SPRINT NEXTEL CORP
Form DEFA14A
October 24, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant x

Filed by a party other than the Registrant ¨

Check appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

¨ Definitive Proxy Statement

¨ Definitive Additional Materials

x Soliciting Material under § 240.14a-12

SPRINT NEXTEL CORPORATION

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of filing fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0- 11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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¨ Fee paid previously with preliminary materials:

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

The following is being distributed to certain business customers of Sprint Nextel Corporation.

Sprint-SoftBank transaction

As you are likely aware, on Oct. 15 Sprint and SoftBank, a Japanese telecommunications and Internet corporation, announced a transaction that would give SoftBank an approximately 70 percent ownership stake (on a fully-diluted basis) of Sprint. In addition to the $12.1 billion SoftBank will be paying to Sprint stockholders pursuant to the transaction, SoftBank will be investing approximately $8 billion in Sprint that will help strengthen Sprint s balance sheet. We expect the transaction will create a new, stronger Sprint benefitting our customers, shareholders and employees.

We do not expect changes to your service or contract at this time. You may have questions specific to you or regarding other details of this transaction. Due to restrictions of the Securities and Exchange Commission, we are limited in the information we can share. However, here are a few key points regarding the transaction:

Sprint s headquarters will continue to be in Overland Park, Kan., and Dan Hesse will continue as our CEO. Our stock will be publicly traded on the New York Stock Exchange. The transaction is subject to Sprint shareholder and regulatory approvals and isn t expected to close until mid-2013.

The transaction is expected to create a new, stronger Sprint by providing financial flexibility that will allow growth in ways not possible under existing conditions and enable us to invest meaningfully in improving our network and customer experience.

We believe that the transaction will make Sprint a stronger and more robust competitor in the U.S. telecom market, battling two entrenched larger competitors. That s good news for Sprint customers and partners and all U.S. consumers of wireless services. Both SoftBank and Sprint have a history of technical and marketing innovation which means the transaction will assure consumers of more choice and a more robust competitive marketplace for years to come.

SoftBank is a leader in providing Long-Term Evolution technology to its subscribers and will provide valuable knowledge to help support Sprint s Network Vision plan, which will bring LTE service nationwide, enhancing network coverage, call quality and data speeds for customers.

SoftBank has a successful track record in prior acquisitions of improving service offerings to customers, leading to enhanced competition and growth. SoftBank operates Internet and communications-related businesses in Japan and globally. The company is headquartered in Tokyo and has operations in mobile, broadband, fixed-line telecommunications, e-Commerce and information technology-related products and a market capitalization of approximately $45 billion.

SoftBank has expertise offering services such as voice, cloud computing and network services for corporate customers worldwide. This expertise aligns with Sprint s own wireline focus with network, converged, and cloud services to help businesses simplify communications, realize cost savings and increase productivity.

As always, we appreciate and value your business. If you have further questions about the SoftBank announcement or other matters please let your account team know.

Cautionary Statement Regarding Forward Looking Statements

This document includes forward-looking statements within the meaning of the securities laws. The words may, could, should, estimate, pro forecast, intend, expect, anticipate, believe, target, plan, providing guidance and similar expressions are intended to identify informat not historical in nature.

This document contains forward-looking statements relating to the proposed transaction between Sprint Nextel Corporation (Sprint) and SoftBank Corporation (SoftBank) and its group companies, including Starburst II, Inc. (Starburst II) pursuant to a merger agreement and bond purchase agreement. All statements, other than historical facts, including statements regarding the expected timing of the closing of the transaction; the ability of the parties to complete the transaction considering the various closing conditions; the expected benefits of the transaction such as improved operations, enhanced revenues and cash flow, growth potential, market profile and financial strength; the competitive ability and position of SoftBank or Sprint; and any assumptions underlying any of the foregoing, are forward-looking statements. Such statements are based upon current plans, estimates and expectations that are subject to risks, uncertainties and assumptions. The inclusion of such statements should not be regarded as a representation that such plans, estimates or expectations will be achieved. You should not place undue reliance on such statements. Important factors that could cause actual results to differ materially from such plans, estimates or expectations include, among others, that (1) one or more closing conditions to the transaction may not be satisfied or waived, on a timely basis or otherwise, including that a governmental entity may prohibit, delay or refuse to grant approval for the consummation of the transaction or that the required approval by Sprint s stockholders may not be obtained; (2) there may be a material adverse change of SoftBank or Sprint or the respective businesses of SoftBank or Sprint may suffer as a result of uncertainty surrounding the transaction; (3) the transaction may involve unexpected costs, liabilities or delays; (4) legal proceedings may be initiated related to the transaction; and (5) other risk factors as detailed from time to time in Sprint s and Starburst II s reports filed with the Securities and Exchange Commission (SEC), including Sprint s Annual Report on Form 10-K for the year ended December 31, 2011 and Quarterly Report on Form 10-Q for the quarter ended June 30, 2012 and the proxy statement/prospectus to be contained in Starburst II s Registration Statement on Form S-4, which are (or will be, when filed) available on the SEC s web site (www.sec.gov). There can be no assurance that the merger will be completed, or if it is completed, that it will close within the anticipated time period or that the expected benefits of the merger will be realized.

None of Sprint, SoftBank or Starburst II undertakes any obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. Readers are cautioned not to place undue reliance on any of these forward-looking statements.

Additional Information and Where to Find It

In connection with the proposed strategic combination, Starburst II plans to file with the SEC a Registration Statement on Form S-4 that will include a proxy statement of Sprint, and that also will constitute a prospectus of Starburst II. Sprint will mail the proxy statement/prospectus to its stockholders. INVESTORS ARE URGED TO READ THE PROXY STATEMENT/PROSPECTUS WHEN IT BECOMES AVAILABLE BECAUSE IT WILL CONTAIN IMPORTANT INFORMATION. The proxy statement/prospectus, as well as other filings containing information about Sprint, SoftBank and Starburst II, will be available, free of charge, from the SEC s web site (www.sec.gov). Sprint s SEC filings in connection with the transaction also may be obtained, free of charge, from Sprint s web site (www.sprint.com) under the tab About Us Investors and then under the heading Documents and Filings SEC Filings, or by directing a request to Sprint, 6200 Sprint Parkway, Overland Park, Kansas 66251, Attention: Shareholder Relations or (913) 794-1091. Starburst II s SEC filings in connection with the transaction (when filed) also may be obtained, free of charge, by directing a request to SoftBank, 1-9-1 Higashi-Shimbashi, Minato-ku, Tokyo 105-7303, Japan; telephone: +81.3.6889.2290; e-mail: ir@SoftBank.co.jp.

Participants in the Merger Solicitation

The respective directors, executive officers and employees of Sprint, SoftBank, Starburst II and other persons may be deemed to be participants in the solicitation of proxies in respect of the transaction. Information regarding Sprint s directors and executive officers is available in its Annual Report on Form 10-K for the year ended December 31, 2011. Other information regarding the interests of such individuals as well as information regarding SoftBank s and Starburst II s directors and executive officers will be available in the proxy statement/prospectus when it becomes available. These documents can be obtained free of charge from the sources indicated above. This communication shall not constitute an offer to sell or the solicitation of an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

n">Belgium 1 70,621 71,007

Germany

1 11,585 63,637

Netherlands

1 7,516 7,537

Subtotal

19 2,594,835 2,994,300 19

Total	125	$14,191,200	$14,740,844	100%

(1) In certain instances, we finance our loans through the non-recourse sale of a senior loan interest that is not included in our consolidated financial statements. See Note 2 for further discussion. Total loan exposure encompasses the entire loan we originated and financed, including $446.9 million of such non-consolidated senior interests as of December 31, 2018.

(2) Excludes investment exposure to the $1.0 billion 2018 Single Asset Securitization. See Note 5 for details of the subordinated risk retention interest we own in the 2018 Single Asset Securitization.

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Blackstone Mortgage Trust, Inc.

Notes to Consolidated Financial Statements (continued)

Property Type	December 31, 2017 Number of Loans	Net Book Value	Total Loan Exposure(1)	Percentage of Portfolio
Office	53	$ 5,773,972	$ 5,807,170	53%
Hotel	15	1,830,568	1,905,497	17
Multifamily	25	1,220,423	1,228,959	11
Retail	6	487,473	940,980	8
Condominium	2	142,342	268,751	2
Other	9	601,954	942,251	9
	110	$ 10,056,732	$ 11,093,608	100%

Geographic Location	Number of Loans	Net Book Value	Total Loan Exposure(1)	Percentage of Portfolio
United States				
Northeast	26	$ 2,857,948	$ 2,871,219	26%
West	29	2,672,069	2,816,276	24
Southeast	17	2,007,202	2,470,992	22
Midwest	9	856,559	862,578	8
Southwest	10	380,204	380,120	3
Northwest	2	283,381	286,221	3
Subtotal	93	9,057,363	9,687,406	86
International				
United Kingdom	6	440,317	794,789	7
Canada	7	415,893	412,343	4
Belgium	1	73,779	74,431	1
Germany	1	12,237	67,399	1
Netherlands	2	57,143	57,240	1
Subtotal	17	999,369	1,406,202	14
Total	110	$ 10,056,732	$ 11,093,608	100%

(1) In certain instances, we finance our loans through the non-recourse sale of a senior loan interest that is not included in our consolidated financial statements. See Note 2 for further discussion. Total loan exposure encompasses the entire loan we originated and financed, including $985.4 million of such non-consolidated senior interests as of December 31, 2017.

Loan Risk Ratings

As further described in Note 2, our Manager evaluates our loan portfolio on a quarterly basis. In conjunction with our quarterly loan portfolio review, our Manager assesses the risk factors of each loan, and assigns a risk rating based on several factors. Factors considered in the assessment include, but are not limited to, risk of loss, current LTV, debt yield, collateral performance, structure, exit plan, and sponsorship. Loans are rated 1 (less risk) through 5 (greater risk), which ratings are defined in Note 2.

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Blackstone Mortgage Trust, Inc.

Notes to Consolidated Financial Statements (continued)

The following table allocates the principal balance and net book value of our loans receivable based on our internal risk ratings ($ in thousands):

	December 31, 2018				December 31, 2017		
Risk Rating	Number of Loans	Net Book Value	Total Loan Exposure(1)(2)	Risk Rating	Number of Loans	Net Book Value	Total Loan Exposure(1)
1	2	$ 181,366	$ 182,740	1	1	$ 31,842	$ 31,890
2	38	3,860,432	3,950,025	2	41	3,512,709	3,521,701
3	85	10,149,402	10,608,079	3	67	6,491,617	7,519,465
4				4	1	20,564	20,552
5				5			
	125	$ 14,191,200	$ 14,740,844		110	$ 10,056,732	$ 11,093,608

(1) In certain instances, we finance our loans through the non-recourse sale of a senior loan interest that is not included in our consolidated financial statements. See Note 2 for further discussion. Total loan exposure encompasses the entire loan we originated and financed, including $446.9 million and $985.4 million of such non-consolidated senior interests as of December 31, 2018 and December 31, 2017, respectively.

(2) Excludes investment exposure to the $1.0 billion 2018 Single Asset Securitization. See Note 5 for details of the subordinated risk retention interest we own in the 2018 Single Asset Securitization.

The weighted-average risk rating of our total loan exposure was 2.7 as of both December 31, 2018 and 2017. We had one loan with a risk rating of 4 in our portfolio as of December 31, 2017, which was repaid in full in April 2018.

We did not have any impaired loans, nonaccrual loans, or loans in maturity default as of December 31, 2018 or 2017.

Multifamily Joint Venture

As discussed in Note 2, we entered into a Multifamily Joint Venture in April 2017. As of December 31, 2018 and December 31, 2017, our Multifamily Joint Venture held $334.6 million and $182.2 million of loans, respectively, which are included in the loan disclosures above. Refer to Note 2 for additional discussion of our Multifamily Joint Venture.

4. EQUITY INVESTMENT IN UNCONSOLIDATED SUBSIDIARY

Our equity investment in unconsolidated subsidiary consisted solely of our carried interest in CTOPI, a fund formerly sponsored and managed by an affiliate of our Manager. The investment was fully realized as of December 31, 2016 and we no longer have any investments in unconsolidated subsidiaries on our consolidated financial statements.

Our carried interest in CTOPI entitled us to earn promote revenue in an amount equal to 17.7% of the fund s profits, after a 9% preferred return and 100% return of capital to the CTOPI partners. During the year ended December 31, 2016, we recognized $3.2 million of promote income from CTOPI in respect of our carried interest and recorded such amounts as income in our consolidated statement of operations.

CTOPI Incentive Management Fee Grants

In January 2011, we created a management compensation pool for employees equal to 45% of the CTOPI promote distributions received by us. During the year ended December 31, 2016, we recognized $1.6 million of

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Blackstone Mortgage Trust, Inc.

Notes to Consolidated Financial Statements (continued)

expenses under the CTOPI incentive plan. Such amounts were recognized as a component of general and administrative expenses in our consolidated statements of operations.

5. OTHER ASSETS AND LIABILITIES

The following table details the components of our other assets ($ in thousands):

	December 31, 2018	December 31, 2017
Debt securities held-to-maturity[1]	$ 96,167	$
Accrued interest receivable	56,679	38,573
Derivative assets	9,916	1,214
Loan portfolio payments held by servicer[2]	6,133	54,759
Prepaid expenses	647	798
Prepaid taxes	6	31
Collateral deposited under derivative agreements		4,120
Other	965	80
Total	$ 170,513	$ 99,575

(1) Represents a $99.0 million subordinate risk retention interest in the $1.0 billion 2018 Single Asset Securitization, with a yield to full maturity of L+10.0% and a maximum maturity date of June 9, 2025, assuming all extension options are exercised by the borrower. Refer to Note 16 for additional discussion.

(2) Represents loan principal and interest payments held by our third-party loan servicer as of the balance sheet date which were remitted to us during the subsequent remittance cycle.

The following table details the components of our other liabilities ($ in thousands):

	December 31, 2018	December 31, 2017
Accrued dividends payable	$ 76,530	$ 66,888
Accrued interest payable	25,588	14,162
Accrued management and incentive fees payable	18,586	14,284
Accounts payable and other liabilities	4,583	2,125
Derivative liabilities	2,925	4,911
Secured debt repayments pending servicer remittance[1]		38,456

Total	$	128,212	$	140,826

(1) Represents pending transfers from our third-party loan servicer that were remitted to our banking counterparties during the subsequent remittance cycle.

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Blackstone Mortgage Trust, Inc.

Notes to Consolidated Financial Statements (continued)

6. SECURED DEBT AGREEMENTS, NET

Our secured debt agreements include credit facilities, asset-specific financings, the GE portfolio acquisition facility, and a revolving credit agreement. The following table details our secured debt agreements ($ in thousands):

	Secured Debt Agreements Borrowings Outstanding	
	December 31, 2018	December 31, 2017
Credit facilities	$ 6,903,683	$ 4,068,249
Asset-specific financings	1,538,548	518,864
GE portfolio acquisition facility	510,405	703,423
Revolving credit agreement	43,845	
Total secured debt agreements	$ 8,996,481	$ 5,290,536
Deferred financing costs[1]	(21,725)	(16,681)
Net book value of secured debt	$ 8,974,756	$ 5,273,855

(1) Costs incurred in connection with our secured debt agreements are recorded on our consolidated balance sheet when incurred and recognized as a component of interest expense over the life of each related agreement.

Blackstone Mortgage Trust, Inc.

Notes to Consolidated Financial Statements (continued)

Credit Facilities

During the year ended December 31, 2018, we added two new credit facilities, providing an aggregate additional $2.0 billion of credit capacity, and increased the maximum facility size of five of our existing credit facilities, providing an aggregate additional $2.3 billion of credit capacity.

The following tables detail our credit facilities ($ in thousands):

	December 31, 2018				
	Maximum	Credit Borrowings			Collateral
Lender	Facility Size(1)	Potential(2)	Outstanding	Available(2)	Assets(3)
Wells Fargo	$ 3,000,000	$ 1,398,103	$ 1,311,749	$ 86,354	$ 1,853,770
Deutsche Bank	1,100,000	934,631	934,631		1,193,713
Barclays	1,500,000	890,620	890,620		1,113,275
Bank of America	1,000,000	873,446	873,446		1,090,117
MetLife	704,325	675,329	675,329		852,733
Citibank(4)	1,000,000	817,993	630,454	187,539	1,030,116
JP Morgan	500,000	492,349	492,349		626,897
Société Générale(5)	688,020	321,182	321,182		404,048
Morgan Stanley(6)	637,700	341,241	276,721	64,520	457,496
Goldman Sachs	450,000	230,140	230,140		295,368
Goldman Sachs - Multi. JV(7)	250,000	170,060	170,060		212,983
Bank of America - Multi. JV(7)	200,000	97,002	97,002		121,636
	$ 11,030,045	$ 7,242,096	$ 6,903,683	$ 338,413	$ 9,252,152

	December 31, 2017				
	Maximum	Credit Borrowings			Collateral
Lender	Facility Size(1)	Potential(2)	Outstanding	Available(2)	Assets(3)
Wells Fargo	$ 2,000,000	$ 1,289,135	$ 1,170,801	$ 118,334	$ 1,680,325
MetLife	1,000,000	807,164	807,164		1,039,231
Bank of America	750,000	573,542	573,542		765,049
JP Morgan	500,000	443,496	319,755	123,741	579,218
Société Générale(5)	480,200	300,871	300,871		373,181
Deutsche Bank	500,000	295,743	295,743		399,203
Citibank(4)	800,125	354,354	240,881	113,473	455,433

Morgan Stanley[6]	675,650	456,344	216,044	240,300	591,168
Bank of America - Multi. JV[7]	200,000	85,560	85,560		106,950
Goldman Sachs - Multi. JV[7]	250,000	57,888	57,888		75,225
	$ 7,155,975	$ 4,664,097	$ 4,068,249	$ 595,848	$ 6,064,983

(1) Maximum facility size represents the largest amount of borrowings available under a given facility once sufficient collateral assets have been approved by the lender and pledged by us.

(2) Potential borrowings represents the total amount we could draw under each facility based on collateral already approved and pledged. When undrawn, these amounts are immediately available to us at our sole discretion under the terms of each credit facility.

(3) Represents the principal balance of the collateral assets.

(4) As of December 31, 2018 the Citibank facility was denominated in U.S. dollars. As of December 31, 2017, the maximum facility size was composed of a $500.0 million facility denominated in U.S. dollars plus a 250.0 million facility, which translated to $300.1 million as of such date.

(5) As of December 31, 2018, the Société Générale maximum facility size was 600.0 million, which translated to $688.0 million. As of December 31, 2017 the maximum facility size was 400.0 million, which translated to $480.2 million.

(6) As of December 31, 2018 and 2017, the Morgan Stanley maximum facility of £500.0 million was translated to $637.7 million and $675.7 million, respectively.

(7) These facilities finance the loan investments of our consolidated Multifamily Joint Venture. Refer to Note 2 for additional discussion of our Multifamily Joint Venture.

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Blackstone Mortgage Trust, Inc.

Notes to Consolidated Financial Statements (continued)

The weighted-average outstanding balance of our credit facilities was $4.7 billion for the year ended December 31, 2018. As of December 31, 2018, we had aggregate borrowings of $6.9 billion outstanding under our credit facilities, with a weighted-average cash coupon of LIBOR plus 1.75% per annum, a weighted-average all-in cost of credit, including associated fees and expenses, of LIBOR plus 1.95% per annum, and a weighted-average advance rate of 79.3%. As of December 31, 2018, outstanding borrowings under these facilities had a weighted-average maturity, excluding extension options and term-out provisions, of 1.8 years.

The weighted-average outstanding balance of our credit facilities was $4.1 billion for the year ended December 31, 2017. As of December 31, 2017, we had aggregated borrowings of $4.1 billion outstanding under our credit facilities, with a weighted-average cash coupon of LIBOR plus 1.90% per annum, a weighted-average all-in cost of credit, including associated fees and expenses, of LIBOR plus 2.12% per annum, and a weighted-average advance rate of 78.7%. As of December 31, 2017, outstanding borrowings under these facilities had a weighted-average maturity, excluding extension options and term-out provisions, of 1.5 years.

Borrowings under each facility are subject to the initial approval of eligible collateral loans by the lender and the maximum advance rate and pricing rate of individual advances are determined with reference to the attributes of the respective collateral loan.

The following tables outline the key terms of our credit facilities as of December 31, 2018:

Lender	**Currency**	**Guarantee[(1)]**	**Margin Call[(2)]**	**Term/Maturity**
Goldman Sachs - Multi. JV[(3)]	$	25%	Collateral marks only	July 12, 2020[(4)]
JP Morgan	$ / £	50%	Collateral marks only	January 7, 2021
Bank of America - Multi. JV[(3)]	$	43%	Collateral marks only	July 19, 2021[(5)]
Deutsche Bank	$	25%	Collateral marks only	August 9, 2021[(6)]
Morgan Stanley	$ / £ /	25%	Collateral marks only	March 1, 2022
Barclays	$	25%	Collateral marks only	March 29, 2023[(7)]
MetLife	$	50%	Collateral marks only	April 22, 2023[(8)]
Bank of America	$	50%	Collateral marks only	May 21, 2023[(9)]
Goldman Sachs	$	25%	Collateral marks only	October 22, 2023[(10)]
Citibank	$ / £ / / A$	25%	Collateral marks only	Term matched[(11)]
Société Générale	$ / £ /	25%	Collateral marks only	Term matched[(11)]
Wells Fargo	$	25%	Collateral marks only	Term matched[(11)]

(1) Other than amounts guaranteed based on specific collateral asset types, borrowings under our credit facilities are non-recourse to us.

(2) Margin call provisions under our credit facilities do not permit valuation adjustments based on capital markets events, and are limited to collateral-specific credit marks.

(3)

These facilities finance the loan investments of our consolidated Multifamily Joint Venture. Refer to Note 2 for additional discussion of our Multifamily Joint Venture.

(4) Includes a one-year extension option which may be exercised at our sole discretion.
(5) Includes two one-year extension options which may be exercised at our sole discretion.
(6) Includes two one-year extension options which may be exercised at our sole discretion.
(7) Includes four one-year extension options which may be exercised at our sole discretion.
(8) Includes four one-year extension options which may be exercised at our sole discretion.
(9) Includes two one-year extension options which may be exercised at our sole discretion.
(10) Includes three one-year extension options which may be exercised at our sole discretion.
(11) These credit facilities have various availability periods during which new advances can be made and which are generally subject to each lender s discretion. Maturity dates for advances outstanding are tied to the term of each respective collateral asset.

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Blackstone Mortgage Trust, Inc.

Notes to Consolidated Financial Statements (continued)

Currency	Potential Borrowings	Outstanding Borrowings[1]	Floating Rate Index	Spread[2]	Advance Rate[3]
$	$ 6,591,590	$ 6,302,207	1-month USD LIBOR	1.73%	79.3%
£	£ 319,690	£ 319,690	3-month GBP LIBOR	1.90%	79.2%
A$	A$ 255,270	A$ 255,270	3-month BBSY	1.90%	78.0%
	54,796	12,038	3-month EURIBOR	2.28%	80.0%
	$ 7,242,096	$ 6,903,683		1.75%	79.3%

(1) Potential borrowings represents the total amount we could draw under each facility based on collateral already approved and pledged. When undrawn, these amounts are immediately available to us at our sole discretion under the terms of each credit facility.
(2) Represents weighted-average spread over the applicable floating rate index, based on borrowings outstanding.
(3) Represents weighted-average advance rate based on the approved outstanding principal balance of the collateral assets pledged.

Asset-Specific Financings

During the year ended December 31, 2018, we entered into an 800.0 million asset-specific financing secured by a 1.0 billion senior loan. The following tables detail our asset-specific financings ($ in thousands):

	December 31, 2018					
Asset-Specific Financings	Count	Principal Balance	Book Value	Wtd. Avg. Yield/Cost[1]	Guarantee[2]	Wtd. Avg. Term[3]
Collateral assets	5	$ 1,923,404	$ 1,912,990	L+3.49%	n/a	Sep. 2022
Financing provided[4]	5	$ 1,538,548	$ 1,532,306	L+1.82%	$ 1,172,572	Sep. 2022

	December 31, 2017					
Asset-Specific Financings	Count	Principal Balance	Book Value	Wtd. Avg. Yield/Cost[1]	Guarantee[2]	Wtd. Avg. Term[3]
Collateral assets	6	$ 682,259	$ 677,296	L+4.76%	n/a	Dec. 2020
Financing provided[4]	6	$ 518,864	$ 517,088	L+2.50%	$ 162,475	Dec. 2020

(1) These floating rate loans and related liabilities are indexed to the various benchmark rates relevant in each arrangement in terms of currency and payment frequency. Therefore the net exposure to each benchmark rate is in direct proportion to our net assets indexed to that rate. In addition to cash coupon, yield/cost includes the amortization of deferred origination fees / financing costs.
(2)

Other than amounts guaranteed on an asset-by-asset basis, borrowings under our asset-specific financings are non-recourse to us.

(3) The weighted-average term is determined based on the maximum maturity of the corresponding loans, assuming all extension options are exercised by the borrower. Each of our asset-specific financings are term-matched to the corresponding collateral loans.

(4) As of December 31, 2018 and December 31, 2017, borrowings of $551.7 million and $394.8 million, respectively, under these asset specific financings are cross collateralized with related credit facilities with the same lenders.

The weighted-average outstanding balance of our asset-specific financings was $1.3 billion for the year ended December 31, 2018 and $576.4 million for the year ended December 31, 2017.

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Notes to Consolidated Financial Statements (continued)

GE Portfolio Acquisition Facility

During the second quarter of 2015, concurrently with our acquisition of the GE portfolio, we entered into an agreement with Wells Fargo to provide us with secured financing for the acquired portfolio. The GE portfolio acquisition facility is non-revolving and consists of a single master repurchase agreement providing for asset-specific borrowings for each collateral asset.

The following tables detail our asset-specific borrowings related to the GE portfolio acquisition ($ in thousands):

		December 31, 2018				
GE Portfolio Acquisition Facility	**Count**	**Principal Balance(1)**	**Book Value**	**Wtd. Avg. Yield/Cost(2)**	**Guarantee(3)**	**Wtd. Avg. Term(4)**
Collateral assets	11	$ 660,743	$ 662,521	6.32%	n/a	May 2021
Financing provided(5)	11	$ 510,405	$ 509,813	L+1.79%	$ 250,000	May 2021

		December 31, 2017				
GE Portfolio Acquisition Facility	**Count**	**Principal Balance(1)**	**Book Value**	**Wtd. Avg. Yield/Cost(2)**	**Guarantee(3)**	**Wtd. Avg. Term(4)**
Collateral assets	16	$ 906,707	$ 911,092	5.74%	n/a	Jul. 2020
Financing provided(5)	16	$ 703,423	$ 702,337	L+1.72%	$ 250,000	Jul. 2020

(1) As of December 31, 2018, this facility provided for $591.7 million of financing, of which $510.4 million was outstanding and an additional $81.3 million was available to finance future loan fundings in the GE portfolio. As of December 31, 2017, this facility provided for $816.3 million of financing, of which $703.4 million was outstanding and an additional $112.9 million was available to finance future loan fundings in the GE portfolio.

(2) In addition to cash coupon, yield/cost includes the amortization of deferred origination fees / financing costs.

(3) We guarantee obligations under the GE portfolio acquisition facility in an amount equal to the greater of (i) 25% of outstanding asset-specific borrowings, and (ii) $250.0 million.

(4) The weighted-average term is determined based on the maximum maturity of the corresponding loans, assuming all extension options are exercised by the borrower. Each of our asset-specific financings are term-matched to the corresponding collateral loans.

(5) Borrowings under these financings are cross collateralized with the related credit facility with the same lender.

Revolving Credit Agreement

We have a $250.0 million full recourse secured revolving credit agreement with Barclays that is designed to finance first mortgage originations for up to six months as a bridge to term financing or syndication. Advances under the agreement are subject to availability under a specified borrowing base and accrue interest at a per annum pricing rate equal to the sum of (i) an applicable base rate or Eurodollar rate and (ii) an applicable margin, in each case, dependent on the applicable type of loan collateral. The maturity date of the facility is April 4, 2020.

During the year ended December 31, 2018, the weighted-average outstanding borrowings under the revolving credit agreement was $44.3 million and we recorded interest expense of $3.8 million, including $1.1 million of amortization of deferred fees and expenses. As of December 31, 2018, we had $43.8 million of borrowings outstanding under the agreement.

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Blackstone Mortgage Trust, Inc.

Notes to Consolidated Financial Statements (continued)

During the year ended December 31, 2017, the weighted-average outstanding borrowings under the revolving credit agreement was $30.7 million and we recorded interest expense of $3.0 million, including $829,000 of amortization of deferred fees and expenses. As of December 31, 2017, we had no outstanding borrowings under the agreement.

Debt Covenants

Each of the guarantees related to our secured debt agreements contain the following uniform financial covenants: (i) our ratio of earnings before interest, taxes, depreciation, and amortization, or EBITDA, to fixed charges, as defined in the agreements, shall be not less than 1.4 to 1.0; (ii) our tangible net worth, as defined in the agreements, shall not be less than $2.5 billion as of each measurement date plus 75% of the net cash proceeds of future equity issuances subsequent to December 31, 2018; (iii) cash liquidity shall not be less than the greater of (x) $10.0 million or (y) 5% of our recourse indebtedness; and (iv) our indebtedness shall not exceed 83.33% of our total assets. As of December 31, 2018 and December 31, 2017, we were in compliance with these covenants.

7. LOAN PARTICIPATIONS SOLD, NET

The financing of a loan by the non-recourse sale of a senior interest in the loan through a participation agreement generally does not qualify as a sale under GAAP. Therefore, in the instance of such sales, we present the whole loan as an asset and the loan participation sold as a liability on our consolidated balance sheet until the loan is repaid. The obligation to pay principal and interest on these liabilities is generally based on the performance of the related loan obligation. The gross presentation of loan participations sold does not impact stockholders   equity or net income.

The following tables detail our loan participations sold ($ in thousands):

		December 31, 2018				
Loan Participations Sold	**Count**	**Principal Balance**	**Book Value**	**Yield/Cost[1]**	**Guarantee[2]**	**Term**
Total loan	1	$ 123,745	$ 122,669	L+5.92%	n/a	Feb. 2022
Senior participation[3][4]	1	94,528	94,418	L+4.07%	n/a	Feb. 2022

		December 31, 2017				
Loan Participations Sold	**Count**	**Principal Balance**	**Book Value**	**Yield/Cost[1]**	**Guarantee[2]**	**Term**
Total loan	1	$ 141,119	$ 138,907	L+5.94%	n/a	Feb. 2022
Senior participation[3][4]	1	80,706	80,415	L+4.14%	n/a	Feb. 2022

(1) Our floating rate loans and related liabilities are indexed to the various benchmark rates relevant in each arrangement in terms of currency and payment frequency. Therefore the net exposure to each benchmark rate is in direct proportion to our net assets indexed to that rate. In addition to cash coupon, yield/cost

includes the amortization of deferred fees / financing costs.

(2) As of December 31, 2018 and December 31, 2017, our loan participation sold was non-recourse to us.

(3) During the years ended December 31, 2018 and 2017, we recorded $16.6 million and $10.1 million, respectively, of interest expense related to our loan participations sold.

(4) The difference between principal balance and book value of loan participations sold is due to deferred financing costs of $110,000 and $291,000, as of December 31, 2018 and December 31, 2017, respectively.

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Blackstone Mortgage Trust, Inc.

Notes to Consolidated Financial Statements (continued)

8. SECURITIZED DEBT OBLIGATIONS, NET

We have financed a pool of our loans through a collateralized loan obligation, or the CLO, and have also financed one of our loans through a single asset securitization vehicle, or the 2017 Single Asset Securitization. The CLO and the 2017 Single Asset Securitization have issued securitized debt obligations that are non-recourse to us. Both the CLO and the 2017 Single Asset Securitization are consolidated in our financial statements. Refer to Note 16 for further discussion of our CLO and 2017 Single Asset Securitization.

The following tables detail our securitized debt obligations ($ in thousands):

	December 31, 2018				
Securitized Debt Obligations	**Count**	**Principal Balance**	**Book Value**	**Wtd. Avg. Yield/Cost[(1)]**	**Term[(2)]**
Collateralized Loan Obligation					
Collateral assets	26	$ 1,000,000	$ 1,000,000	6.25%	Apr. 2022
Financing provided	1	817,500	811,023	L+1.74%	June 2035
2017 Single Asset Securitization					
Collateral assets[(3)]	1	682,297	678,770	L+3.60%	June 2023
Financing provided	1	474,620	474,448	L+1.65%	June 2033
Total					
Collateral assets	27	$ 1,682,297	$ 1,678,770	6.19%	
Financing provided[(4)]	2	$ 1,292,120	$ 1,285,471	L+1.71%	

	December 31, 2017				
Securitized Debt Obligations	**Count**	**Principal Balance**	**Book Value**	**Wtd. Avg. Yield/Cost[(1)]**	**Term[(2)]**
Collateralized Loan Obligation					
Collateral assets	31	$ 1,000,000	$ 1,000,000	5.16%	Nov. 2021
Financing provided	1	817,500	808,084	L+1.76%	June 2035
2017 Single Asset Securitization					
Collateral assets[(3)]	1	656,406	652,880	L+3.60%	June 2023
Financing provided	1	474,620	474,328	L+1.94%	June 2033
Total					
Collateral assets	32	$ 1,656,406	$ 1,652,880	5.17%	
Financing provided[(4)]	2	$ 1,292,120	$ 1,282,412	L+1.83%	

(1) As of December 31, 2018 and 2017, 98% of our loans financed by securitized debt obligations earned a floating rate of interest. In addition to cash coupon, all-in yield includes the amortization of deferred origination and extension fees, loan origination costs, purchase discounts, and accrual of exit fees. All-in yield for the total portfolio assume applicable floating benchmark rates for weighted-average calculation.

(2) Loan term represents weighted-average final maturity, assuming all extension options are exercised by the borrower. Repayments of securitized debt obligations are tied to timing of the related collateral loan asset repayments. The term of these obligations represents the rated final distribution date of the securitizations.

(3) The collateral assets for the 2017 Single Asset Securitization include the total loan amount, of which we securitized $500.0 million.

(4) During the years ended December 31, 2018 and 2017, we recorded $48.8 million and $8.5 million, respectively, of interest expense related to our securitized debt obligations.

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Blackstone Mortgage Trust, Inc.

Notes to Consolidated Financial Statements (continued)

9. CONVERTIBLE NOTES, NET

As of December 31, 2018, the following convertible senior notes, or Convertible Notes, were outstanding ($ in thousands):

Convertible Notes Issuance	Face Value	Coupon Rate	All-in Cost[(1)]	Conversion Rate[(2)]	Maturity
May 2017	$ 402,500	4.38%	4.85%	28.0324	May 5, 2022
March 2018	$ 220,000	4.75%	5.33%	27.6052	March 15, 2023

(1) Includes issuance costs that are amortized through interest expense over the life of the Convertible Notes using the effective interest method.
(2) Represents the shares of class A common stock per $1,000 principal amount of Convertible Notes, which is equivalent to a conversion price of $35.67 and $36.23 per share of class A common stock, respectively, for the May 2017 and March 2018 convertible notes. The cumulative dividend threshold as defined in the respective May 2017 and March 2018 convertible notes supplemental indentures have not been exceeded as of December 31, 2018.

The Convertible Notes are convertible at the holders option into shares of our class A common stock, only under specific circumstances, prior to the close of business on January 31, 2022 and December 14, 2022 for the May 2017 and March 2018 convertible notes, respectively, at the applicable conversion rate in effect on the conversion date. Thereafter, the Convertible Notes are convertible at the option of the holder at any time until the second scheduled trading day immediately preceding the maturity date. We may not redeem the Convertible Notes prior to maturity. The last reported sale price of our class A common stock of $31.86 on December 31, 2018 was less than the per share conversion price of the May 2017 and March 2018 convertible notes. We have the intent and ability to settle each series of the Convertible Notes in cash and, as a result, the Convertible Notes did not have any impact on our diluted earnings per share. During the year ended December 31, 2018, we settled $172.5 million of our convertible notes from our November 2013 issuance. The convertible notes were settled entirely in cash for an aggregate $219.2 million, resulting in a $46.7 million charge to our additional paid-in capital.

Upon our issuance of the November 2013 convertible notes, we recorded a $9.1 million discount based on the implied value of the conversion option and an assumed effective interest rate of 6.50%, as well as $4.1 million of initial issuance costs. Including the amortization of this discount and the issuance costs, our total cost of the November 2013 convertible notes issuance was 7.16% per annum. Our November 2013 convertible notes matured on December 1, 2018.

Upon our issuance of the May 2017 convertible notes, we recorded a $979,000 discount based on the implied value of the conversion option and an assumed effective interest rate of 4.57%, as well as $8.4 million of initial debt discount and issuance costs. Including the amortization of the discount and issuance costs, our total cost of the May 2017 convertible notes issuance is 4.91% per annum.

Upon our issuance of the March 2018 convertible notes, we recorded a $1.5 million discount based on the implied value of the conversion option and an assumed effective interest rate of 5.25%, as well as $5.2 million of initial debt discount and issuance costs. Including the amortization of the discount and issuance costs, our total cost of the March 2018 convertible notes issuance is 5.49% per annum.

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Blackstone Mortgage Trust, Inc.

Notes to Consolidated Financial Statements (continued)

The following table details the net book value of our Convertible Notes on our consolidated balance sheets ($ in thousands):

	December 31, 2018	December 31, 2017
Face value	$ 622,500	$ 575,000
Unamortized discount	(11,740)	(10,279)
Deferred financing costs	(849)	(810)
Net book value	$ 609,911	$ 563,911

The following table details our interest expense related to the Convertible Notes ($ in thousands):

	Year Ended December 31,		
	2018	2017	2016
Cash coupon	$ 33,859	$ 19,259	$ 9,056
Discount and issuance cost amortization	5,531	4,040	2,736
Total interest expense	$ 39,390	$ 23,299	$ 11,792

Accrued interest payable for the Convertible Notes was $6.0 million and $3.7 million as of December 31, 2018 and December 31, 2017, respectively. Refer to Note 2 for additional discussion of our accounting policies for the Convertible Notes.

10. DERIVATIVE FINANCIAL INSTRUMENTS

The sole objective of our use of derivative financial instruments is to minimize the risks and/or costs associated with our investments and/or financing transactions. These derivatives may or may not qualify as net investment, cash flow, or fair value hedges under the hedge accounting requirements of ASC 815 Derivatives and Hedging. Derivatives not designated as hedges are not speculative and are used to manage our exposure to interest rate movements and other identified risks. For more information on the accounting for designated and non-designated hedges, refer to Note 2.

The use of derivative financial instruments involves certain risks, including the risk that the counterparties to these contractual arrangements do not perform as agreed. To mitigate this risk, we only enter into derivative financial instruments with counterparties that have appropriate credit ratings and are major financial institutions with which we and our affiliates may also have other financial relationships.

Net Investment Hedges of Foreign Currency Risk

Certain of our international investments expose us to fluctuations in foreign interest rates and currency exchange rates. These fluctuations may impact the value of our cash receipts and payments in terms of our functional currency, the U.S. dollar. We use foreign currency forward contracts to protect the value or fix the amount of certain investments or cash flows in terms of the U.S. dollar.

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Blackstone Mortgage Trust, Inc.

Notes to Consolidated Financial Statements (continued)

The following table details our outstanding foreign exchange derivatives that were designated as net investment hedges of foreign currency risk (notional amount in thousands):

December 31, 2018				December 31, 2017			
Foreign Currency Derivatives	**Number of Instruments**	**Notional Amount**		**Foreign Currency Derivatives**	**Number of Instruments**	**Notional Amount**	
Sell GBP Forward	3	£	192,300	Sell GBP Forward	1	£	112,700
Sell AUD Forward	2	A$	187,600	Sell CAD Forward	1	C$	95,100
Sell EUR Forward	1		185,000				
Sell CAD Forward	1	C$	70,600				

Cash Flow Hedges of Interest Rate Risk

Certain of our transactions expose us to interest rate risks, which include a fixed versus floating rate mismatch between our assets and liabilities. We use derivative financial instruments, which include interest rate caps and swaps, and may also include interest rate options, floors, and other interest rate derivative contracts, to hedge interest rate risk.

The following tables detail our outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk (notional amount in thousands):

December 31, 2018

Interest Rate Derivatives	**Number of Instruments**	**Notional Amount**		**Strike**	**Index**	**Wtd.-Avg. Maturity (Years)**
Interest Rate Swap	3	C$	90,472	1.0%	CDOR	0.5
Interest Rate Caps	9	$	204,248	2.4%	USD LIBOR	0.5
Interest Rate Caps	2	C$	39,998	2.5%	CDOR	0.6

December 31, 2017

Interest Rate Derivatives	**Number of Instruments**	**Notional Amount**		**Strike**	**Index**	**Wtd.-Avg. Maturity (Years)**
Interest Rate Swaps	4	C$	108,094	1.0%	CDOR	1.4
Interest Rate Caps	9	$	204,248	2.4%	USD LIBOR	1.5
Interest Rate Caps	3	C$	23,370	2.0%	CDOR	0.3

Amounts reported in accumulated other comprehensive income (loss) related to derivatives will be reclassified to interest expense as interest payments are made on our floating rate debt. During the twelve months following December 31, 2018, we estimate that an additional $267,000 will be reclassified from accumulated other comprehensive income (loss) as an increase to interest income.

Non-designated Hedges

During the year ended December 31, 2018 we recorded gains of $23,000 related to non-designated hedges that were reported as a component of interest expense in our consolidated financial statements. During the years ended December 31, 2017 and 2016, we recorded losses of $449,000 and $1.9 million, respectively, related to non-designated hedges that were reported as a component of interest expense in our consolidated financial statements.

Blackstone Mortgage Trust, Inc.

Notes to Consolidated Financial Statements (continued)

The following tables summarize our non-designated hedges (notional amount in thousands):

December 31, 2018

Non-designated Hedges	Number of Instruments	Notional Amount	
Buy AUD / Sell USD Forward	1	A$	55,000
Buy USD / Sell AUD Forward	1	A$	55,000
Buy GBP / Sell USD Forward	1	£	23,200
Buy USD / Sell GBP Forward	1	£	23,200
Buy GBP / Sell EUR Forward	1		12,857

December 31, 2017

Non-designated Hedges	Number of Instruments	Notional Amount
Buy GBP / Sell EUR Forward	1	12,857

Valuation of Derivative Instruments

The following table summarizes the fair value of our derivative financial instruments ($ in thousands):

	Fair Value of Derivatives in an Asset Position(1) as of		Fair Value of Derivatives in a Liability Position(2) as of	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Derivatives designated as hedging instruments:				
Foreign exchange contracts	$ 8,210	$	$ 1,307	$ 4,872
Interest rate derivatives	590	1,214		
Total	$ 8,800	$ 1,214	$ 1,307	$ 4,872
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	$ 1,116	$	$ 1,618	$ 39
Interest rate derivatives				
Total	$ 1,116	$	$ 1,618	$ 39

Total Derivatives	$	9,916	$	1,214	$	2,925	$	4,911

(1) Included in other assets in our consolidated balance sheets.
(2) Included in other liabilities in our consolidated balance sheets.

Blackstone Mortgage Trust, Inc.

Notes to Consolidated Financial Statements (continued)

The following table presents the effect of our derivative financial instruments on our consolidated statements of operations ($ in thousands):

Derivatives in Hedging Relationships	Amount of (Loss) Gain Recognized in OCI on Derivatives Year Ended December 31, 2018	2017	2016	Location of Gain (Loss) Reclassified from Accumulated OCI into Income	Amount of Loss Reclassified from Accumulated OCI into Income Year Ended December 31, 2018	2017	2016
Net Investment Hedges							
Foreign exchange contracts[1]	$ 40,372	$ (22,216)	$ 25,355	Interest Expense	$	$	$
Cash Flow Hedges							
Interest rate derivatives	(8)	757	89	Interest Expense[2]	563	(831)	(798)
Total	$ 40,364	$ (21,459)	$ 25,444		$ 563	$ (831)	$ (798)

(1) During the year ended December 31, 2018, we received net cash settlements of $29.1 million on our foreign currency forward contracts. During the years ended December 31, 2017 and 2016, we paid net cash settlements of $14.2 million and received net cash settlements of $26.8 million, respectively, on our foreign currency forward contracts. Those amounts are included as a component of accumulated other comprehensive loss on our consolidated balance sheets.

(2) During the year ended December 31, 2018, we recorded total interest and related expenses of $359.6 million, which included a $563,000 expense reduction related to income generated by our cash flow hedges. During the years ended December 31, 2017 and 2016, we recorded total interest and related expenses of $234.9 million and $184.3 million, respectively, which included interest expenses of $831,000 and $798,000, respectively, related to our cash flow hedges.

Credit-Risk Related Contingent Features

We have entered into agreements with certain of our derivative counterparties that contain provisions where if we were to default on any of our indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, we may also be declared in default on our derivative obligations. In addition, certain of our agreements with our derivative counterparties require that we post collateral to secure net liability positions. As of December 31, 2018, we were in a net asset position with each such derivative counterparty and did not have any collateral posted under these derivative contracts. As of December 31, 2017, we were in a net asset position with one of our derivative counterparties and in a net liability position with our other derivative counterparty, and posted collateral of $4.1 million under these derivative contracts.

11. EQUITY

Stock and Stock Equivalents

Authorized Capital

As of December 31, 2018, we had the authority to issue up to 300,000,000 shares of stock, consisting of 200,000,000 shares of class A common stock and 100,000,000 shares of preferred stock. Subject to applicable NYSE listing requirements, our board of directors is authorized to cause us to issue additional shares of authorized stock without stockholder approval. In addition, to the extent not issued, currently authorized stock may be reclassified between class A common stock and preferred stock. We did not have any shares of preferred stock issued and outstanding as of December 31, 2018.

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Notes to Consolidated Financial Statements (continued)

Class A Common Stock and Deferred Stock Units

Holders of shares of our class A common stock are entitled to vote on all matters submitted to a vote of stockholders and are entitled to receive such dividends as may be authorized by our board of directors and declared by us, in all cases subject to the rights of the holders of shares of outstanding preferred stock, if any.

The following table details our issuance of class A common stock during the years ended December 31, 2018, 2017, and 2016 ($ in thousands, except share and per share data):

	Class A Common Stock Offerings		
	2018[1]	2017	2016
Shares issued	14,566,743	12,420,000	
Gross share issue price[2]	$ 33.16	$ 31.90	$
Net share issue price[3]	$ 32.76	$ 31.57	$
Net proceeds[4]	$ 476,420	$ 391,558	$

(1) Issuance includes 7.7 million shares issued under our at-the-market program, with a weighted average issue price of $33.66.
(2) Represents gross price per share paid by the underwriters or sales agents, as applicable.
(3) Represents net proceeds per share after underwriting or sales discounts and commissions.
(4) Net proceeds represents proceeds received from the underwriters less applicable transaction costs.

We also issue restricted class A common stock under our stock-based incentive plans. Refer to Note 14 for additional discussion of these long-term incentive plans. In addition to our class A common stock, we also issue deferred stock units to certain members of our board of directors in lieu of cash compensation for services rendered. These deferred stock units are non-voting, but carry the right to receive dividends in the form of additional deferred stock units in an amount equivalent to the cash dividends paid to holders of shares of class A common stock.

The following table details the movement in our outstanding shares of class A common stock, including restricted class A common stock and deferred stock units:

	Year Ended December 31,		
Common Stock Outstanding[1]	**2018**	**2017**	**2016**
Beginning balance	108,081,077	94,709,290	93,843,847
Issuance of class A common stock[2]	14,568,431	12,421,401	1,070
Issuance of restricted class A common stock, net	983,447	922,196	836,867

Issuance of deferred stock units	31,622	28,190	27,506
Ending balance	123,664,577	108,081,077	94,709,290

(1) Includes deferred stock units held by members of our board of directors of 228,839, 197,217, and 169,027 as of December 31, 2018, 2017, and 2016, respectively.

(2) Includes 1,688, 1,401, and 1,070 shares issued under our dividend reinvestment program during the years ended December 31, 2018, 2017, and 2016, respectively.

Blackstone Mortgage Trust, Inc.

Notes to Consolidated Financial Statements (continued)

Dividend Reinvestment and Direct Stock Purchase Plan

On March 25, 2014, we adopted a dividend reinvestment and direct stock purchase plan, under which we registered and reserved for issuance, in the aggregate, 10,000,000 shares of class A common stock. Under the dividend reinvestment component of this plan, our class A common stockholders can designate all or a portion of their cash dividends to be reinvested in additional shares of class A common stock. The direct stock purchase component allows stockholders and new investors, subject to our approval, to purchase shares of class A common stock directly from us. During the years ended December 31, 2018, 2017, and 2016 we issued 1,688 shares, 1,401 shares, and 1,070 shares, respectively, of class A common stock under the dividend reinvestment component of the plan. As of December 31, 2018, a total of 9,995,238 shares of class A common stock remained available for issuance under the dividend reinvestment and direct stock purchase plan.

At the Market Stock Offering Program

On November 14, 2018, we entered into equity distribution agreements, or ATM Agreements, pursuant to which we may sell, from time to time, up to an aggregate sales price of $500.0 million of our class A common stock and we terminated our previous ATM Agreements, which we originally entered into on May 9, 2014. Sales of class A common stock made pursuant to our ATM Agreements may be made in negotiated transactions or transactions that are deemed to be at the market offerings as defined in Rule 415 under the Securities Act of 1933, as amended. Actual sales will depend on a variety of factors including market conditions, the trading price of our class A common stock, our capital needs, and our determination of the appropriate sources of funding to meet such needs. During the year ended December 31, 2018, we issued and sold 7,666,743 shares of class A common stock under ATM Agreements, with net proceeds totaling $254.1 million. We did not sell any shares of our class A common stock under ATM Agreements during the years ended December 31, 2017 and 2016. As of December 31, 2018, sales of our class A common stock with an aggregate sales price of $429.9 million remained available for issuance under our ATM Agreements.

Dividends

We generally intend to distribute substantially all of our taxable income, which does not necessarily equal net income as calculated in accordance with GAAP, to our stockholders each year to comply with the REIT provisions of the Internal Revenue Code. Our dividend policy remains subject to revision at the discretion of our board of directors. All distributions will be made at the discretion of our board of directors and will depend upon our taxable income, our financial condition, our maintenance of REIT status, applicable law, and other factors as our board of directors deems relevant.

On December 13, 2018, we declared a dividend of $0.62 per share, or $76.5 million, that was paid on January 15, 2019, to stockholders of record as of December 31, 2018. The following table details our dividend activity ($ in thousands, except per share data):

	Year Ended December 31,		
	2018	2017	2016
Dividends declared per share of common stock	$ 2.48	$ 2.48	$ 2.48
Percent taxable as ordinary dividends	99.70%	97.20%	92.77%
Percent taxable as capital gain dividends	0.30%	2.80%	7.23%
	100.0%	100.0%	100.0%

Earnings Per Share

We calculate our basic and diluted earnings per share using the two-class method for all periods presented as the unvested shares of our restricted class A common stock qualify as participating securities, as defined by GAAP.

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Blackstone Mortgage Trust, Inc.

Notes to Consolidated Financial Statements (continued)

These restricted shares have the same rights as our other shares of class A common stock, including participating in any dividends, and therefore have been included in our basic and diluted net income per share calculation. Our Convertible Notes are excluded from dilutive earnings per share as we have the intent and ability to settle these instruments in cash.

The following table sets forth the calculation of basic and diluted net income per share of class A common stock based on the weighted-average of both restricted and unrestricted class A common stock outstanding ($ in thousands, except per share data):

	Year Ended December 31,		
	2018	**2017**	**2016**
Net income[(1)]	$ 285,078	$ 217,631	$ 238,297
Weighted-average shares outstanding, basic and diluted	113,857,238	95,963,616	94,165,351
Per share amount, basic and diluted	$ 2.50	$ 2.27	$ 2.53

(1) Represents net income attributable to Blackstone Mortgage Trust, Inc.

Other Balance Sheet Items

Accumulated Other Comprehensive Loss

As of December 31, 2018, total accumulated other comprehensive loss was $34.2 million, primarily representing (i) $104.6 million of cumulative unrealized currency translation adjustments on assets and liabilities denominated in foreign currencies and (ii) an offsetting $70.4 million of net realized and unrealized gains related to changes in the fair value of derivative instruments. As of December 31, 2017, total accumulated other comprehensive loss was $29.7 million, primarily representing (i) $60.3 million of cumulative unrealized currency translation adjustments on assets and liabilities denominated in foreign currencies and (ii) an offsetting $30.6 million of net realized and unrealized gains related to changes in the fair value of derivative instruments.

Non-Controlling Interests

The non-controlling interests included on our consolidated balance sheets represent the equity interests in our Multifamily Joint Venture that are not owned by us. A portion of our Multifamily Joint Venture s consolidated equity and results of operations are allocated to these non-controlling interests based on their pro rata ownership of our Multifamily Joint Venture. As of December 31, 2018, our Multifamily Joint Venture s total equity was $69.9 million, of which $59.4 million was owned by us, and $10.5 million was allocated to non-controlling interests. As of December 31, 2017, our Multifamily Joint Venture s total equity was $42.3 million, of which $36.0 million was owned by us, and $6.3 million was allocated to non-controlling interests.

12. OTHER EXPENSES

Our other expenses consist of the management and incentive fees we pay to our Manager and our general and administrative expenses.

Management and Incentive Fees

Pursuant to our Management Agreement, our Manager earns a base management fee in an amount equal to 1.50% per annum multiplied by our outstanding equity balance, as defined in the Management Agreement. In addition, our Manager is entitled to an incentive fee in an amount equal to the product of (i) 20% and (ii) the

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Blackstone Mortgage Trust, Inc.

Notes to Consolidated Financial Statements (continued)

excess of (a) our Core Earnings (as defined in our Management Agreement) for the previous 12-month period over (b) an amount equal to 7.00% per annum multiplied by our outstanding Equity, provided that our Core Earnings over the prior three-year period is greater than zero. Core Earnings, as defined in our Management Agreement, is generally equal to our net income (loss) prepared in accordance with GAAP, excluding (i) certain non-cash items (ii) the net income (loss) related to our legacy portfolio and (iii) incentive management fees.

During the years ended December 31, 2018, 2017, and 2016, we incurred management fees payable to our Manager of $47.0 million, $38.6 million, and $38.0 million, respectively. In addition, during the years ended December 31, 2018, 2017, and 2016, we incurred incentive fees payable to our Manager of $27.9 million, $16.2 million, and $18.0 million, respectively.

As of December 31, 2018 and 2017, we had accrued management and incentive fees payable to our Manager of $18.6 million and $14.3 million, respectively.

General and Administrative Expenses

General and administrative expenses consisted of the following ($ in thousands):

	Year Ended December 31,		
	2018	**2017**	**2016**
Professional services(1)	$ 4,437	$ 3,812	$ 3,311
Operating and other costs(1)	2,938	1,903	2,147
Subtotal	7,375	5,715	5,458
Non-cash and CT Legacy Portfolio compensation expenses			
Management incentive awards plan - CTOPI(2)			1,568
Management incentive awards plan - CT Legacy Partners(3)			1,094
Restricted class A common stock earned	27,654	23,593	19,052
Director stock-based compensation	500	438	375
Subtotal	28,154	24,031	22,089
Total BXMT expenses	35,529	29,746	27,547
Other expenses		176	169
Total general and administrative expenses	$ 35,529	$ 29,922	$ 27,716

(1)

During the years ended December 31, 2018 and December 31, 2017, we recognized an aggregate $427,000 and $232,000, respectively, of expenses related to our Multifamily Joint Venture.

(2) Represents the portion of CTOPI promote revenue recorded under compensation awards. See Note 4 for further discussion.

(3) Represents the amounts recorded under the CT Legacy Partners management incentive awards during the period. See below for discussion of the CT Legacy Partners management incentive awards plan.

CT Legacy Partners Management Incentive Awards Plan

In conjunction with our March 2011 restructuring, we created an employee pool for up to 6.75% of the distributions paid to the common equity holders of our subsidiary, CT Legacy Partners (subject to certain caps and priority distributions). During the year ended December 31, 2016, we recognized $1.1 million of expenses under the CT Legacy Partners incentive plan. Our investment in CT Legacy Partners was substantially realized as of December 31, 2016.

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13. INCOME TAXES

We have elected to be taxed as a REIT under the Internal Revenue Code for U.S. federal income tax purposes. We generally must distribute annually at least 90% of our net taxable income, subject to certain adjustments and excluding any net capital gain, in order for U.S. federal income tax not to apply to our earnings that we distribute. To the extent that we satisfy this distribution requirement, but distribute less than 100% of our net taxable income, we will be subject to U.S. federal income tax on our undistributed taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we pay out to our stockholders in a calendar year is less than a minimum amount specified under U.S. federal tax laws.

Our qualification as a REIT also depends on our ability to meet various other requirements imposed by the Internal Revenue Code, which relate to organizational structure, diversity of stock ownership, and certain restrictions with regard to the nature of our assets and the sources of our income. Even if we qualify as a REIT, we may be subject to certain U.S. federal income and excise taxes and state and local taxes on our income and assets. If we fail to maintain our qualification as a REIT for any taxable year, we may be subject to material penalties as well as federal, state, and local income tax on our taxable income at regular corporate rates and we would not be able to qualify as a REIT for the subsequent four full taxable years. As of December 31, 2018 and 2017, we were in compliance with all REIT requirements.

Securitization transactions could result in the creation of taxable mortgage pools for federal income tax purposes. As a REIT, so long as we own 100% of the equity interests in a taxable mortgage pool, we generally would not be adversely affected by the characterization of the securitization as a taxable mortgage pool. Certain categories of stockholders, however, such as foreign stockholders eligible for treaty or other benefits, stockholders with net operating losses, and certain tax-exempt stockholders that are subject to unrelated business income tax, or UBTI, could be subject to increased taxes on a portion of their dividend income from us that is attributable to the taxable mortgage pool. We currently own no UBTI producing assets and we do not intend to purchase or generate assets that produce UBTI distributions in the future.

During the years ended December 31, 2018, 2017, and 2016, we recorded a current income tax provision of $308,000, $314,000, and $196,000, respectively, primarily related to activities of our taxable REIT subsidiaries and various state and local taxes. We did not have any deferred tax assets or liabilities as of December 31, 2018 or 2017.

Effective January 1, 2018, under legislation from the Tax Cuts and Jobs Act of 2017, the maximum U.S. federal corporate income tax rate was reduced from 35% to 21%. Accordingly, to the extent that the activities of our taxable REIT subsidiaries generate taxable income in future periods, they may be subject to lower U.S. federal income tax rates.

We have net operating losses, or NOLs, generated by our predecessor business that may be carried forward and utilized in current or future periods. As a result of our issuance of 25,875,000 shares of class A common stock in May 2013, the availability of our NOLs is generally limited to $2.0 million per annum by change of control provisions promulgated by the Internal Revenue Service with respect to the ownership of Blackstone Mortgage Trust. As of December 31, 2018, we had estimated NOLs of $159.0 million that will expire in 2029, unless they are utilized by us prior to expiration.

As of December 31, 2018, tax years 2015 through 2018 remain subject to examination by taxing authorities.

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Notes to Consolidated Financial Statements (continued)

14. STOCK-BASED INCENTIVE PLANS

We are externally managed by our Manager and do not currently have any employees. However, as of December 31, 2018, our Manager, certain individuals employed by an affiliate of our Manager, and certain members of our board of directors were compensated, in part, through the issuance of stock-based instruments.

We had stock-based incentive awards outstanding under nine benefit plans as of December 31, 2018. Seven of such benefit plans have expired and no new awards may be issued under them. Under our two current benefit plans, a maximum of 5,000,000 shares of our class A common stock may be issued to our Manager, our directors and officers, and certain employees of affiliates of our Manager. As of December 31, 2018, there were 4,306,655 shares available under the Current Plans.

The following table details the movement in our outstand