24	705,955	USD	April 2019 – January 2027
Interest rate swaps – Receiving fixed rates	1	8,000	USD	July 2017
Interest rate caps	2	294,000	EUR	May 2020
Interest rate caps	6	52,210	USD	June 2018 – October 2021
Credit index instruments	4	14,000	USD	September 2058
Total	262			

(1) Includes 42 Fx contracts entered into to hedge our Euro currency exposure created by our acquisition of the Ireland Portfolio. As of December 31, 2016, these contracts have an aggregate notional amount of €239.3 million and varying maturities through June 2020.

The table below presents the fair value of our derivative financial instruments as well as their classification on the consolidated balance sheets as of December 31, 2016 and 2015 (amounts in thousands):

	Fair Value of Derivatives in an Asset Position (1) as of December 31,		Fair Value of Derivatives in a Liability Position (2) as of December 31,	
	2016	2015	2016	2015
Derivatives designated as hedging instruments:				
Interest rate swaps	$ 30	$ 57	$ 56	$ 122
Total derivatives designated as hedging instruments	30	57	56	122
Derivatives not designated as hedging instruments:				
Interest rate swaps and caps	26,591	2,360	3,484	4,970
Foreign exchange contracts	62,295	41,137	364	104
Credit index instruments	445	1,537	—	—
Total derivatives not designated as hedging instruments	89,331	45,034	3,848	5,074

Total derivatives	$ 89,361	$ 45,091	$ 3,904	$ 5,196

(1) Classified as derivative assets in our consolidated balance sheets.

(2) Classified as derivative liabilities in our consolidated balance sheets.

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The tables below present the effect of our derivative financial instruments on the consolidated statements of operations and of comprehensive income for the years ended December 31, 2016, 2015 and 2014 (amounts in thousands):

Derivatives Designated as Hedging Instruments For the Three Months Ended December 31,	Gain (Loss) Recognized in OCI (effective portion)	Gain (Loss) Reclassified from AOCI into Income (effective portion)	Gain (Loss) Recognized in Income (ineffective portion)	Location of Gain (Loss) Recognized in Income
2016	$ (284)	$ (323)	$ —	Interest expense
2015	$ (709)	$ (741)	$ —	Interest expense
2014	$ (865)	$ (1,372)	$ —	Interest expense

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income	Amount of Gain (Loss) Recognized in Income for the Year Ended December 31, 2016	2015	2014
Interest rate swaps and caps	Gain on derivative financial instruments	$ 21,741	$ (22,675)	$ (15,662)
Foreign exchange contracts	Gain on derivative financial instruments	51,818	44,089	37,207
Credit index instruments	Gain on derivative financial instruments	(2,825)	184	(1,094)
		$ 70,734	$ 21,598	$ 20,451

14. Offsetting Assets and Liabilities

The following tables present the potential effects of netting arrangements on our financial position for financial assets and liabilities within the scope of ASC 210 20, Balance Sheet—Offsetting, which for us are derivative assets and liabilities as well as repurchase agreement liabilities (amounts in thousands):

(ii)	(iii) = (i) - (ii)	(iv) Gross Amounts Not Offset in the Statement of Financial Position

	(i) Gross Amounts Recognized	Gross Amounts Offset in the Statement of Financial Position	Net Amounts Presented in the Statement of Financial Position	Financial Instruments	Cash Collateral Received / Pledged	(v) = (iii) - (iv) Net Amount
As of December 31, 2016						
Derivative assets	$ 89,361	$ —	$ 89,361	$ 491	$ —	$ 88,870
Derivative liabilities	$ 3,904	$ —	$ 3,904	$ 491	$ 3,413	$ —
Repurchase agreements	2,476,277	—	2,476,277	2,476,277	—	—
	$ 2,480,181	$ —	$ 2,480,181	$ 2,476,768	$ 3,413	$ —
As of December 31, 2015						
Derivative assets	$ 45,091	$ —	$ 45,091	$ 243	$ —	$ 44,848
Derivative liabilities	$ 5,196	$ —	$ 5,196	$ 243	$ 4,953	$ —
Repurchase agreements	2,655,264	—	2,655,264	2,655,264	—	—
	$ 2,660,460	$ —	$ 2,660,460	$ 2,655,507	$ 4,953	$ —

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15. Variable Interest Entities

Investment Securities

As discussed in Note 2, we evaluate all of our investments and other interests in entities for consolidation, including our investments in CMBS and our retained interests in securitization transactions we initiated, all of which are generally considered to be variable interests in VIEs.

Securitization VIEs consolidated in accordance with ASC 810 are structured as pass through entities that receive principal and interest on the underlying collateral and distribute those payments to the certificate holders. The assets and other instruments held by these securitization entities are restricted and can only be used to fulfill the obligations of the entity. Additionally, the obligations of the securitization entities do not have any recourse to the general credit of any other consolidated entities, nor to us as the primary beneficiary. The VIE liabilities initially represent investment securities on our balance sheet (pre consolidation). Upon consolidation of these VIEs, our associated investment securities are eliminated, as is the interest income related to those securities. Similarly, the fees we earn in our roles as special servicer of the bonds issued by the consolidated VIEs or as collateral administrator of the consolidated VIEs are also eliminated. Finally, an allocable portion of the identified servicing intangible associated with the eliminated fee streams is eliminated in consolidation.

VIEs in which we are the Primary Beneficiary

As discussed in Note 2, our implementation of ASU 2015-02 resulted in the consolidation of certain CMBS trusts where the right to remove the Company as special servicer was not exercisable without cause. These 14 trusts had $15.1 billion of VIE assets and $15.1 billion of VIE liabilities as of March 31, 2016. The carrying value of our CMBS investments in these 14 trusts, totaling $120.9 million, was eliminated in consolidation against VIE liabilities as of March 31, 2016.

The inclusion of the assets and liabilities of securitization VIEs in which we are deemed the primary beneficiary has no economic effect on us. Our exposure to the obligations of securitization VIEs is generally limited to our investment in these entities. We are not obligated to provide, nor have we provided, any financial support for any of these consolidated structures.

As discussed in Note 2, our implementation of ASU 2015-02 resulted in the determination that certain entities in which we hold controlling interests, which were already consolidated prior to the implementation of ASU 2015-02, are now considered VIEs. We are the primary beneficiaries of these VIEs, which were established to facilitate the purchase of certain properties acquired with third party minority interest partners, as we possess both the power to direct the activities of the VIEs that most significantly impact their economic performance and hold significant economic interests. These VIEs had assets of $184.5 million and liabilities of $110.1 million as of December 31, 2016.

VIEs in which we are not the Primary Beneficiary

In certain instances, we hold a variable interest in a VIE in the form of CMBS, but either (i) we are not appointed, or do not serve as, special servicer or (ii) an unrelated third party has the rights to unilaterally remove us as special servicer without cause. In these instances, we do not have the power to direct activities that most significantly impact

the VIE's economic performance. In other cases, the variable interest we hold does not obligate us to absorb losses or provide us with the right to receive benefits from the VIE which could potentially be significant. For these structures, we are not deemed to be the primary beneficiary of the VIE, and we do not consolidate these VIEs.

As of December 31, 2016, one of our CDO structures was in default, which pursuant to the underlying indentures, changes the rights of the variable interest holders. Upon default of a CDO, the trustee or senior note holders are allowed to exercise certain rights, including liquidation of the collateral, which at that time, is the activity which would most significantly impact the CDO's economic performance. Further, when the CDO is in default, the collateral administrator no longer has the option to purchase securities from the CDO. In cases where the CDO is in default and we

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do not have the ability to exercise rights which would most significantly impact the CDO's economic performance, we do not consolidate the VIE. As of December 31, 2016, this CDO structure was not consolidated.

As noted above, we are not obligated to provide, nor have we provided, any financial support for any of our securitization VIEs, whether or not we are deemed to be the primary beneficiary. As such, the risk associated with our involvement in these VIEs is limited to the carrying value of our investment in the entity. As of December 31, 2016, our maximum risk of loss related to securitization VIEs in which we were not the primary beneficiary was $31.5 million on a fair value basis.

As of December 31, 2016, the securitization VIEs which we do not consolidate had debt obligations to beneficial interest holders with unpaid principal balances of $13.1 billion. The corresponding assets are comprised primarily of commercial mortgage loans with unpaid principal balances corresponding to the amounts of the outstanding debt obligations.

As discussed in Note 2, our implementation of ASU 2015-02 resulted in the determination that certain unconsolidated entities in which we hold passive non-controlling interests are now considered VIEs. We are not the primary beneficiaries of these VIEs as we do not possess the power to direct the activities of the VIEs that most significantly impact their economic performance and therefore continue to report our interests, which totaled $134.2 million as of December 31, 2016, within investment in unconsolidated entities on our consolidated balance sheet. Our maximum risk of loss is limited to our carrying value of the investments of $134.2 million plus $25.7 million of unfunded commitments related to one of these VIEs.

16. Related Party Transactions

Management Agreement

We are party to a management agreement (the "Management Agreement") with our Manager. Under the Management Agreement, our Manager, subject to the oversight of our board of directors, is required to manage our day to day activities, for which our Manager receives a base management fee and is eligible for an incentive fee and stock awards. Our Manager's personnel perform certain due diligence, legal, management and other services that outside professionals or consultants would otherwise perform. As such, in accordance with the terms of our Management Agreement, our Manager is paid or reimbursed for the documented costs of performing such tasks, provided that such costs and reimbursements are in amounts no greater than those which would be payable to outside professionals or consultants engaged to perform such services pursuant to agreements negotiated on an arm's-length basis.

Base Management Fee. The base management fee is 1.5% of our stockholders' equity per annum and calculated and payable quarterly in arrears in cash. For purposes of calculating the management fee, our stockholders' equity means: (a) the sum of (1) the net proceeds from all issuances of our equity securities since inception (allocated on a pro rata daily basis for such issuances during the fiscal quarter of any such issuance), plus (2) our retained earnings at the end of the most recently completed calendar quarter (without taking into account any non cash equity compensation expense incurred in current or prior periods), less (b) any amount that we pay to repurchase our common stock since inception. It also excludes (1) any unrealized gains and losses and other non cash items that have impacted stockholders' equity as reported in our financial statements prepared in accordance with GAAP, and (2) one time events

pursuant to changes in GAAP, and certain non cash items not otherwise described above, in each case after discussions between our Manager and our independent directors and approval by a majority of our independent directors. As a result, our stockholders' equity, for purposes of calculating the management fee, could be greater or less than the amount of stockholders' equity shown in our consolidated financial statements.

For the years ended December 31, 2016, 2015 and 2014, approximately $61.0 million, $59.2 million and $54.5 million, respectively, was incurred for base management fees. As of December 31, 2016 and 2015, there were $15.7 million and $15.2 million, respectively, of unpaid base management fees included in the related-party payable in our consolidated balance sheets.

Incentive Fee. Our Manager is entitled to be paid the incentive fee described below with respect to each calendar quarter if (1) our Core Earnings (as defined below) for the previous 12 month period exceeds an 8% threshold, and (2) our Core Earnings for the 12 most recently completed calendar quarters is greater than zero.

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On December 4, 2014, our board of directors authorized an amendment to our Management Agreement to adjust the calculation of the incentive fee for the spin-off of SWAY (the "Amendment"). The Amendment provides that on and after January 31, 2014, the date of the SWAY spin-off, the computation of the weighted average issue price per share of the common stock shall be decreased to give effect to the book value per share on January 31, 2014 of the assets of SWAY, and the computation of the average number of shares of common stock outstanding shall be decreased by the weighted-average number of shares of SWAY distributed in the spin-off. The Amendment results in an increase to the incentive fee of $18.0 million for the year ended December 31, 2014, which is recognized within management fee expense in our consolidated statement of operations.

After giving effect to the Amendment, the incentive fee is calculated as follows: an amount, not less than zero, equal to the difference between (1) the product of (x) 20% and (y) the difference between (i) our Core Earnings for the previous 12 month period, and (ii) the product of (A) the weighted average of the issue price per share of our common stock of all of our public offerings as decreased for the spin-off of SWAY multiplied by the weighted average number of all shares of common stock outstanding (including any RSUs, any RSAs and other shares of common stock underlying awards granted under our equity incentive plans) in such previous 12 month period as decreased for the spin-off of SWAY, and (B) 8%, and (2) the sum of any incentive fee paid to our Manager with respect to the first three calendar quarters of such previous 12 month period. One half of each quarterly installment of the incentive fee is payable in shares of our common stock so long as the ownership of such additional number of shares by our Manager would not violate the 9.8% stock ownership limit set forth in our charter, after giving effect to any waiver from such limit that our board of directors may grant in the future. The remainder of the incentive fee is payable in cash. The number of shares to be issued to our Manager is equal to the dollar amount of the portion of the quarterly installment of the incentive fee payable in shares divided by the average of the closing prices of our common stock on the NYSE for the five trading days prior to the date on which such quarterly installment is paid.

Core Earnings is a non-GAAP financial measure. We calculate Core Earnings as GAAP net income (loss) excluding non-cash equity compensation expense, the incentive fee, depreciation and amortization of real estate and associated intangibles, acquisition costs associated with successful acquisitions and any unrealized gains, losses or other non-cash items recorded in net income for the period, regardless of whether such items are included in OCI, or in net income. The amount is adjusted to exclude one-time events pursuant to changes in GAAP and certain other non-cash adjustments as determined by our Manager and approved by a majority of our independent directors.

For the years ended December 31, 2016, 2015 and 2014, approximately $32.8 million, $37.7 million and $34.4 million, respectively, was incurred for incentive fees. As of December 31, 2016 and 2015, approximately $19.0 million and $21.8 million, respectively, of unpaid incentive fees were included in related party payable in our consolidated balance sheets.

Expense Reimbursement. We are required to reimburse our Manager for operating expenses incurred by our Manager on our behalf. In addition, pursuant to the terms of the Management Agreement, we are required to reimburse our Manager for the cost of legal, tax, consulting, accounting and other similar services rendered for us by our Manager's personnel provided that such costs are no greater than those that would be payable if the services were provided by an independent third party. The expense reimbursement is not subject to any dollar limitations but is subject to review by our independent directors. For the years ended December 31, 2016, 2015 and 2014, approximately $5.6 million, $7.0 million and $8.1 million, respectively, was incurred for executive compensation and other reimbursable expenses and recognized within general and administrative expenses in our consolidated statements of operations. As of December 31, 2016 and 2015, approximately $3.0 million and $3.6 million, respectively, of unpaid reimbursable executive compensation and other expenses were included in related party payable in our consolidated balance sheets.

Equity Awards. In certain instances, we issue RSAs to certain employees of affiliates of our Manager who perform services for us. For the years ended December 31, 2016, 2015 and 2014, we granted 169,104, 108,727 and 8,296 RSAs, respectively, at grant date fair values of $3.3 million, $2.6 million and $0.2 million, respectively. Expenses related to the vesting of awards to employees of affiliates of our Manager were $2.2 million, $0.8 million and $0.1 million, respectively, for the years ended December 31, 2016, 2015 and 2014 and are reflected in general and administrative expenses in our consolidated statements of operations. These shares generally vest over a three-year period.

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Termination Fee. We can terminate the Management Agreement without cause, as defined in the Management Agreement, with an affirmative two-thirds vote by our independent directors and 180 days written notice to our Manager. Upon termination without cause, our Manager is due a termination fee equal to three times the sum of the average annual base management fee and incentive fee earned by our Manager over the preceding eight calendar quarters. No termination fee is payable if our Manager is terminated for cause, as defined in the Management Agreement, which can be done at any time with 30 days written notice from our board of directors.

Manager Equity Plan

In May 2015, we granted 675,000 RSUs to our Manager under the Starwood Property Trust, Inc. Manager Equity Plan ("Manager Equity Plan"). In January 2014, we granted 2,489,281 RSUs to our Manager under the Manager Equity Plan. In connection with these grants and prior similar grants, we recognized share-based compensation expense of $21.5 million, $26.6 million and $26.5 million within management fees in our consolidated statements of operations for the years ended December 31, 2016, 2015 and 2014, respectively. Refer to Note 17 herein for further discussion of these grants.

Investments in Loans and Securities

In June 2016, we co-originated a £75.0 million first mortgage for the development of a three-property mixed use portfolio located in Greater London with SEREF, an affiliate of our Manager. We originated £60.0 million of the loan and SEREF originated £15.0 million. The loan matures in June 2019.

In December 2013, we acquired a subordinate CMBS investment in a securitization issued by an affiliate of our Manager. The security was acquired for $84.1 million and is secured by five regional malls in Ohio, California and Washington. In January 2016, we acquired an additional $9.7 million of this subordinate CMBS investment.

In March 2015, we purchased a subordinate single-borrower CMBS from a third party for $58.6 million which is secured by 85 U.S. hotel properties. The borrower is an affiliate of Starwood Distressed Opportunity Fund IX ("Fund IX"), an affiliate of our Manager.

In March 2015, we sold our entire interest, consisting of a $35 million participation, in a subordinate loan (the "Mammoth Loan") at par to Mammoth Mezz Holdings, LLC, an affiliate of our Manager. We purchased the Mammoth Loan in April 2011 from an independent third party and a syndicate of financial institutions and other entities acting as subordinate lenders to Mammoth Mountain Ski Area, LLC ("Mammoth"). Mammoth is a single purpose, bankruptcy remote entity that is owned and controlled by Starwood Global Opportunity Fund VII A, L.P., Starwood Global Opportunity Fund VII B, L.P., Starwood U.S. Opportunity Fund VII D, L.P. and Starwood U.S. Opportunity Fund VII D 2, L.P. (collectively, the "Sponsors"). Each of the Sponsors is indirectly wholly owned by Starwood Capital Group Global I, LLC and an affiliate of our Chief Executive Officer.

In January 2015, a junior mezzanine loan, which we co-originated with SEREF and an unaffiliated third party in 2012, was restructured to reduce both our and SEREF's participation interests and margin. Following the restructuring, we

held a participation interest in the junior mezzanine loan of £18 million, which paid interest at three-month LIBOR plus 8.81%. Prior to the restructure, our participation interest was £30.0 million and carried an interest rate of three-month LIBOR plus 11.65%. The junior mezzanine loan paid off in full in October 2015.

In December 2014, we co-originated a £200 million first mortgage for the acquisition of a 17-story office tower located in London with SEREF and other private funds, all affiliates of our Manager. We originated £138.3 million of the loan, SEREF provided £45.0 million and the private funds provided £16.7 million. The first mortgage loan was paid off in full in April 2016.

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In July 2014, we announced the co-origination of a £101.75 million first mortgage loan for the development of a 46-story residential tower and 18-story housing development containing a total of 366 private residential and affordable housing units located in London. We originated £86.75 million of the loan, and private funds managed by an affiliate of our Manager provided £15.0 million.

In July 2014, we co-originated a €99.0 million mortgage loan for the refinancing and refurbishment of a 239 key, full service hotel located in Amsterdam, Netherlands with SEREF and other private funds, both affiliates of our Manager. We originated €58.0 million of the loan, SEREF provided €25.0 million and the private funds provided €16.0 million. The first mortgage loan was paid off in full in July 2016.

In November 2013, we co originated a GBP denominated first mortgage loan with SEREF, which is secured by Centre Point, an iconic tower located in Central London, England. We funded £15 million of the initial £55 million funding and committed to future funding of £165 million. The A Note bears interest at 8.55% fixed and the B Note bears interest at three-month LIBOR plus 7.0%, unless the fixed rate option is elected. The loan was amended in December 2014, increasing the total commitment to £265.0 million and our future funding commitment to £195.0 million. The loan matures in December 2017.

In October 2013, we co-originated a GBP-denominated $467.2 million first mortgage loan with SEREF that is secured by the Heron Tower in London, England. The facility was advanced in October 2013 in a single utilization, with SEREF taking $29.2 million of the total advance. The first mortgage loan was paid off in full in April 2016.

In September 2013, we co originated a EUR denominated first mortgage loan with Starfin Lux S.a.r.l. (“Starfin”), an affiliate of our Manager. The loan had an initial funding of approximately $102.3 million ($53.8 million for us and $48.5 million for Starfin), and future funding commitments totaling $24.6 million, of which we committed to fund $12.9 million and Starfin committed to fund $11.7 million. The loan was secured by a portfolio of approximately 20 retail properties located throughout Finland. The first mortgage loan was paid off in full in April 2016.

In August 2013, we co originated GBP denominated first mortgage and mezzanine loans with Starfin. The loans were collateralized by a development of a 109 unit retirement community and a 30 key nursing home in Battersea Park, London, England. We and Starfin committed $11.3 million and $22.5 million, respectively, in aggregate for the two loans. The first mortgage and mezzanine loans were paid off in full in May 2016 and June 2016, respectively.

In April 2013, we purchased two B Notes for $146.7 million from entities substantially all of whose equity was owned by an affiliate of our Manager. The B Notes are secured by two Class A office buildings located in Austin, Texas. On May 17, 2013, we sold senior participation interests in the B Notes to a third party, generating $95.0 million in aggregate proceeds. We retained the subordinated interests. In October 2015, we sold one of the subordinated interests in the B-Notes to a third party, generating $29.2 million in aggregate proceeds.

In December 2012, we acquired 9,140,000 ordinary shares in SEREF, a debt fund that is externally managed by an affiliate of our Manager and is listed on the London Stock Exchange, for approximately $14.7 million, which equated to approximately 4% ownership of SEREF. As of December 31, 2016, our shares represent an approximate 2% interest in SEREF. Refer to Note 6 for additional details.

In October 2012, we co originated $475.0 million in financing for the acquisition and redevelopment of a 10-story retail building located at 701 Seventh Avenue in the Times Square area of Manhattan through a joint venture with Fund IX, an affiliate of our Manager. In January 2014, we refinanced the initial financing with an $815.0 million first mortgage and mezzanine financing to facilitate the further development of the property. Fund IX did not participate in the refinancing. As such, the joint venture distributed $31.6 million to Fund IX for the liquidation of Fund IX’s interest in the joint venture. The first mortgage and mezzanine financing paid off in full in November 2016.

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Investment in Unconsolidated Entities

In October 2014, we committed $150 million for a 33% equity interest in four regional shopping malls (the "Retail Fund"), of which $132.0 million was funded as of December 31, 2014. During the years ended December 31, 2016, 2015 and 2014, we recognized $9.7 million, $10.1 million and $2.2 million of income from the Retail Fund, respectively, and received net distributions of $7.2 million, $17.1 million and $4.7 million, respectively, which reduced our carrying value to $125.0 million as of December 31, 2016. The Retail Fund was established for the purpose of acquiring and operating four leading regional shopping malls located in Florida, Michigan, North Carolina and Virginia. All leasing services and asset management functions for the properties are conducted by an affiliate of our Manager which specializes in redeveloping, managing and repositioning retail real estate assets. In addition, another affiliate of our Manager serves as general partner of the Retail Fund. In consideration for its services, the general partner will earn incentive distributions that are payable once we, along with the other limited partners, receive 100% of our capital and a preferred return of 8%.

In April 2013, in connection with our acquisition of LNR, we acquired 50% of a joint venture which owns equity in an online real estate company. An affiliate of ours, Fund IX, owns the remaining 50% of the venture.

Acquisitions from Consolidated CMBS Trusts

Our Investing and Servicing Segment acquires interests in properties for its REO Portfolio from CMBS trusts, some of which are consolidated as VIEs on our balance sheet. Acquisitions from consolidated VIEs are reflected as repayment of debt of consolidated VIEs in our consolidated statements of cash flows. During the years ended December 31, 2016 and 2015, we acquired $136.9 million and $117.2 million, respectively, of net real estate assets from consolidated CMBS trusts for total purchase prices of $128.1 million and $117.2 million, respectively, and subsequently issued non-controlling interests of $6.5 million and $5.5 million, respectively. Also during the year ended December 31, 2016, a partnership in which we hold a 50% interest acquired a $28.4 million real estate asset from a CMBS trust for a purchase price of $19.0 million. Refer to Notes 3 and 8 for further discussion of these acquisitions.

Our Investing and Servicing Segment also acquires controlling interests in performing and non-performing commercial mortgage loans from CMBS trusts, some of which are consolidated as VIEs on our balance sheet. Acquisitions from consolidated VIEs are reflected as repayment of debt of consolidated VIEs in our consolidated statements of cash flows. During the year ended December 31, 2016, we acquired $36.6 million and $8.2 million of performing and non-performing loans, respectively, from consolidated CMBS trusts. During the year ended December 31, 2015, we acquired $14.5 million of non-performing loans from consolidated CMBS trusts. There were no performing loans acquired during the year ended December 31, 2015.

Other Related-Party Arrangements

During the year ended December 31, 2016, we established a co-investment fund which provides key personnel with the opportunity to invest in certain properties included in our REO Portfolio. These personnel include certain of our employees as well as employees of affiliates of our Manager (collectively, “Fund Participants”). The fund carries an aggregate commitment of $15.0 million and owns a 10% equity interest in REO Portfolio properties acquired subsequent to January 1, 2015. As of December 31, 2016, Fund Participants have funded $4.9 million of the capital commitment and it is our current expectation that there will be no additional funding of the commitment. The capital contributed by Fund Participants is reflected on our consolidated balance sheet as non-controlling interests in consolidated subsidiaries. In an effort to retain key personnel, the fund provides for disproportionate distributions which allows Fund Participants to earn an incremental 60% on all operating cash flows attributable to their capital account, net of a 5% preferred return to us as general partner of the fund. Amounts earned by Fund Participants pursuant to this waterfall are reflected within net income attributable to non-controlling interests in our consolidated statement of operations. During the year ended December 31, 2016, the non-controlling interests related to this fund recognized income of $0.8 million.

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17. Stockholders' Equity

The Company's authorized capital stock consists of 100,000,000 shares of preferred stock, $0.01 par value per share, and 500,000,000 shares of common stock, $0.01 par value per share.

We issued common stock in public offerings as follows during the years ended December 31, 2016, 2015 and 2014:

Issuance date	Shares issued (in thousands)	Price per share	Proceeds (in thousands)
12/9/16	20,470	$ 21.93	$ 448,825
4/20/15	13,800	23.63	326,142
4/11/14	25,300	22.32	564,695

In May 2014, we established the Starwood Property Trust, Inc. Dividend Reinvestment and Direct Stock Purchase Plan (the "DRIP Plan"), which provides stockholders with a means of purchasing additional shares of our common stock by reinvesting the cash dividends paid on our common stock and by making additional optional cash purchases. Shares of our common stock purchased under the DRIP Plan will either be issued directly by the Company or purchased in the open market by the plan administrator. The Company may issue up to 11 million shares of common stock under the DRIP Plan. During the years ended December 31, 2016, 2015 and 2014, shares issued under the DRIP Plan were not material.

In May 2014, we entered into an amended and restated At-The-Market Equity Offering Sales Agreement (the "ATM Agreement") with Merrill Lynch, Pierce, Fenner & Smith Incorporated to sell shares of the Company's common stock of up to $500.0 million from time to time, through an "at the market" equity offering program. Sales of shares under the ATM Agreement are made by means of ordinary brokers' transactions on the NYSE or otherwise at market prices prevailing at the time of sale or at negotiated prices. During the years ended December 31, 2016 and 2015, there were no shares issued under the ATM Agreement. During the year ended December 31, 2014, we issued 1.5 million shares under the ATM Agreement for gross proceeds of $36.2 million.

In September 2014, our board of directors authorized and announced the repurchase of up to $250 million of our outstanding common stock over a period of one year. Subsequent amendments to the repurchase program approved by our board of directors in December 2014, June 2015 and January 2016 resulted in the program being (i) amended to increase maximum repurchases to $500.0 million, (ii) expanded to allow for the repurchase of our outstanding Convertible Notes under the program and (iii) extended through January 2017. Purchases made pursuant to the program are made in either the open market or in privately negotiated transactions from time to time as permitted by federal securities laws and other legal requirements. The timing, manner, price and amount of any repurchases are discretionary and are subject to economic and market conditions, stock price, applicable legal requirements and other factors. The program may be suspended or discontinued at any time. Refer to Note 25 for a discussion of subsequent events associated with our repurchase program.

During the year ended December 31, 2016, we repurchased $19.4 million aggregate principal amount of our 2017 Notes for $19.9 million (refer to Note 11). Also during the year ended December 31, 2016, we repurchased 1,052,889 shares of common stock for $19.7 million under the repurchase program. During the year ended December 31, 2015, we repurchased $118.6 million aggregate principal amount of our 2019 Notes for $136.3 million. Also during the year ended December 31, 2015, we repurchased 2,340,246 shares of common stock for $48.7 million under the repurchase program. During the year ended December 31, 2014, we repurchased 587,900 shares of common stock for $13.0 million and no Convertible Notes under the repurchase program. As of December 31, 2016, we had $262.2 million of remaining capacity to repurchase common stock and/or Convertible Notes under the repurchase program.

Underwriting and offering costs for the years ended December 31, 2016, 2015 and 2014 were $0.8 million, $0.9 million and $1.5 million, respectively, and are reflected as a reduction of additional paid in capital in the consolidated statements of equity.

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Our board of directors declared the following dividends in 2016, 2015 and 2014:

Declaration Date	Record Date	Ex-Dividend Date	Payment Date	Amount	Frequency
11/2/16	12/30/16	12/28/16	1/13/17	$ 0.48	Quarterly
8/4/16	9/30/16	9/28/16	10/17/16	0.48	Quarterly
5/9/16	6/30/16	6/28/16	7/15/16	0.48	Quarterly
2/25/16	3/31/16	3/29/16	4/15/16	0.48	Quarterly
11/5/15	12/31/15	12/29/15	1/15/16	0.48	Quarterly
8/4/15	9/30/15	9/28/15	10/15/15	0.48	Quarterly
5/5/15	6/30/15	6/26/15	7/15/15	0.48	Quarterly
2/25/15	3/31/15	3/27/15	4/15/15	0.48	Quarterly
11/5/14	12/31/14	12/29/14	1/15/15	0.48	Quarterly
8/6/14	9/30/14	9/26/14	10/15/14	0.48	Quarterly
5/6/14	6/30/14	6/26/14	7/15/14	0.48	Quarterly
2/24/14	3/31/14	3/27/14	4/15/14	0.48	Quarterly

Equity Incentive Plans

The Company currently maintains the Manager Equity Plan, which provides for the grant of stock options, stock appreciation rights, RSAs, RSUs and other equity based awards, including dividend equivalents, to our Manager. The Company also maintains the Starwood Property Trust, Inc. Equity Plan (the “Equity Plan”), which provides for the same types of equity based awards to individuals who provide services to the Company, including employees of our Manager. As of December 31, 2016, the maximum number of shares that may be made subject to awards granted under either the Manager Equity Plan or the Equity Plan, determined on a combined basis, was 2,262,760 shares.

The Company also maintains the Starwood Property Trust, Inc. Non Executive Director Stock Plan (“Non Executive Director Stock Plan”), which provides for the issuance of restricted stock, RSUs and other equity based awards to non executive directors. The 100,000 previously authorized shares of common stock have all been issued and there are zero shares available for issuance as of December 31, 2016. During the year ended December 31, 2016, 2,572 shares of RSUs were contingently issued to non-executive directors, with such awards expressly conditioned on approval of an increase in shares under the Non-Executive Director Stock Plan.

To date, we have only granted RSAs and RSUs under the three equity incentive plans. The holders of awards of RSAs or RSUs are entitled to receive dividends or “distribution equivalents,” which generally will be payable at such time dividends are paid on our outstanding shares of common stock.

The table below summarizes our share awards granted or vested under the Manager Equity Plan during the years ended December 31, 2016, 2015 and 2014 (dollar amounts in thousands):

Grant Date	Type	Amount Granted	Grant Date Fair Value	Vesting Period

May 2015	RSU	675,000	$ 16,511	3 years
January 2014	RSU	489,281	14,776	3 years
January 2014	RSU	2,000,000	55,420	3 years
October 2012	RSU	875,000	19,854	3 years

During the years ended December 31, 2016, 2015 and 2014, we granted 389,237, 576,408 and 162,458 RSAs, respectively, under the Equity Plan to a select group of eligible participants which includes our employees and employees of our Manager who perform services for us. We also granted 47,463 RSUs during the year ended December 31, 2016. The awards were granted based on the market price of the Company's common stock on the respective grant date and vest over a three-year period. Expenses related to the vesting of these awards are reflected in general and administrative expenses in our consolidated statements of operations. No RSUs were granted during the years ended December 31, 2015 and 2014.

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The following shares of common stock were issued, without restriction, to our Manager as part of the incentive compensation due under the Management Agreement:

Timing of Issuance	Shares of Common Stock Issued	Price per share
November 2016	144,093	$ 22.06
August 2016	65,211	21.99
May 2016	117,083	19.64
March 2016	606,166	18.02
November 2015	126,154	20.22
August 2015	95,696	21.82
May 2015	136,261	24.17
March 2015	387,299	24.39
November 2014	92,865	22.97
August 2014	86,328	23.49
May 2014	152,316	23.99
March 2014	138,288	23.92

The following table summarizes our share based compensation expenses during the years ended December 31, 2016, 2015 and 2014 (in thousands):

	For the year ended December 31,		
	2016	2015	2014
Management fees:			
Manager incentive fee	$ 16,423	$ 18,859	$ 17,258
Manager Equity Plan	21,484	26,625	26,498
	37,907	45,484	43,756
General and administrative:			
Non-Executive Director Stock Plan	435	360	294
Equity Plan	10,728	5,161	1,830
	11,163	5,521	2,124
Income tax effect	—	—	—
Total share-based compensation expense	$ 49,070	$ 51,005	$ 45,880

Schedule of Non Vested Shares and Share Equivalents

Non-Executive Director	Manager	Weighted Average Grant Date Fair Value

	Stock Plan	Equity Plan	Equity Plan	Total	(per share)
Balance as of January 1, 2016	16,988	548,378	1,302,850	1,868,216	$ 25.84
Granted	21,564	436,700	—	458,264	19.13
Vested	(20,764)	(410,905)	(1,021,600)	(1,453,269)	25.81
Forfeited	—	(52,837)	—	(52,837)	22.63
Balance as of December 31, 2016	17,788	521,336	281,250	820,374	22.34

The weighted average grant date fair value per share of grants during the years ended December 31, 2016, 2015 and 2014 was $19.13, $24.20 and $27.91, respectively.

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Vesting Schedule

	Non-Executive Director Stock Plan	Equity Plan	Manager Equity Plan	Total
2017	17,788	314,111	225,000	556,899
2018	—	131,914	56,250	188,164
2019	—	75,311	—	75,311
Total	17,788	521,336	281,250	820,374

As of December 31, 2016, there was approximately $13.2 million of total unrecognized compensation costs related to unvested share based compensation arrangements which are expected to be recognized over a weighted average period of 0.9 years. The total fair value of shares vested during the years ended December 31, 2016, 2015 and 2014 were $30.2 million, $28.3 million and $28.6 million, respectively, as of the respective vesting dates.

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18. Earnings per Share

The following table provides a reconciliation of net income from continuing operations and the number of shares of common stock used in the computation of basic EPS and diluted EPS (amounts in thousands, except per share amounts):

	For the Year Ended December 31,		
	2016	2015	2014
Basic Earnings			
Continuing Operations:			
Income from continuing operations attributable to STWD common stockholders	$ 365,186	$ 450,697	$ 496,572
Less: Income attributable to participating shares	(2,053)	(3,434)	(5,579)
Basic — Income from continuing operations	$ 363,133	$ 447,263	$ 490,993
Discontinued Operations:			
Loss from discontinued operations	$ —	$ —	$ (1,551)
Basic — Net income attributable to STWD common stockholders after allocation to participating shares	$ 363,133	$ 447,263	$ 489,442
Diluted Earnings			
Continuing Operations:			
Basic — Income from continuing operations attributable to STWD common stockholders	$ 365,186	$ 450,697	$ 496,572
Less: Income attributable to participating shares	(2,053)	(3,434)	(5,579)
Add: Undistributed earnings to participating shares	—	—	918
Less: Undistributed earnings reallocated to participating shares	—	—	(902)
Diluted — Income from continuing operations	$ 363,133	$ 447,263	$ 491,009
Discontinued Operations:			
Basic — Loss from discontinued operations	$ —	$ —	$ (1,551)
Diluted — Net income attributable to STWD common stockholders after allocation to participating shares	$ 363,133	$ 447,263	$ 489,458
Number of Shares:			
Basic — Average shares outstanding	238,529	233,419	214,945
Effect of dilutive securities — Convertible Notes	2,697	97	3,432
Effect of dilutive securities — Contingently issuable shares	473	524	404
Effect of dilutive securities — Unvested non-participating shares	95	102	—
Diluted — Average shares outstanding	241,794	234,142	218,781
Earnings Per Share Attributable to STWD Common Stockholders:			
Basic:			
Income from continuing operations	$ 1.52	$ 1.92	$ 2.29
Loss from discontinued operations	—	—	(0.01)
Net income	$ 1.52	$ 1.92	$ 2.28
Diluted:			

Income from continuing operations	$ 1.50	$ 1.91	$ 2.25
Loss from discontinued operations	—	—	(0.01)
Net income	$ 1.50	$ 1.91	$ 2.24

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As of December 31, 2016, 2015 and 2014, participating shares of 0.6 million, 1.5 million and 2.0 million, respectively, were excluded from the computation of diluted shares as their effect was already considered under the more dilutive two-class method used above.

Also as of December 31, 2016, there were 62.6 million potential shares of common stock contingently issuable upon the conversion of the Convertible Notes. The Company has asserted its intent and ability to settle the principal amount of the Convertible Notes in cash. As a result, this principal amount, representing 59.9 million shares at December 31, 2016, was not included in the computation of diluted EPS. However, as discussed in Note 11, the conversion options associated with the 2018 Notes and 2019 Notes are "in-the-money" as the if-converted values exceeded their principal amounts by $22.7 million and $33.1 million, respectively, at December 31, 2016. The dilutive effect to EPS is determined by dividing this "conversion spread value" by the average share price. The "conversion spread value" is the value that would be delivered to investors in shares based on the terms of the Convertible Notes, upon an assumed conversion. In calculating the dilutive effect of these shares, the treasury stock method was used and resulted in a dilution of 2.7 million shares for the year ended December 31, 2016. The conversion option associated with the 2017 Notes is "out-of-the-money" because the if-converted value was less than its principal amount by $34.6 million at December 31, 2016; therefore, there was no dilutive effect to EPS for the 2017 Notes.

19. Accumulated Other Comprehensive Income

The changes in AOCI by component are as follows (in thousands):

	Effective Portion of Cumulative Loss on Cash Flow Hedges	Cumulative Unrealized Gain (Loss) on Available-for-Sale Securities	Foreign Currency Translation	Total
Balance at January 1, 2014	$ (604)	$ 66,566	$ 9,487	$ 75,449
OCI before reclassifications	(865)	3,683	(13,684)	(10,866)
Amounts reclassified from AOCI	1,372	(10,059)	—	(8,687)
Net period OCI	507	(6,376)	(13,684)	(19,553)
Balance at December 31, 2014	(97)	60,190	(4,197)	55,896
OCI before reclassifications	(709)	(17,487)	(9,285)	(27,481)
Amounts reclassified from AOCI	741	(5,396)	5,969	1,314
Net period OCI	32	(22,883)	(3,316)	(26,167)
Balance at December 31, 2015	(65)	37,307	(7,513)	29,729
OCI before reclassifications	(284)	7,622	(10,040)	(2,702)
Amounts reclassified from AOCI	323	—	8,788	9,111
Net period OCI	39	7,622	(1,252)	6,409
Balance at December 31, 2016	$ (26)	$ 44,929	$ (8,765)	$ 36,138

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The reclassifications out of AOCI impacted the consolidated statements of operations for the years ended December 31, 2016, 2015 and 2014 as follows (amounts in thousands):

Details about AOCI Components	Amounts Reclassified from AOCI during the Year Ended December 31, 2016	2015	2014	Affected Line Item in the Statements of Operations
Losses on cash flow hedges:				
Interest rate contracts	$ (323)	$ (741)	$ (1,372)	Interest expense
Unrealized gains (losses) on available-for-sale securities:				
Interest realized upon collection	—	5,396	—	Interest income from investment securities
Net realized gain on sale of investments	—	—	10,148	Gain on sale of investments and other assets, net
OTTI	—	—	(89)	OTTI
Total	—	5,396	10,059	
Foreign currency translation:				
Foreign currency loss from European servicing and advisory business divestiture	(8,788)	—	—	Gain on sale of investments and other assets, net
Foreign currency loss from CMBS redemption	—	(5,969)	—	Foreign currency loss, net
Total	(8,788)	(5,969)	—	
Total reclassifications for the period	$ (9,111)	$ (1,314)	$ 8,687	

20. Fair Value

GAAP establishes a hierarchy of valuation techniques based on the observability of inputs utilized in measuring financial assets and liabilities at fair value. GAAP establishes market based or observable inputs as the preferred source of values, followed by valuation models using management assumptions in the absence of market inputs. The three levels of the hierarchy are described below:

Level I—Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level II—Inputs (other than quoted prices included in Level I) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.

Level III—Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

Valuation Process

We have valuation control processes in place to validate the fair value of the Company's financial assets and liabilities measured at fair value including those derived from pricing models. These control processes are designed to assure that the values used for financial reporting are based on observable inputs wherever possible. In the event that observable inputs are not available, the control processes are designed to assure that the valuation approach utilized is appropriate and consistently applied and the assumptions are reasonable.

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Pricing Verification—We use recently executed transactions, other observable market data such as exchange data, broker/dealer quotes, third party pricing vendors and aggregation services for validating the fair values generated using valuation models. Pricing data provided by approved external sources is evaluated using a number of approaches; for example, by corroborating the external sources' prices to executed trades, analyzing the methodology and assumptions used by the external source to generate a price and/or by evaluating how active the third party pricing source (or originating sources used by the third party pricing source) is in the market.

Unobservable Inputs—Where inputs are not observable, we review the appropriateness of the proposed valuation methodology to ensure it is consistent with how a market participant would arrive at the unobservable input. The valuation methodologies utilized in the absence of observable inputs may include extrapolation techniques and the use of comparable observable inputs.

Any changes to the valuation methodology will be reviewed by our management to ensure the changes are appropriate. The methods used may produce a fair value calculation that is not indicative of net realizable value or reflective of future fair values. Furthermore, while we anticipate that our valuation methods are appropriate and consistent with other market participants, the use of different methodologies, or assumptions, to determine the fair value could result in a different estimate of fair value at the reporting date.

Fair Value on a Recurring Basis

We determine the fair value of our financial assets and liabilities measured at fair value on a recurring basis as follows:

Loans held-for-sale

We measure the fair value of our mortgage loans held-for-sale within the Investing and Servicing Segment's conduit platform using a discounted cash flow analysis unless observable market data (i.e., securitized pricing) is available. A discounted cash flow analysis requires management to make estimates regarding future interest rates and credit spreads. The most significant of these inputs relates to credit spreads and is unobservable. Thus, we have determined that the fair values of mortgage loans valued using a discounted cash flow analysis should be classified in Level III of the fair value hierarchy, while mortgage loans valued using securitized pricing should be classified in Level II of the fair value hierarchy. Mortgage loans classified in Level III are transferred to Level II if securitized pricing becomes available.

RMBS

RMBS are valued utilizing observable and unobservable market inputs. The observable market inputs include recent transactions, broker quotes and vendor prices ("market data"). However, given the implied price dispersion amongst the market data, the fair value determination for RMBS has also utilized significant unobservable inputs in discounted cash flow models including prepayments, default and severity estimates based on the recent performance of the collateral, the underlying collateral characteristics, industry trends, as well as expectations of macroeconomic events (e.g., housing price curves, interest rate curves, etc.). At each measurement date, we consider both the observable and unobservable valuation inputs in the determination of fair value. However, given the significance of the unobservable inputs these securities have been classified within Level III.

CMBS

CMBS are valued utilizing both observable and unobservable market inputs. These factors include projected future cash flows, ratings, subordination levels, vintage, remaining lives, credit issues, recent trades of similar securities and

the spreads used in the prior valuation. We obtain current market spread information where available and use this information in evaluating and validating the market price of all CMBS. Depending upon the significance of the fair value inputs used in determining these fair values, these securities are classified in either Level II or Level III of the fair value hierarchy. CMBS may shift between Level II and Level III of the fair value hierarchy if the significant fair value inputs used to price the CMBS become or cease to be observable.

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Equity security

The equity security is publicly registered and traded in the United States and its market price is listed on the London Stock Exchange. The security has been classified within Level I.

Domestic servicing rights

The fair value of this intangible is determined using discounted cash flow modeling techniques which require management to make estimates regarding future net servicing cash flows, including forecasted loan defeasance, control migration, delinquency and anticipated maturity defaults which are calculated assuming a debt yield at which default occurs. Since the most significant of these inputs are unobservable, we have determined that the fair values of this intangible in its entirety should be classified in Level III of the fair value hierarchy.

Derivatives

The valuation of derivative contracts are determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market based inputs, including interest rate curves, spot and market forward points and implied volatilities. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash payments and the discounted expected variable cash receipts. The variable cash receipts are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves.

We incorporate credit valuation adjustments to appropriately reflect both our own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of our derivative contracts for the effect of nonperformance risk, we have considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

Although we have determined that the majority of the inputs used to value our derivatives fall within Level II of the fair value hierarchy, the credit valuation adjustments associated with our derivatives utilize Level III inputs, such as estimates of current credit spreads to evaluate the likelihood of default by us and our counterparties. However, as of December 31, 2016 and 2015, we have assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our derivative positions and have determined that the credit valuation adjustments are not as significant to the overall valuation of our derivatives. As a result, we have determined that our derivative valuations in their entirety are classified in Level II of the fair value hierarchy.

The valuation of over the counter ("OTC") derivatives are determined using discounted cash flows based on Overnight Index Swap ("OIS") rates. Fully collateralized trades are discounted using OIS with no additional economic adjustments to arrive at fair value. Uncollateralized or partially collateralized trades are also discounted at OIS, but include appropriate economic adjustments for funding costs (i.e., a LIBOR OIS basis adjustment to approximate uncollateralized cost of funds) and credit risk.

For credit index instruments, fair value is determined based on changes in the relevant indices from the date of initiation of the instrument to the reporting date, as these changes determine the amount of any future cash settlement between us and the counterparty. These indices are considered Level II inputs as they are directly observable. We have assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our credit index instruments and have determined that any credit valuation adjustment would not be significant to the overall valuation as the counterparty to these contracts is a highly rated global financial institution. As a result, we have determined that credit index instruments are classified in Level II of the fair value hierarchy.

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Liabilities of consolidated VIEs

We utilize several inputs and factors in determining the fair value of VIE liabilities, including future cash flows, market transaction information, ratings, subordination levels, and current market spread and pricing information where available. Quoted market prices are used when this debt trades as an asset. Depending upon the significance of the fair value inputs used in determining these fair values, these liabilities are classified in either Level II or Level III of the fair value hierarchy. VIE liabilities may shift between Level II and Level III of the fair value hierarchy if the significant fair value inputs used to price the VIE liabilities become or cease to be observable.

Assets of consolidated VIEs

The VIEs in which we invest are “static”; that is, no reinvestment is permitted, and there is no active management of the underlying assets. In determining the fair value of the assets of the VIE, we maximize the use of observable inputs over unobservable inputs. We also acknowledge that our principal market for selling CMBS assets is the securitization market where the market participant is considered to be a CMBS trust or a CDO. This methodology results in the fair value of the assets of a static CMBS trust being equal to the fair value of its liabilities. The individual assets of a VIE are inherently incapable of precise measurement given their illiquid nature and the limitations on available information related to these assets. Because our methodology for valuing these assets does not value the individual assets of a VIE, but rather uses the value of the VIE liabilities as an indicator of the fair value of VIE assets as a whole, we have determined that our valuations of VIE assets in their entirety should be classified in Level III of the fair value hierarchy.

Fair Value Only Disclosed

We determine the fair value of our financial instruments and assets where fair value is disclosed as follows:

Loans held for investment and loans transferred as secured borrowings

We estimate the fair values of our loans not carried at fair value on a recurring basis by discounting their expected cash flows at a rate we estimate would be demanded by the market participants that are most likely to buy our loans. The expected cash flows used are generally the same as those used to calculate our level yield income in the financial statements. Since these inputs are unobservable, we have determined that the fair value of these loans in their entirety would be classified in Level III of the fair value hierarchy.

HTM securities

We estimate the fair value of our mandatorily redeemable preferred equity interests in commercial real estate companies using the same methodology described for our loans held for investment. We estimate the fair value of our HTM CMBS using the same methodology described for our CMBS carried at fair value on a recurring basis.

European servicing rights

The fair value of this intangible was determined using discounted cash flow modeling techniques which require management to make estimates regarding future net servicing cash flows. Since the most significant of these inputs was unobservable, we have determined that the fair value of this intangible should be classified in Level III of the fair value hierarchy as of December 31, 2015.

Secured financing agreements, 2021 Notes and secured borrowings on transferred loans

The fair value of the secured financing agreements, 2021 Notes and secured borrowings on transferred loans are determined by discounting the contractual cash flows at the interest rate we estimate such arrangements would bear if executed in the current market. We have determined that our valuation of these instruments should be classified in Level III of the fair value hierarchy.

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Convertible Notes

The fair value of the debt component of our Convertible Notes is estimated by discounting the contractual cash flows at the interest rate we estimate such notes would bear if sold in the current market without the embedded conversion option which, in accordance with ASC 470, is reflected as a component of equity. We have determined that our valuation of our Convertible Notes should be classified in Level III of the fair value hierarchy.

Fair Value Disclosures

The following tables present our financial assets and liabilities carried at fair value on a recurring basis in the consolidated balance sheets by their level in the fair value hierarchy as of December 31, 2016 and 2015 (amounts in thousands):

	December 31, 2016			
	Total	Level I	Level II	Level III
Financial Assets:				
Loans held-for-sale, fair value option	$ 63,279	$ —	$ —	$ 63,279
RMBS	253,915	—	—	253,915
CMBS	31,546	—	—	31,546
Equity security	12,177	12,177	—	—
Domestic servicing rights	55,082	—	—	55,082
Derivative assets	89,361	—	89,361	—
VIE assets	67,123,261	—	—	67,123,261
Total	$ 67,628,621	$ 12,177	$ 89,361	$ 67,527,083
Financial Liabilities:				
Derivative liabilities	$ 3,904	$ —	$ 3,904	$ —
VIE liabilities	66,130,592	—	63,545,223	2,585,369
Total	$ 66,134,496	$ —	$ 63,549,127	$ 2,585,369

	December 31, 2015			
	Total	Level I	Level II	Level III
Financial Assets:				
Loans held-for-sale, fair value option	$ 203,865	$ —	$ —	$ 203,865
RMBS	176,224	—	—	176,224
CMBS	212,981	—	—	212,981
Equity security	14,498	14,498	—	—
Domestic servicing rights	119,698		—	119,698
Derivative assets	45,091	—	45,091	—
VIE assets	76,675,689	—	—	76,675,689
Total	$ 77,448,046	$ 14,498	$ 45,091	$ 77,388,457

Financial Liabilities:				
Derivative liabilities	$ 5,196	$ —	$ 5,196	$ —
VIE liabilities	75,817,014	—	73,264,566	2,552,448
Total	$ 75,822,210	$ —	$ 73,269,762	$ 2,552,448

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The changes in financial assets and liabilities classified as Level III are as follows for the years ended December 31, 2016 and 2015 (amounts in thousands):

	Loans Held for sale	RMBS	CMBS	Domestic Servicing Rights	VIE Assets	VIE Liabilities	Total
January 1, 2015 balance	$ 391,620	$ 207,053	$ 334,080	$ 132,303	$ 107,816,065	$ (4,893,120)	$ 103,988,001
Total realized and unrealized gains (losses):							
Included in earnings:							
Change in fair value / gain on sale	64,320	—	(3,093)	(12,605)	(35,365,585)	3,980,376	(31,336,587)
Net accretion	—	20,625	—	—	—	—	20,625
Included in OCI	—	(16,210)	(2,363)	—	—	—	(18,573)
Purchases / Originations	1,848,879	—	14,653	—	—	—	1,863,532
Sales	(2,100,216)	—	(6,410)	—	—	—	(2,106,626)
Issuances	—	—	—	—	—	(9,132)	(9,132)
Cash repayments / receipts	(738)	(35,244)	(100,738)	—	—	304,816	168,096
Transfers into Level III	—	—	—	—	—	(2,920,033)	(2,920,033)
Transfers out of Level III	—	—	—	—	—	1,290,497	1,290,497
Consolidation of VIEs	—	—	(24,309)	—	12,050,421	(363,008)	11,663,104
Deconsolidation of VIEs	—	—	1,161	—	(7,825,212)	57,156	(7,766,895)
December 31, 2015 balance	203,865	176,224	212,981	119,698	76,675,689	(2,552,448)	74,836,009
Impact of ASU 2015-02 adoption (1)	—	—	—	(17,467)	17,467	—	—
Total realized and unrealized gains (losses):							
Included in earnings:							
Change in fair value / gain on sale	74,251	—	(1,421)	(47,149)	(25,141,786)	1,385,108	(23,730,997)

Net accretion	—	15,479	—	—	—	—	15,479
Included in OCI	—	7,622	—	—	—	—	7,622
Purchases / Originations	1,670,966	98,035	57,576	—	—	—	1,826,577
Sales	(1,884,380)	—	(18,725)	—	—	—	(1,903,105)
Issuances	—	—	—	—	—	(35,728)	(35,728)
Cash repayments / receipts	(1,423)	(43,445)	(58,435)	—	—	53,107	(50,196)
Transfers into Level III	—	—	—	—	—	(1,101,416)	(1,101,416)
Transfers out of Level III	—	—	—	—	—	268,915	268,915
Consolidation of VIEs	—	—	(162,745)	—	21,289,873	(648,352)	20,478,776
Deconsolidation of VIEs	—	—	2,315	—	(5,717,982)	45,445	(5,670,222)
December 31, 2016 balance	$ 63,279	$ 253,915	$ 31,546	$ 55,082	$ 67,123,261	$ (2,585,369)	$ 64,941,714
Amount of total gains (losses) included in earnings attributable to assets still held at:							
December 31, 2015	$ 155	$ 15,131	$ 3,134	$ (12,605)	$ (35,365,585)	$ 3,980,376	$ (31,379,394)
December 31, 2016	214	15,479	(1,205)	(47,149)	(25,141,786)	1,385,108	(23,789,339)

(1) As discussed in Notes 2 and 15, our implementation of ASU 2015-02 resulted in the consolidation of certain CMBS trusts effective January 1, 2016, which required the elimination of $17.5 million of domestic servicing rights associated with these newly consolidated trusts.

Amounts were transferred from Level II to Level III due to a decrease in the observable relevant market activity and amounts were transferred from Level III to Level II due to an increase in the observable relevant market activity.

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The following table presents the fair values, all of which are classified in Level III of the fair value hierarchy, of our financial instruments not carried at fair value on the consolidated balance sheets (amounts in thousands):

	December 31, 2016		December 31, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets not carried at fair value:				
Loans held-for-investment and loans transferred as secured borrowings	$ 5,882,995	$ 5,934,219	$ 6,059,652	$ 6,125,881
HTM securities	509,980	504,165	321,244	315,255
European servicing rights	—	—	2,626	5,302
Financial liabilities not carried at fair value:				
Secured financing agreements and secured borrowings on transferred loans	$ 4,189,126	$ 4,198,136	$ 4,068,699	$ 4,092,264
Unsecured senior notes	2,011,544	2,088,374	1,323,795	1,331,979

The following is quantitative information about significant unobservable inputs in our Level III measurements for those assets and liabilities measured at fair value on a recurring basis (dollars in thousands):

	Carrying Value at December 31, 2016	Valuation Technique	Unobservable Input	Range as of December 31, (1) 2016	2015
Loans held-for-sale, fair value option	$ 63,279	Discounted cash flow	Yield (b)	5.0% - 5.7%	4.8% - 5.3%
			Duration (c)	10.0 years	5.0 - 10.0 years
RMBS	253,915	Discounted cash flow	Constant prepayment rate (a)	2.8% - 17.0%	2.6% - 17.8%
			Constant default rate (b)	1.1% - 8.1%	1.0% - 8.9%
			Loss severity (b)	12% - 79% (e)	10% - 79% (e)
			Delinquency rate (c)	2% - 29%	2% - 29%
			Servicer advances (a)	23% - 94%	30% - 94%
			Annual coupon deterioration (b)	0% - 0.6%	0% - 0.5%

			Putback amount per projected total collateral loss (d)	0% - 15%	0% - 11%
CMBS	31,546	Discounted cash flow	Yield (b)	0% - 172.0%	0% - 435.8%
			Duration (c)	0 - 18.7 years	0 - 18.5 years
Domestic servicing rights	55,082	Discounted cash flow	Debt yield (a)	7.75%	8.25%
			Discount rate (b)	15%	15%
			Control migration (b)	0% - 80%	0% - 80%
VIE assets	67,123,261	Discounted cash flow	Yield (b)	0% - 960.4%	0% - 920.2%
			Duration (c)	0 - 12.0 years	0 - 17.5 years
VIE liabilities	2,585,369	Discounted cash flow	Yield (b)	0% - 960.4%	0% - 920.2%
			Duration (c)	0 - 12.0 years	0 - 17.5 years

(1) The ranges of significant unobservable inputs are represented in percentages and years.

Sensitivity of the Fair Value to Changes in the Unobservable Inputs

(a) Significant increase (decrease) in the unobservable input in isolation would result in a significantly higher (lower) fair value measurement.
(b) Significant increase (decrease) in the unobservable input in isolation would result in a significantly lower (higher) fair value measurement.
(c) Significant increase (decrease) in the unobservable input in isolation would result in either a significantly lower or higher (higher or lower) fair value measurement depending on the structural features of the security in question.
(d) Any delay in the putback recovery date leads to a decrease in fair value for the majority of securities in our RMBS portfolio.
(e) 57% and 76% of the portfolio falls within a range of 45% 80% as of December 31, 2016 and 2015, respectively.

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21. Income Taxes

Certain of our subsidiaries have elected to be treated as taxable REIT subsidiaries (“TRSs”). TRSs permit us to participate in certain activities from which REITs are generally precluded, as long as these activities meet specific criteria, are conducted within the parameters of certain limitations established by the Code, and are conducted in entities which elect to be treated as taxable subsidiaries under the Code. To the extent these criteria are met, we will continue to maintain our qualification as a REIT.

Our TRSs engage in various real estate related operations, including special servicing of commercial real estate, originating and securitizing commercial mortgage loans, and investing in entities which engage in real estate related operations. The majority of our TRSs are held within the Investing and Servicing Segment. As of December 31, 2016 and 2015, approximately $634.4 million and $858.5 million, respectively, of the Investing and Servicing Segment’s assets, including $181.0 million and $185.6 million in cash, respectively, were owned by TRS entities. Our TRSs are not consolidated for U.S. federal income tax purposes, but are instead taxed as corporations. For financial reporting purposes, a provision for current and deferred taxes is established for the portion of earnings recognized by us with respect to our interest in TRSs.

Our income tax provision consisted of the following for the years ended December 31, 2016, 2015 and 2014 (in thousands):

	For the year ended December 31,		
	2016	2015	2014
Current			
Federal	$ 8,878	$ 15,095	$ 28,677
Foreign	938	6,000	5,432
State	2,192	2,532	4,946
Total current	12,008	23,627	39,055
Deferred			
Federal	(2,655)	(3,799)	(9,975)
Foreign	(447)	(1,973)	(3,400)
State	(562)	(649)	(1,584)
Total deferred	(3,664)	(6,421)	(14,959)
Total income tax provision	$ 8,344	$ 17,206	$ 24,096

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Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are presented net by tax jurisdiction and are reported in other assets and other liabilities, respectively. At December 31, 2016 and 2015, our U.S. tax jurisdiction was in a net deferred tax asset position. Our European tax jurisdiction was in a net deferred tax liability position at December 31, 2015. There were no deferred taxes in our European tax jurisdiction at December 31, 2016. The following table presents each of these tax jurisdictions and the tax effects of temporary differences on their respective net deferred tax assets and liabilities (in thousands):

	December 31,	
	2016	2015
U.S.		
Deferred tax asset, net		
Reserves and accruals	$ 6,103	$ 11,659
Domestic intangible assets	24,450	17,734
Investment securities and loans	(2,355)	(2,416)
Investment in unconsolidated entities	948	(362)
Deferred income	292	423
Net operating and capital loss carryforwards	804	2,967
Valuation allowance	—	(2,967)
Other U.S. temporary differences	356	343
	30,598	27,381
Europe		
Deferred tax liability, net		
European servicing rights	—	(583)
Net operating and capital loss carryforwards	5,533	7,606
Valuation allowance	(5,533)	(7,606)
Other European temporary differences	—	(346)
	—	(929)
Net deferred tax assets	$ 30,598	$ 26,452

Unrecognized tax benefits were not material as of and during the years ended December 31, 2016 and 2015. The Company's tax returns are no longer subject to audit for years ended prior to January 1, 2013. The Company had pre-tax income from foreign operations of $14.1 million, $22.0 million and $13.5 million during the years ended December 31, 2016, 2015 and 2014, respectively.

The following table is a reconciliation of our U.S. federal income tax determined using our statutory federal tax rate to our reported income tax provision for the years ended December 31, 2016, 2015 and 2014 (dollars in thousands):

	For the Year Ended December 31,					
	2016		2015		2014	
Federal statutory tax rate	$ 131,598	35.0 %	$ 164,286	35.0 %	$ 183,622	35.0 %
REIT and other non-taxable income	(123,209)	(32.7)%	(148,514)	(31.6)%	(160,745)	(30.7)%
State income taxes	1,634	0.4 %	1,800	0.4 %	3,149	0.6 %

Federal benefit of state tax deduction		(572)	(0.2)	%		(630)	(0.1)	%		(1,102)	(0.2)	%
Valuation allowance		(2,966)	(0.8)	%		445	0.1	%		1,315	0.3	%
Other		1,859	0.5	%		(181)	(0.1)	%		(2,143)	(0.4)	%
Effective tax rate	$	8,344	2.2	%	$	17,206	3.7	%	$	24,096	4.6	%

During the year ended December 31, 2016, we merged two of our TRSs. In doing so, $7.4 million of net operating loss carryforwards which were previously subject to a full valuation allowance became realizable. As a result, we reversed the valuation allowance, which caused a reduction of $3.0 million to our income tax provision in our consolidated statement of operations for the year ended December 31, 2016.

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The changes in the valuation allowance associated with our deferred tax assets are as follows for the years ended December 31, 2016 and 2015 (amounts in thousands):

	2016	2015	2014
January 1 balance	$ 10,573	$ 11,200	$ 11,750
Additions (releases) to income tax provision	(2,966)	445	1,315
Provision to return adjustments to deferred tax amounts	—	23	(822)
Foreign currency adjustments reflected in OCI	(417)	(770)	(1,086)
Release due to European servicing and advisory business divestiture	(1,585)	—	—
Other	(72)	(325)	43
December 31 balance	$ 5,533	$ 10,573	$ 11,200

22. Commitments and Contingencies

As of December 31, 2016, we had future funding commitments on 47 loans totaling $1.4 billion, of which we expect to fund $1.1 billion. These future funding commitments primarily relate to construction projects, capital improvements, tenant improvements and leasing commissions. Generally, funding commitments are subject to certain conditions that must be met, such as customary construction draw certifications, minimum debt service coverage ratios or executions of new leases before advances are made to the borrower.

Future minimum rental payments for our corporate offices, sublease income from space subleased to other parties within our corporate offices and future minimum rental payments for ground leases of investment properties for each of the next five years and thereafter are as follows (in thousands):

	Corporate Rents	Sublease Income	Ground Leases
2017	$ 6,318	$ 1,782	$ 115
2018	6,241	1,685	116
2019	5,930	1,171	117
2020	5,305	1,004	119
2021	2,647	677	121
Thereafter	—	—	6,151
Total	$ 26,441	$ 6,319	$ 6,739

Management is not aware of any other contractual obligations, legal proceedings or any other contingent obligations incurred in the normal course of business that would have a material adverse effect on our consolidated financial statements.

23. Segment and Geographic Data

In its operation of the business, management, including our chief operating decision maker, who is our Chief Executive Officer, reviews certain financial information, including segmented internal profit and loss statements prepared on a basis prior to the impact of consolidating securitization VIEs under ASC 810. The segment information within this note is reported on that basis.

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The table below presents our results of operations for the year ended December 31, 2016 by business segment (amounts in thousands):

	Lending Segment	Investing and Servicing Segment	Property Segment	Corporate	Subtotal	Investing and Servicing VIEs	Total
Revenues:							
Interest income from loans	$ 449,470	$ 17,725	$ —	$ —	$ 467,195	$ —	$ 467,195
Interest income from investment securities	47,241	146,692	—	—	193,933	(123,085)	70,848
Servicing fees	782	144,941	—	—	145,723	(56,767)	88,956
Rental income	—	38,223	114,537	—	152,760	—	152,760
Other revenues	242	5,255	62	—	5,559	(651)	4,908
Total revenues	497,735	352,836	114,599	—	965,170	(180,503)	784,667
Costs and expenses:							
Management fees	1,829	78	—	115,348	117,255	196	117,451
Interest expense	88,000	15,983	22,009	105,267	231,259	(460)	230,799
General and administrative	18,517	121,140	3,338	9,243	152,238	703	152,941
Acquisition and investment pursuit costs	1,665	2,520	7,886	1,391	13,462	—	13,462
Costs of rental operations	—	17,638	47,463	—	65,101	—	65,101
Depreciation and amortization	—	16,117	50,669	—	66,786	—	66,786
Loan loss allowance, net	3,759	—	—	—	3,759	—	3,759
Other expense	—	100	—	—	100	—	100
Total costs and expenses	113,770	173,576	131,365	231,249	649,960	439	650,399
Income (loss) before other income (loss), income taxes and non-controlling interests	383,965	179,260	(16,766)	(231,249)	315,210	(180,942)	134,268
Other income (loss):							
	—	—	—	—	—	151,593	151,593

Change in net assets related to consolidated VIEs							
Change in fair value of servicing rights	—	(43,258)	—	—	(43,258)	(3,891)	(47,149)
Change in fair value of investment securities, net	20	(44,094)	—	—	(44,074)	42,673	(1,401)
Change in fair value of mortgage loans held-for-sale, net	—	74,251	—	—	74,251	—	74,251
Earnings from unconsolidated entities	3,447	8,937	9,736	—	22,120	(397)	21,723
Gain on sale of investments and other assets, net	1,716	226	—	—	1,942	—	1,942
Gain (loss) on derivative financial instruments, net	41,576	(4,318)	33,476	—	70,734	—	70,734
Foreign currency (loss) gain, net	(37,595)	3,661	(38)	5	(33,967)	—	(33,967)
OTTI	—	(215)	(513)	—	(728)	—	(728)
Loss on extinguishment of debt	—	—	—	(8,781)	(8,781)	—	(8,781)
Other income, net	—	8,959	9,102	4,271	22,332	(8,822)	13,510
Total other income (loss)	9,164	4,149	51,763	(4,505)	60,571	181,156	241,727
Income (loss) before income taxes	393,129	183,409	34,997	(235,754)	375,781	214	375,995
Income tax benefit (provision)	1,610	(9,954)	—	—	(8,344)	—	(8,344)
Net income (loss)	394,739	173,455	34,997	(235,754)	367,437	214	367,651
Net income attributable to non-controlling interests	(1,398)	(853)	—	—	(2,251)	(214)	(2,465)
Net income (loss)	$ 393,341	$ 172,602	$ 34,997	$ (235,754)	$ 365,186	$ —	$ 365,186

attributable to
Starwood
Property
Trust, Inc.

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The table below presents our results of operations for the year ended December 31, 2015 by business segment (amounts in thousands):

	Lending Segment	Investing and Servicing Segment	Property Segment	Corporate	Subtotal	Investing and Servicing VIEs	Total
Revenues:							
Interest income from loans	$ 460,365	$ 17,566	$ —	$ —	$ 477,931	$ —	$ 477,931
Interest income from investment securities	68,059	156,365	—	—	224,424	(130,759)	93,665
Servicing fees	428	215,770	—	—	216,198	(99,130)	117,068
Rental income	—	11,177	25,445	—	36,622	—	36,622
Other revenues	597	10,928	—	—	11,525	(934)	10,591
Total revenues	529,449	411,806	25,445	—	966,700	(230,823)	735,877
Costs and expenses:							
Management fees	901	72	—	123,532	124,505	228	124,733
Interest expense	81,676	10,386	5,584	104,904	202,550	—	202,550
General and administrative	21,685	123,746	1,205	7,275	153,911	717	154,628
Acquisition and investment pursuit costs	2,065	2,375	8,951	38	13,429	—	13,429
Costs of rental operations	—	6,121	5,421	—	11,542	—	11,542
Depreciation and amortization	—	13,972	15,038	—	29,010	—	29,010
Loan loss allowance, net	(2)	—	—	—	(2)	—	(2)
Other expense	6	383	—	—	389	—	389
Total costs and expenses	106,331	157,055	36,199	235,749	535,334	945	536,279
Income (loss) before other income (loss), income taxes and non-controlling interests	423,118	254,751	(10,754)	(235,749)	431,366	(231,768)	199,598

Other income (loss):							
Change in net assets related to consolidated VIEs	—	—	—	—	—	185,490	185,490
Change in fair value of servicing rights	—	(46,831)	—	—	(46,831)	34,226	(12,605)
Change in fair value of investment securities, net	209	(9,952)	—	—	(9,743)	12,827	3,084
Change in fair value of mortgage loans held-for-sale, net	—	64,320	—	—	64,320	—	64,320
Earnings from unconsolidated entities	4,045	13,042	10,090	—	27,177	(503)	26,674
Gain on sale of investments and other assets, net	4,839	17,825	—	—	22,664	—	22,664
Gain (loss) on derivative financial instruments, net	30,764	(14,226)	5,060	—	21,598	—	21,598
Foreign currency (loss) gain, net	(36,956)	(296)	31	—	(37,221)	—	(37,221)
Loss on extinguishment of debt	—	—	—	(5,921)	(5,921)	—	(5,921)
Other income, net	—	161	1,530	17	1,708	—	1,708
Total other income (loss)	2,901	24,043	16,711	(5,904)	37,751	232,040	269,791
Income (loss) before income taxes	426,019	278,794	5,957	(241,653)	469,117	272	469,389
Income tax provision	(242)	(16,964)	—	—	(17,206)	—	(17,206)
Net income (loss)	425,777	261,830	5,957	(241,653)	451,911	272	452,183
Net (income) loss attributable to non-controlling interests	(1,389)	175	—	—	(1,214)	(272)	(1,486)
	$ 424,388	$ 262,005	$ 5,957	$ (241,653)	$ 450,697	$ —	$ 450,697

Net income (loss) attributable to Starwood Property Trust, Inc.

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The table below presents our results of operations for the year ended December 31, 2014 by business segment (amounts in thousands):

	Lending Segment	Investing and Servicing Segment	Property Segment	Corporate	Single Family Residential	Subtotal	Investing and Servicing VIEs	Total
Revenues:								
Interest income from loans	$ 420,683	$ 13,979	$ —	$ —	$ —	$ 434,662	$ —	$ 434
Interest income from investment securities	68,348	109,819	—	—	—	178,167	(66,151)	112
Servicing fees	330	227,145	—	—	—	227,475	(91,910)	135
Rental income	—	9,831	—	—	—	9,831	—	9,83
Other revenues	406	11,619	—	—	—	12,025	(1,224)	10,8
Total revenues	489,767	372,393	—	—	—	862,160	(159,285)	702
Costs and expenses:								
Management fees	2,079	72	—	115,411	—	117,562	170	117
Interest expense	65,913	4,781	—	90,410	—	161,104	—	161
General and administrative	21,551	141,500	—	5,887	—	168,938	723	169
Acquisition and investment pursuit costs	2,023	1,206	—	452	—	3,681	—	3,68
Costs of rental operations	—	5,938	—	—	—	5,938	—	5,93
Depreciation and amortization	—	16,627	—	—	—	16,627	—	16,6
Loan loss allowance, net	2,047	—	—	—	—	2,047	—	2,04
Other expense	52	7,167	—	—	—	7,219	—	7,21
Total costs and expenses	93,665	177,291	—	212,160	—	483,116	893	484
Income (loss) before other income, income taxes and non-controlling interests	396,102	195,102	—	(212,160)	—	379,044	(160,178)	218
Other income:								
Change in net assets related to	—	—	—	—	—	—	212,506	212

consolidated VIEs								
Change in fair value of servicing rights	—	(53,065)	—	—	—	(53,065)	36,278	(16,
Change in fair value of investment securities, net	822	97,723	—	—	—	98,545	(83,468)	15,0
Change in fair value of mortgage loans held-for-sale, net	—	70,420	—	—	—	70,420	—	70,4
Earnings from unconsolidated entities	7,484	13,610	2,176	—	—	23,270	(3,338)	19,9
Gain on sale of investments and other assets, net	12,886	—	—	—	—	12,886	—	12,8
Gain (loss) on derivative financial instruments, net	30,713	(10,262)	—	—	—	20,451	—	20,4
Foreign currency loss, net	(29,139)	(803)	—	—	—	(29,942)	—	(29,
OTTI	(259)	(797)	—	—	—	(1,056)	—	(1,0
Other (loss) income, net	(327)	4,159	—	—	—	3,832	—	3,83
Total other income	22,180	120,985	2,176	—	—	145,341	161,978	307
Income (loss) from continuing operations before income taxes	418,282	316,087	2,176	(212,160)	—	524,385	1,800	526
Income tax provision	(1,476)	(22,620)	—	—	—	(24,096)	—	(24,
Income (loss) from continuing operations	416,806	293,467	2,176	(212,160)	—	500,289	1,800	502
Loss from discontinued operations, net of tax	—	—	—	—	(1,551)	(1,551)	—	(1,5
Net income (loss)	416,806	293,467	2,176	(212,160)	(1,551)	498,738	1,800	500
Net income attributable to non-controlling	(3,717)	—	—	—	—	(3,717)	(1,800)	(5,5

interests								
Net income (loss) attributable to Starwood Property Trust, Inc.	$ 413,089	$ 293,467	$ 2,176	$ (212,160)	$ (1,551)	$ 495,021	$ —	$ 495

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The table below presents our consolidated balance sheet as of December 31, 2016 by business segment (amounts in thousands):

	Lending Segment	Investing and Servicing Segment	Property Segment	Corporate	Subtotal	Investing and Servicing VIEs	Total
ets:							
n and cash valents	$ 7,085	$ 38,798	$ 7,701	$ 560,790	$ 614,374	$ 1,148	$ 615,52
ricted cash	17,885	8,202	9,146	—	35,233	—	35,233
ns -for-investment, net	5,827,553	20,442	—	—	5,847,995	—	5,847,9
ns held-for-sale	—	63,279	—	—	63,279	—	63,279
ns transferred as red borrowings	35,000	—	—	—	35,000	—	35,000
stment securities	776,072	990,570	—	—	1,766,642	(959,024)	807,61
perties, net	—	277,612	1,667,108	—	1,944,720	—	1,944,7
ngible assets	—	125,327	128,159	—	253,486	(34,238)	219,24
stment in onsolidated entities	30,874	56,376	124,977	—	212,227	(7,622)	204,60
dwill	—	140,437	—	—	140,437	—	140,43
vative assets	45,282	1,186	42,893	—	89,361	—	89,361
rued interest ivable	25,831	2,393	—	—	28,224	—	28,224
er assets	13,470	59,503	29,569	1,866	104,408	(2,645)	101,76
assets, at fair value	—	—	—	—	—	67,123,261	67,123
l Assets	$ 6,779,052	$ 1,784,125	$ 2,009,553	$ 562,656	$ 11,135,386	$ 66,120,880	$ 77,256
ilities and Equity							
ilities:							
ounts payable, ued expenses other liabilities	$ 20,769	$ 68,603	$ 81,873	$ 26,003	$ 197,248	$ 886	$ 198,13
ted-party payable	—	440	—	37,378	37,818	—	37,818
dends payable	—	—	—	125,075	125,075	—	125,07
vative liabilities	3,388	516	—	—	3,904	—	3,904
ured financing ements, net	2,258,462	426,683	1,196,830	295,851	4,177,826	(23,700)	4,154,1
ecured senior notes,	—	—	—	2,011,544	2,011,544	—	2,011,5
ured borrowings on sferred loans	35,000	—	—	—	35,000	—	35,000
liabilities, at fair e	—	—	—	—	—	66,130,592	66,130
l Liabilities	2,317,619	496,242	1,278,703	2,495,851	6,588,415	66,107,778	72,696
ty:							

wood Property t, Inc. kholders' Equity:							
mon stock	—	—	—	2,639	2,639	—	2,639
itional paid-in capital	2,218,671	883,761	696,049	892,699	4,691,180	—	4,691,1
sury stock	—	—	—	(92,104)	(92,104)	—	(92,10
umulated other prehensive income)	44,903	(437)	(8,328)	—	36,138	—	36,138
ined earnings umulated deficit)	2,186,727	390,994	43,129	(2,736,429)	(115,579)	—	(115,5
l Starwood Property t, Inc. Stockholders' ty	4,450,301	1,274,318	730,850	(1,933,195)	4,522,274	—	4,522,2
-controlling interests olidated subsidiaries	11,132	13,565	—	—	24,697	13,102	37,799
l Equity	4,461,433	1,287,883	730,850	(1,933,195)	4,546,971	13,102	4,560,0
l Liabilities and ty	$ 6,779,052	$ 1,784,125	$ 2,009,553	$ 562,656	$ 11,135,386	$ 66,120,880	$ 77,256

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The table below presents our consolidated balance sheet as of December 31, 2015 by business segment (amounts in thousands):

	Lending Segment	Investing and Servicing Segment	Property Segment	Corporate	Subtotal	Investing and Servicing VIEs	Total
sets:							
sh and cash uivalents	$ 83,836	$ 62,649	$ 2,944	$ 218,408	$ 367,837	$ 978	$ 368,815
stricted cash	9,775	8,826	4,468	—	23,069	—	23,069
ans d-for-investment, net	5,973,079	—	—	—	5,973,079	—	5,973,07
ans held-for-sale	—	203,865	—	—	203,865	—	203,865
ans transferred as cured borrowings	86,573	—	—	—	86,573	—	86,573
vestment securities	511,966	1,038,200	—	—	1,550,166	(825,219)	724,947
operties, net	—	150,497	768,728	—	919,225	—	919,225
angible assets	—	152,278	61,121	—	213,399	(11,829)	201,570
vestment in consolidated entities	30,827	53,145	122,454	—	206,426	(7,225)	199,201
odwill	—	140,437	—	—	140,437	—	140,437
rivative assets	33,412	2,087	9,592	—	45,091	—	45,091
crued erest receivable	34,028	286	—	—	34,314	—	34,314
her assets	7,938	71,505	23,657	1,436	104,536	(2,057)	102,479
E assets, at fair value	—	—	—	—	—	76,675,689	76,675,6
tal Assets	$ 6,771,434	$ 1,883,775	$ 992,964	$ 219,844	$ 9,868,017	$ 75,830,337	$ 85,698,3
abilities and Equity							
abilities:							
counts payable, crued expenses d other liabilities	$ 18,822	$ 90,399	$ 25,427	$ 21,468	$ 156,116	$ 689	$ 156,805
lated-party payable	—	423	—	40,532	40,955	—	40,955
vidends payable	—	—	—	114,947	114,947	—	114,947
rivative liabilities	5,190	6	—	—	5,196	—	5,196
cured financing reements, net	2,341,897	422,260	568,738	647,804	3,980,699	—	3,980,69
secured senior notes, t	—	—	—	1,323,795	1,323,795	—	1,323,79
cured borrowings on nsferred loans	88,000	—	—	—	88,000	—	88,000
	—	—	—	—	—	75,817,014	75,817,0

E liabilities, at fair ue							
tal Liabilities	2,453,909	513,088	594,165	2,148,546	5,709,708	75,817,703	81,527,4
uity:							
arwood Property ust, Inc. ockholders' Equity:							
mmon stock	—	—	—	2,410	2,410	—	2,410
ditional paid-in capital	2,477,987	1,146,926	394,465	173,466	4,192,844	—	4,192,84
easury stock	—	—	—	(72,381)	(72,381)	—	(72,381)
cumulated other mprehensive income ss)	37,242	(3,714)	(3,799)	—	29,729	—	29,729
tained earnings cumulated deficit)	1,790,705	221,073	8,133	(2,032,197)	(12,286)	—	(12,286)
tal Starwood Property ust, Inc. Stockholders' uity	4,305,934	1,364,285	398,799	(1,928,702)	4,140,316	—	4,140,31
n-controlling interests nsolidated subsidiaries	11,591	6,402	—	—	17,993	12,634	30,627
tal Equity	4,317,525	1,370,687	398,799	(1,928,702)	4,158,309	12,634	4,170,94
tal Liabilities and uity	$ 6,771,434	$ 1,883,775	$ 992,964	$ 219,844	$ 9,868,017	$ 75,830,337	$ 85,698,3

Revenues generated from foreign sources were $100.1 million, $134.7 million and $111.5 million for the years ended December 31, 2016, 2015 and 2014, respectively. The majority of our revenues generated from foreign sources are derived from Ireland and the United Kingdom. Refer to Schedule III for a detailed listing of the properties held by the Company, including their respective geographic locations.

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24. Quarterly Financial Data (Unaudited)

The following table summarizes our quarterly financial data which, in the opinion of management, reflects all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of our results of operations (amounts in thousands, except per share amounts):

	For the Three-Month Periods Ended			
	March 31	June 30	September 30	December 31
2016:				
Revenues	$ 195,493	$ 199,992	$ 204,705	$ 184,477
Net income	27,046	112,071	105,813	122,721
Net income attributable to Starwood Property Trust, Inc.	26,657	111,473	105,766	121,290
Earnings per share — Basic	0.11	0.47	0.44	0.50
Earnings per share — Diluted	0.11	0.47	0.44	0.49
2015:				
Revenues	178,849	$ 178,660	$ 192,145	186,223
Net income	120,779	117,640	117,116	96,648
Net income attributable to Starwood Property Trust, Inc.	120,363	117,148	116,735	96,451
Earnings per share — Basic	0.53	0.49	0.49	0.40
Earnings per share — Diluted	0.52	0.49	0.49	0.40

Annual EPS may not equal the sum of each quarter’s EPS due to rounding and other computational factors.

25. Subsequent Events

Our significant events subsequent to December 31, 2016 were as follows:

Repurchase Program

In February 2017, our board of directors extended the term of our common stock and Convertible Note repurchase program through January 2019.

Dividend Declaration

On February 23, 2017, our board of directors declared a dividend of $0.48 per share for the first quarter of 2017, which is payable on April 14, 2017 to common stockholders of record as of March 31, 2017.

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Starwood Property Trust, Inc. and Subsidiaries

Schedule III—Real Estate and Accumulated Depreciation

December 31, 2016

(Dollars in thousands)

		Initial Cost to Company		Costs Capitalized Subsequent to	Gross Amounts Carried at December 31, 2016				
rty Type / raphic on	Encumbrances	Land	Depreciable Property	Acquisition (1)	Land	Depreciable Property	Total	Accumulated Depreciation (3)	Acquis Date
dually ficant rties									
e—Dublin, d	$ 75,859	$ 34,356	$ 67,115	$ —	$ 34,356	$ 67,115	$ 101,471	$ (3,217)	Jul-15
gated rties									
e—U.S., North 7 properties)	157,492	11,283	181,744	—	11,283	181,744	193,027	(45)	Dec-16
e—U.S., West (6 rties)	72,874	13,422	107,852	—	13,422	107,852	121,274	(35)	Dec-16
e—U.S., South 9 properties)	104,797	29,771	151,980	372	29,771	152,352	182,123	(1,165)	May-1 Dec-16
e—U.S., est (7 rties)	69,715	3,237	99,648	—	3,237	99,648	102,885	(27)	Dec-16
e—U.S., South (8 properties)	104,194	16,888	127,060	—	16,888	127,060	143,948	(38)	Dec-16
e—Ireland (11 rties)	222,681	110,372	194,408	399	110,372	194,807	305,179	(10,679)	May-1
-family—U.S., East (40 rties)	446,762	150,436	480,261	13,062	150,465	493,294	643,759	(20,690)	Oct-15 Oct-16
-family—U.S., West (1 rty)	—	665	2,413	—	665	2,413	3,078	(192)	Sep-14
-family—Ireland perty)	10,705	7,987	8,489	—	7,987	8,489	16,476	(466)	May-1
—U.S., North 3 properties)	22,780	7,457	24,804	869	7,457	25,673	33,130	(992)	May-1 Nov 1

—U.S., West (2 rties)	—	1,339	2,911	528	1,339	3,439	4,778	(106)	Dec-15
—U.S., South 3 properties)	11,353	7,368	9,303	385	7,368	9,688	17,056	(461)	Jul-15 Sept-1
—U.S., est (2 rties)	12,300	7,655	10,523	937	7,655	11,460	19,115	(452)	Nov-1 May-1
—U.S., South (3 properties)	31,807	10,108	26,620	294	10,108	26,914	37,022	(1,654)	Oct-14 Sep-15
—U.S., Mid ic (2 rties)	10,600	12,675	10,830	193	12,675	11,023	23,698	(283)	Mar-1 May-1
rial—U.S., est (1 rty)	—	717	2,603	272	717	2,875	3,592	(248)	Apr-14
torage—U.S., East (1 rty)	9,800	2,202	11,498	67	2,202	11,565	13,767	(337)	Dec-15
l Use—U.S., (1 property)	8,667	1,002	14,323	6	1,002	14,329	15,331	(361)	Feb-16
l Use—U.S., East (1 rty)	5,000	1,520	3,572	484	1,520	4,056	5,576	(117)	Dec-15
	$ 1,377,386	$ 430,460	$ 1,537,957	$ 17,868	$ 430,489	$ 1,555,796	$ 1,986,285(2)	$ (41,565)	

Notes to Schedule III:

(1) No costs subsequent to acquisition are capitalized to land.

(2) The aggregate cost for federal income tax purposes is $2.2 billion.

(3) Depreciation is computed based upon estimated useful lives as described in Note 7 of our Consolidated Financial Statements.

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The following schedule presents our real estate activity during the years ended December 31, 2016, 2015 and 2014 (in thousands):

	2016	2015	2014
Beginning balance, January 1	$ 928,060	$ 40,497	$ 754,981
Additions during the year:			
Acquisitions (1)	1,048,985	900,247	96,901
Acquisitions through foreclosure	7,248	12,548	7,897
Improvements	15,766	2,056	1,872
Total additions	1,071,999	914,851	106,670
Deductions during the year:			
Spin-off of SWAY	—	—	(819,239)
Costs of real estate sold	—	(18,421)	(1,915)
Foreign currency translation	(13,774)	(8,867)	—
Total deductions	(13,774)	(27,288)	(821,154)
Ending balance, December 31	$ 1,986,285	$ 928,060	$ 40,497

(1) Refer to Note 16 of our Consolidated Financial Statements for a discussion of property acquisitions from related parties.

The following schedule presents activity within accumulated depreciation during the years ended December 31, 2016, 2015 and 2014 (in thousands):

	2016	2015	2014
Beginning balance, January 1	$ 8,835	$ 643	$ 5,767
Depreciation expense	33,350	8,802	2,183
Spin-off of SWAY	—	—	(7,221)
Disposition/write-offs	—	(539)	(86)
Foreign currency translation	(620)	(71)	—
Ending balance, December 31	$ 41,565	$ 8,835	$ 643

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Starwood Property Trust, Inc. and Subsidiaries

Schedule IV—Mortgage Loans on Real Estate

December 31, 2016

(Dollars in thousands)

Description/ Location	Prior Liens (1)	Face Amount	Carrying Amount	Interest Rate (2)	Payment Terms (3)	Maturity Date (4)	Principal Amount of Delinquent Loans
Individually Significant First Mortgages: (5)							
Office, New York, NY-1	$ —	$ 150,000	$ 149,275	L+1.70%	I/O	12/20/2017	$ —
Office, New York, NY-2	—	100,000	99,523	L+3.40%	I/O	12/20/2017	—
Aggregated First Mortgages: (5)							
Hospitality, Midwest, Floating (4 mortgages)	N/A	N/A	48,773	L+2.75% to 9.13%	N/A	2019	—
Hospitality, North East, Floating (2 mortgages)	N/A	N/A	44,879	L+4.00% to 5.40%	N/A	2017	—
Hospitality, South East, Floating (2 mortgages)	N/A	N/A	79,887	L+2.75% to 11.15%	N/A	2019	—
Hospitality, Various, Floating (5 mortgages)	N/A	N/A	278,169	L+2.40% to 9.90%	N/A	2017-2018	—
Hospitality, West, Floating (18 mortgages)	N/A	N/A	491,761	L+2.25% to 14.00%	N/A	2018-2020	—
Industrial, North East, Fixed (1 mortgage)	N/A	N/A	80	7.45%	N/A	2018	—
	N/A	N/A	28,298		N/A	2017-2024	—

Industrial, South East, Fixed (6 mortgages)				7.80% to 8.18%			
Mixed Use, North East, Floating (6 mortgages)	N/A	N/A	308,318	L+2.75% to 11.34%	N/A	2018	—
Mixed Use, South East, Fixed (2 mortgages)	N/A	N/A	114,799	5.00% to 12.00%	N/A	2024	—
Mixed Use, South West, Floating (6 mortgages)	N/A	N/A	218,023	L+2.25% to 10.00%	N/A	2019-2020	—
Mixed Use, West, Floating (4 mortgages)	N/A	N/A	105,774	L+1.00% to 7.50%	N/A	2017-2018	—
Mixed Use, International, Floating (1 mortgage)	N/A	N/A	17,684	GBP+5.75%	N/A	2019	—
Multi-family, Midwest, Fixed (1 mortgage)	N/A	N/A	1,401	6.54%	N/A	2018	—
Multi-family, North East, Floating (11 mortgages)	N/A	N/A	403,080	L+2.50% to 15.00%	N/A	2016-2020	209,160
Multi-family, South East, Fixed (1 mortgage)	N/A	N/A	2,053	6.28%	N/A	2024	—
Multi-family, West, Floating (19 mortgages)	N/A	N/A	137,991	L+1.15% to 9.25%	N/A	2017-2020	—
Multi-family, International, Fixed (1 mortgage)	N/A	N/A	18,431	8.55%	N/A	2017	—
Multi-family, International, Floating (1 mortgage)	N/A	N/A	86,384	GBP+7.65%	N/A	2017	—
Multi-family, International, Floating (2 mortgages)	N/A	N/A	101,013	3GBP+7.00%	N/A	2017	—
	N/A	N/A	46,514	5.25%	N/A	2017	—

Office, Mid Atlantic, Fixed (1 mortgage)							
Office, Mid Atlantic, Floating (3 mortgages)	N/A	N/A	119,656	L+2.25% to 11.25%	N/A	2019	—
Office, Midwest, Floating (13 mortgages)	N/A	N/A	161,046	L+2.25% to 10.58%	N/A	2017-2020	—
Office, North East, Fixed (2 mortgages)	N/A	N/A	62,338	6.35% to 11.00%	N/A	2017-2019	—
Office, North East, Floating (26 mortgages)	N/A	N/A	833,384	L+2.00% to 12.00%	N/A	2017-2020	—
Office, South East, Floating (4 mortgages)	N/A	N/A	91,461	L+2.25% to 8.05%	N/A	2019	—
Office, South West, Floating (6 mortgages)	N/A	N/A	135,796	L+2.25% to 10.70%	N/A	2019-2020	—
Office, West, Floating (7 mortgages)	N/A	N/A	145,466	L+2.25% to 9.75%	N/A	2017-2018	—
Other, South East, Floating (2 mortgages)	N/A	N/A	59,164	L+2.75% to 12.75%	N/A	2018	—
Other, Various, Fixed (1 mortgage)	N/A	N/A	41,632	10.00%	N/A	2025	—
Other, International, Floating (1 mortgage)	N/A	N/A	173,621	3GBP+4.85%	N/A	2021	—
Residential, West, Floating (1 mortgage)	N/A	N/A	66,243	L+5.25%	N/A	2018	—
Retail, Mid Atlantic, Fixed (1 mortgage)	N/A	N/A	497	7.07%	N/A	2019	—
Retail, Midwest, Fixed (1 mortgage)	N/A	N/A	121	10.25%	N/A	2017	—
Retail, Midwest, Floating (4 mortgages)	N/A	N/A	32,415	L+2.75% to 10.75%	N/A	2018	—
	N/A	N/A	3,080		N/A	2017-2019	—

Retail, North East, Fixed (2 mortgages)				5.74% to 7.07%			
Retail, North East, Floating (8 mortgages)	N/A	N/A	64,913	L+2.25% to 8.05%	N/A	2017	—
Retail, South East, Fixed (4 mortgages)	N/A	N/A	18,531	6.64% to 10.00%	N/A	2017-2019	—
Retail, South West, Fixed (5 mortgages)	N/A	N/A	3,070	6.03% to 8.04%	N/A	2017-2022	—
Retail, South West, Floating (4 mortgages)	N/A	N/A	52,311	L+2.25% to 15.25%	N/A	2018	—
Retail, Various, Floating (2 mortgages)	N/A	N/A	11,167	L+2.25% to 9.25%	N/A	2017	—
Retail, West, Fixed (7 mortgages)	N/A	N/A	10,639	5.82% to 7.53%	N/A	2017-2023	—
Loans Held-for-Sale, Various, Fixed	N/A	N/A	63,279	5.12% to 5.53%	N/A	2026	—
Aggregated Subordinated and Mezzanine Loans: (5)							
Hospitality, Midwest, Floating (2 mortgages)	N/A	N/A	16,653	L+8.11%	N/A	2018	—
Hospitality, South East, Floating (5 mortgages)	N/A	N/A	57,012	L+3.49% to 10.00%	N/A	2017-2019	—
Hospitality, Various, Floating (4 mortgages)	N/A	N/A	152,201	L+7.50% to 11.13%	N/A	2017-2018	—
Industrial, South East, Fixed (8 mortgages)	N/A	N/A	66,861	8.18%	N/A	2024	—
Mixed Use, North East, Floating (2 mortgages)	N/A	N/A	112,999	L+10.00% to 11.75%	N/A	2018-2020	—
Multi-family, Mid Atlantic,	N/A	N/A	2,977	10.50%	N/A	2024	—

Fixed (1 mortgage)							
Multi-family, Mid Atlantic, Floating (2 mortgages)	N/A	N/A	9,856	L+8.35%	N/A	2019	—
Multi-family, North East, Floating (1 mortgage)	N/A	N/A	14,483	L+9.08%	N/A	2018	—
Multi-family, South East, Fixed (1 mortgage)	N/A	N/A	2,834	5.47%	N/A	2020	—
Multi-family, South East, Floating (1 mortgage)	N/A	N/A	15,107	L+9.46%	N/A	2019	—
Multi-family, West, Floating (1 mortgage)	N/A	N/A	100,147	L+10.13%	N/A	2019	—
Office, Midwest, Floating (6 mortgages)	N/A	N/A	60,455	L+8.25% to 9.00%	N/A	2017-2019	—
Office, North East, Fixed (4 mortgages)	N/A	N/A	56,707	6.79% to 8.72%	N/A	2017-2023	—
Office, North East, Floating (3 mortgages)	N/A	N/A	68,083	L+8.00% to 10.25%	N/A	2017-2018	—
Office, South East, Fixed (1 mortgage)	N/A	N/A	7,655	8.25%	N/A	2020	—
Office, South East, Floating (1 mortgage)	N/A	N/A	26,875	L+9.50%	N/A	2018	—
Office, South West, Fixed (3 mortgages)	N/A	N/A	57,575	5.92% to 6.13%	N/A	2017	—
Office, West, Floating (2 mortgages)	N/A	N/A	38,249	L+7.34%	N/A	2019	—
Other, Midwest, Floating (2 mortgages)	N/A	N/A	27,000	L+10.67%	N/A	2018	—
Other, South East, Fixed (1 mortgage)	N/A	N/A	4,494	12.02%	N/A	2021	—

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Description/ Location	Prior Liens (1)	Face Amount	Carrying Amount	Interest Rate (2)	Payment Terms (3)	Maturity Date (4)	Principal Amount of Delinquent Loans
Other, West, Floating (2 mortgages)	N/A	N/A	58,573	L+6.10% to 10.08%	N/A	2018	—
Residential, West, Floating (1 mortgage)	N/A	N/A	44,142	L+7.89%	N/A	2019	—
Retail, Midwest, Fixed (2 mortgages)	N/A	N/A	11,977	7.16%	N/A	2024	—
Retail, Midwest, Floating (1 mortgage)	N/A	N/A	8,289	L+8.85%	N/A	2018	—
Retail, South West, Floating (1 mortgage)	N/A	N/A	4,600	L+8.85%	N/A	2017	—
Retail, Various, Floating (1 mortgage)	N/A	N/A	1,016	L+8.85%	N/A	2017	—
Loan Loss Allowance	—	—	(9,788)				—
Prepaid Loan Costs, Net	—	—	(2,698)				—
			$ 5,946,274(6)				$ 209,160

Notes to Schedule IV:

(1) Represents third party priority liens. Third party portions of pari passu participations are not considered prior liens. Additionally, excludes the outstanding debt on third party joint ventures of underlying borrowers.

(2) L = one month LIBOR rate, GBP=one month GBP LIBOR rate, 3GBP= three month GBP LIBOR rate.

(3) I/O = interest only until final maturity.

(4) Based on management's judgment of extension options being exercised.

(5) First mortgages include first mortgage loans and any contiguous mezzanine loan components because as a whole, the expected credit quality of these loans is more similar to that of a first mortgage loan.

(6) The aggregate cost for federal income tax purposes is $5.9 billion.

For the activity within our loan portfolio during the years ended December 31, 2016, 2015 and 2014, refer to the loan activity table in Note 5 of our Consolidated Financial Statements.

Refer to Note 16 of our Consolidated Financial Statements for a discussion of loan activity with related parties.

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures. We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed pursuant to the Securities Exchange Act of 1934, as amended (the “Exchange Act”), 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, as appropriate, to allow timely decisions regarding required disclosures.

As of the end of the period covered by this report, we conducted an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

Management Report on Internal Control Over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed under the supervision of our principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States of America.

As of December 31, 2016, our management conducted an assessment of the effectiveness of our internal control over financial reporting based on the framework established in Internal Control—Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Based on this assessment, our management has concluded that our internal control over financial reporting as of December 31, 2016 is effective.

Our internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

The effectiveness of our internal control over financial reporting as of December 31, 2016 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report included in this Form 10 K, which expresses an unqualified opinion on the effectiveness of our internal control over financial reporting as of December 31, 2016.

Changes to Internal Control Over Financial Reporting. No change in internal control over financial reporting (as defined in Rule 13a 15(f) under the Exchange Act) occurred during the quarter ended December 31, 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None noted.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Information required by this Item with respect to members of our board of directors and with respect to our Audit Committee will be contained in the Proxy Statement for the 2017 Annual Meeting of Shareholders ("2017 Proxy Statement") under the captions "Election of Directors" and "Board and Committee Meetings—Audit Committee" and in the chart disclosing Audit Committee membership and is incorporated herein by this reference. Information required by this Item with respect to our executive officers will be contained in the 2017 Proxy Statement under the caption "Executive Officers," and is incorporated herein by this reference. Information required by this Item with respect to compliance with Section 16(a) of the Securities Exchange Act of 1934 will be contained in the 2017 Proxy Statement under the caption "Compliance with Section 16(a) of the Securities Exchange Act of 1934," and is incorporated herein by this reference.

Code of Ethics

We have adopted a Code of Business Conduct and Ethics for all directors, officers and employees of the Company which is available on our website at http://ir.starwoodpropertytrust.com/govdocs. In addition, stockholders may request a free copy of the Code of Business Conduct and Ethics from:

Starwood Property Trust, Inc.

Attention: Investor Relations

591 West Putnam Avenue

Greenwich, CT 06830

(202) 422 7700

We have also adopted a Code of Ethics for our Principal Executive Officer and Senior Financial Officers setting forth a code of ethics applicable to our Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer, which is available on our website at http://ir.starwoodpropertytrust.com/govdocs. Stockholders may request a free copy of the Code of Ethics for Principal Executive Officer and Senior Financial Officers from the address and phone number set forth above.

Corporate Governance Guidelines

We have also adopted Corporate Governance Guidelines, which are available on our website at http://ir.starwoodpropertytrust.com/govdocs. Stockholders may request a free copy of the Corporate Governance Guidelines from the address and phone number set forth above.

Item 11. Executive Compensation.

Information required by this Item will be contained in the 2017 Proxy Statement under the captions “Executive Compensation” and “Compensation of Directors” and is incorporated herein by this reference, provided that the Compensation Committee Report shall not be deemed to be “filed” with this Annual Report on Form 10 K.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Information required by this Item will be contained in the 2017 Proxy Statement under the captions “Security Ownership of Certain Beneficial Owners, Directors and Management” and “Equity Compensation Plan Information” and is incorporated herein by this reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Information required by this Item will be contained in the 2017 Proxy Statement under the captions “Certain Relationships and Related Transactions” and “Corporate Governance—Determination of Director Independence” and is incorporated herein by this reference.

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Item 14. Principal Accountant Fees and Services.

Information required by this Item will be contained in the 2017 Proxy Statement under the captions “Independent Registered Public Accounting Firm” and “Pre Approval Policies for Services of Independent Registered Public Accounting Firm” and is incorporated herein by reference.

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PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) Documents filed as part of this report:
(1) Financial Statements:

See Item 8—"Financial Statements and Supplementary Data", filed herewith, for a list of financial statements.

(2) Financial Statement Schedules:

Included within Item 8:

Schedule III—Real Estate and Accumulated Depreciation

Schedule IV—Mortgage Loans on Real Estate

(3) Exhibits:

Exhibit No.	Description
2.1	Unit Purchase Agreement, dated January 23, 2013, by and among Starwood Property Trust, Inc., LNR Property LLC, Aozora Investments LLC, CBR I LLC, iStar Marlin LLC, Opps VIIb LProp, L.P. and VNO LNR Holdco LLC (Incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8 K filed January 24, 2013)
2.2	Separation and Distribution Agreement, dated

	January 16, 2014, by and between Starwood Property Trust, Inc. and Starwood Waypoint Residential Trust (Incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8 K filed January 21, 2014)
3.1	Articles of Amendment and Restatement of Starwood Property Trust, Inc. (Incorporated by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10 Q filed November 16, 2009)
3.2	Amended and Restated Bylaws of Starwood Property Trust, Inc. (Incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8 K filed March 17, 2014)
4.1	Form of Indenture for Senior Debt Securities between the Company and The Bank of New York Mellon, as

	trustee (Incorporated by reference to Exhibit 4.4 of the Company's Registration Statement on Form S 3 filed February 11, 2013)
4.2	First Supplemental Indenture, dated as of February 15, 2013, between the Company and The Bank of New York Mellon, as trustee (Incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8 K filed February 15, 2013)
4.3	Form of 4.55% Convertible Senior Notes due 2018 (Incorporated by reference to Exhibit 4.3 of the Company's Current Report on Form 8 K filed February 15, 2013)
4.4	Second Supplemental Indenture, dated as of July 3, 2013, between the Company and The

Bank of New York Mellon, as trustee (Incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8 K filed July 3, 2013)

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Exhibit No.	Description
4.5	Form of 4.00% Convertible Senior Notes due 2019 (Incorporated by reference to Exhibit 4.3 of the Company’s Current Report on Form 8 K filed July 3, 2013)
4.6	Third Supplemental Indenture, dated as of October 8, 2014, between the Company and The Bank of New York Mellon, as trustee (Incorporated by reference to Exhibit 4.2 of the Company’s Current Report on Form 8 K filed October 8, 2014)
4.7	Form of 3.75% Convertible Senior Notes due 2017 (Incorporated by reference to Exhibit 4.3 of the Company’s Current Report on Form 8 K filed October 8, 2014)
4.8	Indenture, dated as of December 16, 2016, between Starwood Property Trust, Inc. and The Bank of New York Mellon, as trustee

	(including the form of the Company's 5.000% Senior Notes due 2021) (Incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8 K filed December 21, 2016)
4.9	Registration Rights Agreement, dated as of December 16, 2016, between Starwood Property Trust, Inc. and J.P. Morgan Securities LLC, as representative of the initial purchasers (Incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8 K filed December 21, 2016)
10.1	Registration Rights Agreement, dated August 17, 2009, among Starwood Property Trust, Inc., SPT Investment, LLC and SPT Management, LLC (Incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10 Q filed November 16, 2009)

10.2	Management Agreement, dated August 17, 2009, among SPT Management, LLC and Starwood Property Trust, Inc. (Incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10 Q filed November 16, 2009)
10.3	Amendment No. 1, dated May 7, 2012, to Management Agreement, dated August 17, 2009, as amended, between Starwood Property Trust, Inc. and SPT Management, LLC (Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8 K filed May 8, 2012)
10.4	Amendment No. 2, dated December 4, 2014, to Management Agreement, dated August 17, 2009, as amended, between Starwood Property Trust, Inc. and SPT Management, LLC (Incorporated by reference to Exhibit 10.1 of the Company's Current

		Report on Form 8 K filed December 5, 2014)
10.5		Amendment No. 3, dated August 4, 2016, to Management Agreement, dated August 17, 2009, as amended, between Starwood Property Trust, Inc. and SPT Management, LLC
10.6		Co Investment and Allocation Agreement, dated August 17, 2009, among Starwood Property Trust, Inc., SPT Management, LLC and Starwood Capital Group Global, L.P. (Incorporated by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10 Q filed November 16, 2009)
10.7	Amendment No. 1, dated as of June 19, 2015, to the Co-Investment and Allocation Agreement, dated as of August 17, 2009, by and among Starwood Property Trust, Inc., SPT Management, LLC and Starwood Capital Group Global, L.P. (Incorporated by reference to Exhibit 10.1	

	of the Company's Current Report on Form 8-K filed June 25, 2015)
10.8	Amendment No. 2, dated as of November 21, 2016, to the Co-Investment and Allocation Agreement, dated as of August 17, 2009, by and among Starwood Property Trust, Inc., SPT Management, LLC and Starwood Capital Group Global, L.P. (Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed November 22, 2016)

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Exhibit No.	Description
10.9	Starwood Property Trust, Inc. Non Executive Director Stock Plan (Incorporated by reference to Exhibit 10.5 of the Company's Quarterly Report on Form 10 Q filed November 16, 2009)
10.10	Form of Restricted Stock Award Agreement for Independent Directors (Incorporated by reference to Exhibit 10.6 of the Company's Quarterly Report on Form 10 Q filed November 16, 2009)
10.11	Starwood Property Trust, Inc. Manager Equity Plan (Incorporated by reference to Exhibit 10.7 of the Company's Quarterly Report on Form 10 Q filed November 16, 2009)
10.12	First Amendment to the Starwood Property Trust, Inc. Manager Equity Plan (Incorporated

	by reference to Exhibit 10.1 of the Company's Current Report on Form 8 K filed May 6, 2013)
10.13	Restricted Stock Unit Award Agreement, dated August 17, 2009, between Starwood Property Trust, Inc. and SPT Management, LLC (Incorporated by reference to Exhibit 10.8 of the Company's Quarterly Report on Form 10 Q filed November 16, 2009)
10.14	Starwood Property Trust, Inc. Equity Plan (Incorporated by reference to Exhibit 10.9 of the Company's Quarterly Report on Form 10 Q filed November 16, 2009)
10.15	First Amendment to the Starwood Property Trust, Inc. Equity Plan (Incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8 K filed May 6, 2013)
10.16	Fifth Amended and Restated Master

	Repurchase and Securities Contract, dated as of September 16, 2016, by and among Starwood Property Trust, Inc., Starwood Property Mortgage Sub-2, L.L.C., Starwood Property Mortgage Sub-2-A, L.L.C., SPT CA Fundings 2, LLC and Wells Fargo Bank, National Association (Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed September 20, 2016)
10.17	Uncommitted Master Repurchase Agreement, dated as of December 10, 2015, by and among Starwood Property Mortgage Sub-14, L.L.C., Starwood Property Mortgage Sub-14-A, L.L.C. and JPMorgan Chase Bank, National Association (Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed December 16, 2015)

10.18	Credit Agreement, dated as of December 16, 2016, among Starwood Property Trust, Inc., as borrower, certain subsidiaries of Starwood Property Trust, Inc. from time to time party thereto, as guarantors, the lenders from time to time party thereto, and JPMorgan Chase Bank, N.A., as administrative agent (Incorporated by reference to Exhibit 4.3 of the Company's Current Report on Form 8 K filed December 21, 2016)
10.19	Form of Indemnification Agreement for Directors and Officers (Incorporated by reference to Exhibit 10.23 of the Company's Annual Report on Form 10-K filed February 25, 2016)
21.1	Subsidiaries of the Registrant
23.1	Consent of Independent Registered Public Accounting Firm

31.1	Certification pursuant to Section 302 of the Sarbanes Oxley Act of 2002
31.2	Certification pursuant to Section 302 of the Sarbanes Oxley Act of 2002
32.1	Certification pursuant to Section 906 of the Sarbanes Oxley Act of 2002
32.2	Certification pursuant to Section 906 of the Sarbanes Oxley Act of 2002

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Exhibit No.	Description
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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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.

	Starwood Property Trust, Inc.	
Date: February 23, 2017		
	By:	/s/ BARRY S. STERNLICHT
		Barry S. Sternlicht Chief Executive Officer and Chairman of the Board of Directors

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

		Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)
Date: February 23, 2017	By:	/s/ BARRY S. STERNLICHT
		Barry S. Sternlicht Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)
Date: February 23, 2017	By:	/s/ RINA PANIRY
		Rina Paniry Chief Financial Officer, Treasurer, Chief Accounting Officer and Principal Financial Officer
Date: February 23, 2017	By:	/s/ JEFFREY G. DISHNER
		Jeffrey G. Dishner Director
Date: February 23, 2017	By:	/s/ RICHARD D. BRONSON
		Richard D. Bronson Director
Date: February 23, 2017	By:	/s/ CAMILLE J. DOUGLAS

Camille J. Douglas
Director

Date: February 23, 2017 By: /s/ STRAUSS ZELNICK

Strauss Zelnick
Director

Date: February 23, 2017 By: /s/ SOLOMON J. KUMIN

Solomon J. Kumin
Director

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