CAPITAL TRUST INC
Form 10-Q
May 04, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2010

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ____________ to _____________

Commission File Number 1-14788

Capital Trust, Inc.
(Exact name of registrant as specified in its charter)

Maryland	94-6181186
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
410 Park Avenue, 14th Floor, New York, NY	10022
(Address of principal executive offices)	(Zip Code)

(212) 655-0220
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o [This requirement is currently not applicable to the registrant.]

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

Large accelerated filer o	Accelerated filer o
Non-accelerated filer ý (Do not check if a smaller reporting company)	Smaller Reporting Company o

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

The number of outstanding shares of the registrant's class A common stock, par value $0.01 per share, as of April 30, 2010 was 21,900,941.

CAPITAL TRUST, INC.
INDEX

Part I.	Financial Information		
	Item 1:	Financial Statements	1
		Consolidated Balance Sheets – March 31, 2010 (unaudited) and December 31, 2009	1
		Consolidated Statements of Operations – Three Months Ended March 31, 2010 (unaudited) and 2009 (unaudited)	2
		Consolidated Statements of Changes in Shareholders' Equity (Deficit) – Three Months Ended March 31, 2010 (unaudited) and 2009 (unaudited)	3
		Consolidated Statements of Cash Flows – Three Months Ended March 31, 2010 (unaudited) and 2009 (unaudited)	4
		Notes to Consolidated Financial Statements (unaudited)	5
	Item 2:	Management's Discussion and Analysis of Financial Condition and Results of Operations	38
	Item 3:	Quantitative and Qualitative Disclosures About Market Risk	52
	Item 4T:	Controls and Procedures	54
Part II.	Other Information		
	Item 1:	Legal Proceedings	55
	Item 1A:	Risk Factors	55
	Item 2:	Unregistered Sales of Equity Securities and Use of Proceeds	55
	Item 3:	Defaults Upon Senior Securities	55
	Item 5:	Other Information	55
	Item 6:	Exhibits	56
	Signatures		57

Index

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

Capital Trust, Inc. and Subsidiaries
Consolidated Balance Sheets
March 31, 2010 and December 31, 2009
(in thousands except per share data)

Assets		March 31, 2010 (unaudited)		December 31, 2009
Cash and cash equivalents	$	26,004	$	27,954
Securities held-to-maturity		17,501		17,332
Loans receivable, net		739,150		766,745
Equity investments in unconsolidated subsidiaries		2,721		2,351
Accrued interest receivable		2,587		3,274
Deferred income taxes		1,711		2,032
Prepaid expenses and other assets		7,649		8,391
Subtotal		797,323		828,079
Assets of Consolidated Variable Interest Entities ("VIEs")				
Securities held-to-maturity		581,939		697,864
Loans receivable, net		3,188,364		391,499
Loans held-for-sale		—		17,548
Accrued interest receivable and other assets		4,358		1,645
Subtotal		3,774,661		1,108,556
Total assets	$	4,571,984	$	1,936,635
Liabilities & Shareholders' Deficit				
Liabilities:				
Accounts payable and accrued expenses	$	5,081	$	8,228
Repurchase obligations		444,725		450,137
Senior credit facility		98,922		99,188
Junior subordinated notes		129,089		128,077
Participations sold		288,827		289,144
Interest rate hedge liabilities		4,130		4,184
Subtotal		970,774		978,958
Non-Recourse Liabilities of Consolidated VIEs				
Accounts payable and accrued expenses		3,479		1,798
Securitized debt obligations		3,859,850		1,098,280
Interest rate hedge liabilities		28,515		26,766

Subtotal		3,891,844	1,126,844
Total liabilities		4,862,618	2,105,802
Shareholders' deficit:			
Class A common stock $0.01 par value 100,000 shares authorized, 21,834 and 21,796 shares issued and outstanding as of March 31, 2010 and December 31, 2009, respectively ("class A common stock")		218	218
Restricted class A common stock $0.01 par value, 66 and 79 shares issued and outstanding as of March 31, 2010 and December 31, 2009, respectively ("restricted class A common stock" and together with class A common stock, "common stock")		1	1
Additional paid-in capital		559,195	559,145
Accumulated other comprehensive loss		(51,585)	(39,135)
Accumulated deficit		(798,463)	(689,396)
Total shareholders' deficit		(290,634)	(169,167)
Total liabilities and shareholders' deficit	$	4,571,984	$ 1,936,635

See accompanying notes to consolidated financial statements.

Index

Capital Trust, Inc. and Subsidiaries
Consolidated Statements of Operations
Three Months Ended March 31, 2010 and 2009
(in thousands, except share and per share data)
(unaudited)

	Three Months Ended March 31,	
	2010	2009
Income from loans and other investments:		
Interest and related income	$39,970	$33,239
Less: Interest and related expenses	31,252	21,268
Income from loans and other investments, net	8,718	11,971
Other revenues:		
Management fees from affiliates	3,016	2,879
Servicing fees	1,511	1,179
Other interest income	8	128
Total other revenues	4,535	4,186
Other expenses:		
General and administrative	4,736	8,457
Depreciation and amortization	6	7
Total other expenses	4,742	8,464
Total other-than-temporary impairments of securities	(35,987)	(14,646)
Portion of other-than-temporary impairments of securities recognized in other comprehensive income	16,164	5,624
Impairment of real estate held-for-sale	—	(1,333)
Net impairments recognized in earnings	(19,823)	(10,355)
Provision for loan losses	(52,217)	(58,763)
Valuation allowance on loans held-for-sale	—	(10,363)
Income (loss) from equity investments	370	(1,766)
Loss before income taxes	(63,159)	(73,554)
Income tax provision (benefit)	293	(408)
Net loss	$(63,452)	$(73,146)
Per share information:		
Net loss per share of common stock:		
Basic	$(2.84)	$(3.28)
Diluted	$(2.84)	$(3.28)
Weighted average shares of common stock outstanding:		
Basic	22,335,540	22,304,887
Diluted	22,335,540	22,304,887
Dividends declared per share of common stock	$—	$—

See accompanying notes to consolidated financial statements.

Index

Capital Trust, Inc. and Subsidiaries
Consolidated Statements of Changes in Shareholders' Equity (Deficit)
For the Three Months Ended March 31, 2010 and 2009
(in thousands)
(unaudited)

	Comprehensive Loss	Class A Common Stock	Restricted Class A Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
Balance at January 1, 2009		$ 217	$ 3	$ 557,435	$ (41,009)	$ (115,202)	$ 401,444
Net Loss	$ (73,146)	—	—	—	—	(73,146)	(73,146)
Cumulative effect of change in accounting principle	—	—	—	—	(2,243)	2,243	—
Unrealized gain on derivative financial instruments	3,619	—	—	—	3,619	—	3,619
Amortization of unrealized gains and losses on securities	(423)	—	—	—	(423)	—	(423)
Amortization of deferred gains and losses on settlement of swaps	(24)	—	—	—	(24)	—	(24)
Other-than-temporary impairments of securities related to fair value adjustments in excess of expected credit losses, net of amortization	(5,624)	—	—	—	(5,624)	—	(5,624)
Issuance of warrants in conjunction with debt restructuring	—	—	—	940	—	—	940
Restricted class A common stock earned	—	—	—	424	—	—	424
Deferred directors' compensation	—	—	—	131	—	—	131
Balance at March 31, 2009	$ (75,598)	$ 217	$ 3	$ 558,930	$ (45,704)	$ (186,105)	$ 327,341
Balance at January 1, 2010		$ 218	$ 1	$ 559,145	$ (39,135)	$ (689,396)	$ (169,167)
Net loss	$ (63,452)	—	—	—	—	(63,452)	(63,452)
Cumulative effect of change in accounting	—	—	—	—	3,800	(45,615)	(41,815)

principle							
Unrealized loss on derivative financial instruments	(1,695)	—	—	—	(1,695)	—	(1,695)
Amortization of unrealized gains and losses on securities	(175)	—	—	—	(175)	—	(175)
Amortization of deferred gains and losses on settlement of swaps	(25)	—	—	—	(25)	—	(25)
Other-than-temporary impairments of securities related to fair value adjustments in excess of expected credit losses, net of amortization	(14,355)	—	—	—	(14,355)	—	(14,355)
Restricted class A common stock earned	—	—	—	(6)	—	—	(6)
Deferred directors' compensation	—	—	—	56	—	—	56
Balance at March 31, 2010	$ (79,702)	$ 218	$ 1	$ 559,195	$ (51,585)	$ (798,463)	$ (290,634)

See accompanying notes to consolidated financial statements.

- 3 -

Index

Capital Trust, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2010 and 2009
(in thousands)
(unaudited)

	2010	2009
Cash flows from operating activities:		
Net loss	$(63,452)	$(73,146)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Net impairments recognized in earnings	19,823	10,355
Provision for loan losses	52,217	58,763
Valuation allowance on loans held-for-sale	—	10,363
(Income) loss from equity investments	(370)	1,766
Employee stock-based compensation	46	424
Depreciation and amortization	6	7
Amortization of premiums/discounts on loans and securities and deferred interest on loans	(754)	(2,061)
Amortization of deferred gains and losses on settlement of swaps	(25)	(24)
Amortization of deferred financing costs and premiums/discounts on debt obligations	2,781	1,301
Deferred directors' compensation	56	131
Changes in assets and liabilities, net:		
Accrued interest receivable	(388)	1,444
Deferred income taxes	321	—
Prepaid expenses and other assets	300	1,616
Accounts payable and accrued expenses	(2,565)	(4,264)
Net cash provided by operating activities	7,996	6,675
Cash flows from investing activities:		
Principal collections and proceeds from securities	3,120	3,865
Add-on fundings under existing loan commitments	(185)	(6,149)
Principal collections of loans receivable	24,155	7,914
Proceeds from operation/disposition of real estate held-for-sale	—	564
Proceeds from disposition of loans held-for-sale	17,548	—
Contributions to unconsolidated subsidiaries	—	(2,314)
Net cash provided by investing activities	44,638	3,880
Cash flows from financing activities:		
Decrease in restricted cash	—	18,661
Repayments under repurchase obligations	(5,529)	(42,467)
Repayments under senior credit facility	(1,250)	—
Repayment of securitized debt obligations	(47,805)	(13,857)
Payment of deferred financing costs	—	(6)
Net cash used in financing activities	(54,584)	(37,669)
Net decrease in cash and cash equivalents	(1,950)	(27,114)
Cash and cash equivalents at beginning of period	27,954	45,382

Cash and cash equivalents at end of period	$26,004	$18,268

See accompanying notes to consolidated financial statements.

Index

Capital Trust, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(unaudited)

Note 1. Organization

References herein to “we,” “us” or “our” refer to Capital Trust, Inc., a Maryland corporation, and its subsidiaries unless the context specifically requires otherwise.

We are a fully integrated, self-managed, real estate finance and investment management company that specializes in credit sensitive financial products. To date, our investment programs have focused on loans and securities backed by commercial real estate assets. We invest for our own account directly on our balance sheet and for third parties through a series of investment management vehicles. From the inception of our finance business in 1997 through March 31, 2010, we have completed over $11.2 billion of investments in the commercial real estate debt arena. We conduct our operations as a real estate investment trust, or REIT, for federal income tax purposes and we are headquartered in New York City.

Note 2. Summary of Significant Accounting Policies

The accompanying unaudited consolidated interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States, or GAAP, for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. The accompanying unaudited consolidated interim financial statements should be read in conjunction with the consolidated financial statements and the related management’s discussion and analysis of financial condition and results of operations filed with our Annual Report on Form 10-K for the fiscal year ended December 31, 2009. In our opinion, all material adjustments (consisting of normal, recurring accruals) considered necessary for a fair presentation, in accordance with GAAP, have been included. The results of operations for the three months ended March 31, 2010 are not necessarily indicative of results that may be expected for the entire year ending December 31, 2010.

Principles of Consolidation
The accompanying financial statements include, on a consolidated basis, our accounts, the accounts of our wholly-owned subsidiaries, and variable interest entities, or VIEs, in which we are the primary beneficiary, prepared in accordance with GAAP. All significant intercompany balances and transactions have been eliminated in consolidation.

VIEs are defined as entities in which equity investors (i) do not have the characteristics of a controlling financial interest, and/or (ii) do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The entity that consolidates a VIE is known as its primary beneficiary.

As of March 31, 2010, our consolidated balance sheet includes an aggregate $3.8 billion of assets and $3.9 billion of liabilities related to 11 consolidated VIEs. Due to the non-recourse nature of these VIEs, and other factors, our net exposure to loss from investments in these entities is limited to $42.1 million. See Note 10 for addition information on our investments in VIEs.

Balance Sheet Presentation
As a result of the recent accounting pronouncements discussed below, we have adjusted the presentation of our consolidated balance sheet, in accordance with GAAP, to separately categorize (i) our assets and liabilities, and (ii) the assets and liabilities of consolidated VIEs. Assets of consolidated VIEs can generally only be used to satisfy the

obligations of those VIEs, and the liabilities of consolidated VIEs are non-recourse to us. We have aggregated all the assets and liabilities of our consolidated VIEs due to our determination that these entities are substantively similar and therefore a further disaggregated presentation would not be more meaningful. Similarly, the notes to our consolidated financial statements separately describe our assets and liabilities and those of our consolidated VIEs.

Equity Investments in Unconsolidated Subsidiaries

Our co-investment interest in the private equity funds we manage, CT Mezzanine Partners III, Inc., or Fund III, and CT Opportunity Partners I, LP, or CTOPI, and others are accounted for using the equity method. These entities' assets and liabilities are not consolidated into our financial statements due to our determination that (i) these entities are not VIEs, and (ii) the investors have sufficient rights to preclude consolidation by us. As such, we report our allocable percentage of the earnings or losses of these entities on a single line item in our consolidated statements of operations as income (loss) from equity investments.

CTOPI maintains its financial records at fair value in accordance with GAAP. We have applied such accounting relative to our investment in CTOPI, and include any adjustments to fair value recorded at the fund level in determining the income (loss) we record on our equity investment in CTOPI.

Index

Capital Trust, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
(unaudited)

Revenue Recognition

Interest income from our loans receivable is recognized over the life of the investment using the effective interest method and is recorded on the accrual basis. Fees, premiums, discounts and direct costs associated with these investments are deferred until the loan is advanced and are then recognized over the term of the loan as an adjustment to yield. For loans where we have unfunded commitments, we amortize these fees and other items on a straight line basis. Fees on commitments that expire unused are recognized at expiration. Income accrual is generally suspended for loans at the earlier of the date at which payments become 90 days past due or when, in the opinion of management, recovery of income and principal becomes doubtful. Income is then recorded on the basis of cash received until accrual is resumed when the loan becomes contractually current and performance is demonstrated to be resumed.

Fees from special servicing and asset management services are recorded on an accrual basis as services are rendered under the applicable agreements, and when receipt of fees is reasonably certain. We do not recognize incentive income from our investment management business until contingencies have been eliminated. Accordingly, revenue recognition has been deferred for certain fees received which are subject to potential repayment provisions. Depending on the structure of our investment management vehicles, certain incentive fees may be in the form of carried interest or promote distributions.

See below for a description of our revenue recognition policy for our securities portfolio.

Cash and Cash Equivalents

We classify highly liquid investments with original maturities of three months or less from the date of purchase as cash equivalents. We place our cash and cash equivalents with high credit quality institutions to minimize credit risk exposure. As of, and for the periods ended, March 31, 2010 and December 31, 2009, we had bank balances in excess of federally insured amounts. We have not experienced any losses on our demand deposits, commercial paper or money market investments.

Securities

We classify our securities as held-to-maturity, available-for-sale, or trading on the date of acquisition of the investment. On August 4, 2005, we decided to change the accounting classification of certain of our securities from available-for-sale to held-to-maturity. Held-to-maturity investments are stated at cost adjusted for the amortization of any premiums or discounts, which are amortized through the consolidated statements of operations using the effective interest method. Other than in the instance of an other-than-temporary impairment (as discussed below), these held-to-maturity investments are shown in our consolidated financial statements at their adjusted values pursuant to the methodology described above.

We may also invest in securities which may be classified as available-for-sale. Available-for-sale securities are carried at estimated fair value with the net unrealized gains or losses reported as a component of accumulated other comprehensive income (loss) in shareholders' equity. Many of these investments are relatively illiquid and management is required to estimate their fair values. In making these estimates, management utilizes market prices provided by dealers who make markets in these securities, but may, under limited circumstances, adjust these valuations based on management's judgment. Changes in the valuations do not affect our reported income or cash flows, but impact shareholders' equity and, accordingly, book value per share.

Income from our securities is recognized using a level yield with any purchase premium or discount accreted through income over the life of the security. This yield is calculated using cash flows expected to be collected which are based on a number of assumptions on the underlying loans. Examples include, among other things, the rate and timing of

principal payments, including prepayments, repurchases, defaults and liquidations, the pass-through or coupon rate and interest rates. Additional factors that may affect our reported interest income on our securities include interest payment shortfalls due to delinquencies on the underlying mortgage loans and the timing and magnitude of expected credit losses on the mortgage loans underlying the securities that are impacted by, among other things, the general condition of the real estate market, including competition for tenants and their related credit quality, and changes in market rental rates. These uncertainties and contingencies are difficult to predict and are subject to future events that may alter the assumptions.

Capital Trust, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
(unaudited)

Further, as required under GAAP, when, based on current information and events, there has been an adverse change in cash flows expected to be collected from those previously estimated, an other-than-temporary impairment is deemed to have occurred. A change in expected cash flows is considered adverse if the present value of the revised cash flows (taking into consideration both the timing and amount of cash flows expected to be collected) discounted using the security's current yield is less than the present value of the previously estimated remaining cash flows, adjusted for cash receipts during the intervening period. Should an other-than-temporary impairment be deemed to have occurred, the security is written down to fair value. The total other-than-temporary impairment is bifurcated into (i) the amount related to expected credit losses, and (ii) the amount related to fair value adjustments in excess of expected credit losses, or the Valuation Adjustment. The portion of the other-than-temporary impairment related to expected credit losses is calculated by comparing the amortized cost basis of the security to the present value of cash flows expected to be collected, discounted at the security's current yield, and is recognized through earnings in the consolidated statement of operations. The remaining other-than-temporary impairment related to the Valuation Adjustment is recognized as a component of accumulated other comprehensive income (loss) in shareholders' equity. A portion of other-than-temporary impairments recognized through earnings is accreted back to the amortized cost basis of the security through interest income, while amounts recognized through other comprehensive income (loss) are amortized over the life of the security with no impact on earnings.

Loans Receivable, Provision for Loan Losses, Loans Held-for-Sale and Related Allowance
We purchase and originate commercial real estate debt and related instruments, or Loans, generally to be held as long-term investments at amortized cost. Management is required to periodically evaluate each of these Loans for possible impairment. Impairment is indicated 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 determined to be impaired, we write down the Loan through a charge to the provision for loan losses. Impairment on these loans is measured by comparing the estimated fair value of the underlying collateral to the carrying value of the respective loan. These valuations require significant judgments, which include assumptions regarding capitalization rates, leasing, creditworthiness of major tenants, occupancy rates, availability of financing, exit plan, loan sponsorship, actions of other lenders and other factors deemed necessary by management. Actual losses, if any, could ultimately differ from these estimates.

In addition, for certain pools of smaller loans which have similar credit characteristics, primarily loans in our other consolidated VIEs, we have recorded a general provision for loan losses in lieu of the asset-specific provisions we record on all other loans. This general provision is based on macroeconomic data with respect to historic loan losses, vintage, property type, and other factors deemed relevant for such loan pools. These loans do not undergo the same level of asset management as our larger, direct investments.

Loans held-for-sale are carried at the lower of our amortized cost basis and fair value. A reduction in the fair value of loans held-for-sale is recorded as a charge to our consolidated statement of operations as a valuation allowance on loans held-for-sale.

Deferred Financing Costs
The deferred financing costs which are included in prepaid expenses and other assets on our consolidated balance sheets include issuance costs related to our debt obligations and are amortized using the effective interest method, or a method that approximates the effective interest method, over the life of the related obligations.

Repurchase Obligations
In certain circumstances, we have financed the purchase of investments from a counterparty through a repurchase agreement with that same counterparty. We currently record these investments in the same manner as other

investments financed with repurchase agreements, with the investment recorded as an asset and the related borrowing under any repurchase agreement recorded as a liability on our consolidated balance sheets. Interest income earned on the investments and interest expense incurred on the repurchase obligations are reported separately on the consolidated statements of operations.

Subsequent to our origination of these investments, revisions to GAAP presume that an initial transfer of a financial asset and a repurchase financing shall be evaluated as a linked transaction and not evaluated separately. If the transaction does not meet the requirements for sale accounting, it shall generally be accounted for as a forward contract, as opposed to the current presentation, where the purchased asset and the repurchase liability are reflected separately on the balance sheet. This revised guidance was effective on a prospective basis, with earlier application prohibited. Accordingly, new transactions entered into subsequently, which are subject to the revised guidance, may be presented differently on our consolidated financial statements.

Interest Rate Derivative Financial Instruments

In the normal course of business, we use interest rate derivative financial instruments to manage, or hedge, cash flow variability caused by interest rate fluctuations. Specifically, we currently use interest rate swaps to effectively convert floating rate liabilities that are financing fixed rate assets, to fixed rate liabilities. The differential to be paid or received on these agreements is recognized on the accrual basis as an adjustment to the interest expense related to the attendant liability. The interest rate swap agreements are generally accounted for on a held-to-maturity basis, and, in cases where they are terminated early, any gain or loss is generally amortized over the remaining life of the hedged item. These swap agreements must be effective in reducing the variability of cash flows of the hedged items in order to qualify for the aforementioned hedge accounting treatment. Changes in value of effective cash flow hedges are reflected in our consolidated financial statements through accumulated other comprehensive income (loss) and do not affect our net income. To the extent a derivative does not qualify for hedge accounting, and is deemed a non-hedge derivative, the changes in its value are included in net income.

Capital Trust, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
(unaudited)

To determine the fair value of interest rate derivative financial instruments, we use a third-party derivative specialist to assist us in periodically valuing our interests.

Income Taxes
Our financial results generally do not reflect provisions for current or deferred income taxes on our REIT taxable income. Management believes that we operate in a manner that will continue to allow us to be taxed as a REIT and, as a result, we do not expect to pay substantial corporate level taxes (other than taxes payable by our taxable REIT subsidiaries). Many of these requirements, however, are highly technical and complex. If we were to fail to meet these requirements, we may be subject to federal, state and local income tax on current and past income, and penalties.

Accounting for Stock-Based Compensation
Compensation expense relating to stock-based compensation is recognized in net income using a fair value measurement method, which we determine with the assistance of a third-party appraisal firm. Compensation expense for the time vesting of stock-based compensation grants is recognized on the accelerated attribution method and compensation expense for performance vesting of stock-based compensation grants is recognized on a straight line basis.

The fair value of the performance vesting restricted common stock is measured on the grant date using a Monte Carlo simulation to estimate the probability of the market vesting conditions being satisfied. The Monte Carlo simulation is run approximately 100,000 times. For each simulation, the payoff is calculated at the settlement date, and is then discounted to the grant date at a risk-free interest rate. The average of the values over all simulations is the expected value of the restricted shares on the grant date. The valuation is performed in a risk-neutral framework, so no assumption is made with respect to an equity risk premium. Significant assumptions used in the valuation include an expected term and stock price volatility, an estimated risk-free interest rate and an estimated dividend growth rate.

Estimates of fair value are not intended to predict actual future events or the value ultimately realized by employees who receive equity awards, and subsequent events are not indicative of the reasonableness of the original estimates of fair value made by us.

Comprehensive Income (Loss)
Total comprehensive loss was ($79.7) million and ($75.6) million, for the three months ended March 31, 2010 and 2009, respectively. The primary components of comprehensive loss other than net income (loss) are the unrealized gains and losses on derivative financial instruments and the component of other-than-temporary impairments of securities related to the Valuation Adjustment. As of March 31, 2010, accumulated other comprehensive loss was ($51.6) million, comprised of net unrealized gains on securities previously classified as available-for-sale of $5.4 million, other-than-temporary impairments of securities of ($24.6) million, net unrealized losses on cash flow swaps of ($32.6) million, and $238,000 of net deferred gains on the settlement of cash flow swaps.

There was a one-time $3.8 million adjustment to accumulated other comprehensive loss upon our adoption of new accounting guidance effective January 1, 2010. See below discussion in the "Recent Accounting Pronouncements" section of Note 2 for additional information.

Earnings per Share of Common Stock
Basic earnings per share, or EPS, is computed based on the net earnings allocable to common stock and stock units, divided by the weighted average number of shares of common stock and stock units outstanding during the period. Diluted EPS is based on the net earnings allocable to common stock and stock units, divided by the weighted average

number of shares of common stock and stock units and potentially dilutive common stock options and warrants.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may ultimately differ from those estimates.

Index

Capital Trust, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
(unaudited)

Reclassifications

Certain reclassifications have been made in the presentation of the prior period consolidated financial statements to conform to the March 31, 2010 presentation. Primarily, certain assets and liabilities of our consolidated VIEs have been presented separately on our consolidated balance sheet. See above discussion in the "Balance Sheet Presentation" section of this Note 2 for additional information.

Segment Reporting

We operate in two reportable segments. We have an internal information system that produces performance and asset data for the two segments along service lines.

The "Balance Sheet Investment" segment includes our portfolio of interest earning assets and the financing thereof.

The "Investment Management" segment includes the investment management activities of our wholly-owned investment management subsidiary, CT Investment Management Co. LLC, or CTIMCO, and its subsidiaries, as well as our co-investments in investment management vehicles. CTIMCO is a taxable REIT subsidiary and serves as the investment manager of Capital Trust, Inc., all of our investment management vehicles and all of our CDOs, and serves as senior servicer and special servicer for certain of our investments and for third parties.

Goodwill

Goodwill represents the excess of acquisition costs over the fair value of the net assets of businesses acquired. Goodwill is reviewed, at least annually, to determine if there is an impairment at a reporting unit level, or more frequently if an indication of impairment exists. During the second quarter of 2009, we completely impaired goodwill, and therefore have not recorded any goodwill as of March 31, 2010.

Fair Value of Financial Instruments

The "Fair Value Measurements and Disclosures" topic of the Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or the Codification, defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements under GAAP. Specifically, this guidance defines fair value based on exit price, or the price that would be received upon the sale of an asset or the transfer of a liability in an orderly transaction between market participants at the measurement date. Our assets and liabilities which are measured at fair value are discussed in Note 15.

Recent Accounting Pronouncements

New accounting guidance which was effective as of January 1, 2010 changed the criteria for consolidation of VIEs and removed a preexisting consolidation exception for qualified special purpose entities, such as certain securitization vehicles. The amended guidance requires a qualitative, rather than quantitative assessment of when a VIE should be consolidated. Specifically, an entity would generally be required to consolidate a VIE if it has (i) the power to direct the activities that most significantly impact the entity's economic performance, and (ii) the right to receive benefits from the VIE or the obligation to absorb losses of the VIE that could be significant to the VIE.

As a result of the amended guidance, we have consolidated an additional seven VIEs beginning January 1, 2010, all of which are securitization vehicles not sponsored by us. We have consolidated these entities generally due to our ownership interests in subordinate classes of securities issued by the VIEs, which investments carry certain control provisions. Although our investments are generally passive in nature, by owning more than 50% of the controlling class of each VIE we do control special servicer naming rights, which we believe gives us the power to direct the most significant economic activities of these entities.

Upon consolidation of these seven VIEs, we recorded a one-time adjustment to shareholders' equity of ($41.8) million. This reduction in equity is due to the difference between the net carrying value of our investment in the newly consolidated VIEs and the net assets, or equity, of those VIEs. This difference was primarily caused by asset impairments recorded at the VIEs which are in excess of our investment amount. Due to the fact that the liabilities of these VIEs are entirely non-recourse to us, this excess charge to equity, as well as similar charges on VIEs previously consolidated, will eventually be reversed when our interests in the VIEs are repaid, sold, or the VIEs are otherwise deconsolidated in the future.

In January 2010, the FASB issued Accounting Standards Update 2010-06, "Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements," or ASU 2010-06. ASU 2010-06 amends existing disclosure guidance related to fair value measurements. Specifically, ASU 2010-06 requires (i) details of significant asset or liability transfers in and out of Level 1 and Level 2 measurements within the fair value hierarchy, and (ii) inclusion of gross purchases, sales, issuances, and settlements within the rollforward of assets and liabilities valued using Level 3 inputs within the fair value hierarchy. In addition, ASU 2010-06 clarifies and increases existing disclosure requirements related to (i) the disaggregation of fair value disclosures, and (ii) the inputs used in arriving at fair values for assets and liabilities valued using Level 2 and Level 3 inputs within the fair value hierarchy. ASU 2010-06 is effective for the first interim or annual period beginning after December 15, 2009, except for the gross presentation of the Level 3 rollforward, which is required for annual reporting periods beginning after December 15, 2010 and for interim periods within those years. The adoption of ASU 2010-06 did not have a material impact on our consolidated financial statements. Additional disclosure, as applicable, is included in Note 15.

Index

Capital Trust, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
(unaudited)

In February 2010, the FASB issued Accounting Standards Update 2010-09, "Subsequent Events (Topic 855): Amendments to Certain Recognition and Disclosure Requirements," or ASU 2010-09. ASU 2010-09 primarily rescinds the requirement that, for listed companies, financial statements clearly disclose the date through which subsequent events have been evaluated. Subsequent events must still be evaluated through the date of financial statement issuance; however, the disclosure requirement has been removed to avoid conflicts with other SEC guidelines. ASU 2010-09 was effective immediately upon issuance and was adopted in February 2010. The adoption of ASU 2010-09 did not have a material impact on our consolidated financial statements.

Note 3. Securities Held-to-Maturity

As described in Note 2, our consolidated balance sheets separately state our assets and liabilities and certain assets and liabilities of our consolidated VIEs. The following disclosures relate only to our securities portfolio we own directly. See also Note 10 for comparable disclosures regarding our securities which are held in consolidated VIEs, as separately stated on our consolidated balance sheets.

Our securities portfolio consists of commercial mortgage-backed securities, or CMBS, collateralized debt obligations, or CDOs, and other securities. Activity relating to our securities portfolio for the three months ended March 31, 2010 was as follows (in thousands):

	CMBS	CDOs & Other	Total Book Value (1)
December 31, 2009	$2,081	$15,251	$17,332
Principal paydowns	(41)	—	(41)
Discount/premium amortization & other (2)	51	159	210
Other-than-temporary impairments	—	—	—
March 31, 2010	$2,091	$15,410	$17,501

(1) Includes securities with a total face value of $36.1 million and $105.2 million as of March 31, 2010 and December 31, 2009, respectively. Securities with an aggregate face value of $69.0 million, which had a net carrying value of zero as of December 31, 2009, have been eliminated in consolidation beginning January 1, 2010 as discussed in Note 2.

(2) Includes mark-to-market adjustments on securities previously classified as available-for-sale, amortization of other-than-temporary impairments, and losses, if any.

Index

Capital Trust, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
(unaudited)

The following table details overall statistics for our securities portfolio as of March 31, 2010 and December 31, 2009:

	March 31, 2010	December 31, 2009
Number of securities	7	9
Number of issues	5	6
Rating (1) (2)	B-	B-
Fixed / Floating (in millions) (3)	$17 / $1	$16 / $1
Coupon (1) (4)	9.72%	9.82%
Yield (1) (4)	7.84%	7.89%
Life (years) (1) (5)	4.5	2.8

(1) Represents a weighted average as of March 31, 2010 and December 31, 2009, respectively.
(2) Weighted average ratings are based on the lowest rating published by Fitch Ratings, Standard & Poor’s or Moody’s Investors Service for each security and exclude unrated equity investments in CDOs with a net book value of $1.2 million as of both March 31, 2010 and December 31, 2009.
(3) Represents the aggregate net book value of our portfolio allocated between fixed rate and floating rate securities.
(4) Calculations for floating rate securities are based on LIBOR of 0.25% and 0.23% as of March 31, 2010 and December 31, 2009, respectively.
(5) Weighted average life is based on the timing and amount of future expected principal payments through the expected repayment date of each respective investment.

The table below details the ratings and vintage distribution of our securities as of March 31, 2010 and December 31, 2009 (in thousands):

	Rating as of March 31, 2010			Rating as of December 31, 2009		
Vintage	B	CCC and Below	Total	B	CCC and Below	Total
2003	$13,426	$1,174	$14,600	$13,488	$1,162	$14,650
2002	—	810	810	—	602	602
2000	—	875	875	—	879	879
1997	240	—	240	246	—	246
1996	—	976	976	—	955	955
Total	$13,666	$3,835	$17,501	$13,734	$3,598	$17,332

As detailed in Note 2, on August 4, 2005, we changed the accounting classification of our then portfolio of securities from available-for-sale to held-to-maturity. While we typically account for the securities in our portfolio on a held-to-maturity basis, under certain circumstances we will account for securities on an available-for-sale basis. As of both March 31, 2010 and December 31, 2009, we had no securities classified as available-for-sale. Our securities’ book value of $17.5 million as of March 31, 2010 is comprised of (i) our amortized cost basis, as defined under GAAP, of $24.5 million (of which $6.3 million related to CMBS and $18.2 million related to CDOs and other securities), (ii) amounts related to mark-to-market adjustments on securities previously classified as available-for-sale of ($550,000)

and (iii) the portion of other-than-temporary impairments of ($6.4) million not related to expected credit losses.

Quarterly, we reevaluate our securities portfolio to determine if there has been an other-than-temporary impairment based upon expected future cash flows. As a result of this evaluation, under the guidance discussed in Note 2, during the three months ended March 31, 2010, we determined that no additional other-than-temporary impairments were necessary for our securities portfolio.

Index

Capital Trust, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
(unaudited)

The following table summarizes activity related to the other-than-temporary impairments of our securities during the three months ended March 31, 2010 (in thousands):

	Gross Other-Than-Temporary Impairments	Credit Related Other-Than-Temporary Impairments	Non-Credit Related Other-Than-Temporary Impairments
December 31, 2009	$85,838	$79,210	$6,628
Impact of change in accounting principle (1)	(68,989)	(68,989)	—
Amortization of other-than-temporary impairments	(271)	(53)	(218)
March 31, 2010	$16,578	$10,168	$6,410

(1) Due to the consolidation of additional VIEs, as discussed in Note 2, other-than-temporary impairments which were previously recorded on our investment in these entities have been eliminated in consolidation beginning January 1, 2010.

Certain of our securities are carried at values in excess of their fair values. This difference can be caused by, among other things, changes in interest rates and credit spreads. The following table shows the gross unrealized losses and fair value of our securities for which the fair value is lower than our book value as of March 31, 2010 and that are not deemed to be other-than-temporarily impaired (in millions):

	Less Than 12 Months		Greater Than 12 Months		Total		
	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss	Book Value (1)
Floating Rate	$—	$—	$0.2	($0.9)	$0.2	($0.9)	$1.1
Fixed Rate	—	—	2.5	(11.7)	2.5	(11.7)	14.2
Total	$—	$—	$2.7	($12.6)	$2.7	($12.6)	$15.3

(1) Excludes, as of March 31, 2010, $2.1 million of securities which were carried at or below fair value and securities against which an other-than-temporary impairment equal to the entire book value was recognized in earnings.

As of March 31, 2010, four securities with an aggregate carrying value of $15.3 million were carried at values in excess of their fair values. Fair value for these securities was $2.7 million as of March 31, 2010. In total, as of March 31, 2010, we had seven investments in securities with an aggregate carrying value of $17.5 million that have an estimated fair value of $6.7 million, including three investments in CMBS with an estimated fair value of $3.9 million and four investments in CDOs and other securities with an estimated fair value of $2.8 million. These valuations do not include the value of interest rate swaps entered into in conjunction with the purchase/financing of these investments, if any.

The following table shows the gross unrealized losses and fair value of our securities for which the fair value is lower than our book value as of December 31, 2009 and that are not deemed to be other-than-temporarily impaired (in millions):

	Less Than 12 Months		Greater Than 12 Months		Total		
	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss	Estimated Fair Value	Gross Unrealized Loss	Book Value (1)
Floating Rate	$—	$—	$0.2	($0.9)	$0.2	($0.9)	$1.1
Fixed Rate	—	—	3.8	(9.7)	3.8	(9.7)	13.5
Total	$—	$—	$4.0	($10.6)	$4.0	($10.6)	$14.6

(1) Excludes, as of December 31, 2009, $2.7 million of securities which were carried at or below fair value and securities against which an other-than-temporary impairment equal to the entire book value was recognized in earnings.

Index

Capital Trust, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
(unaudited)

As of December 31, 2009, three securities with an aggregate carrying value of $14.6 million were carried at values in excess of their fair values. Fair value for these securities was $4.0 million as of December 31, 2009. In total, as of December 31, 2009, we had nine investments in securities with an aggregate carrying value of $17.3 million that have an estimated fair value of $8.5 million, including three investments in CMBS with an estimated fair value of $3.9 million and six investments in CDOs and other securities with an estimated fair value of $4.7 million. These valuations do not include the value of interest rate swaps entered into in conjunction with the purchase/financing of these investments, if any.

We determine fair values using third party dealer assessments of value, supplemented in limited cases with our own internal financial model-based estimations of fair value. We regularly examine our securities portfolio and have determined that, despite these differences between carrying value and fair value, our expectations of future cash flows have only changed adversely for four of our securities, against which we have recognized other-than-temporary-impairments.

Our estimation of cash flows expected to be generated by our securities portfolio is based upon an internal review of the underlying loans securing our investments both on an absolute basis and compared to our initial underwriting for each investment. Our efforts are supplemented by third party research reports, third party market assessments and our dialogue with market participants. As of March 31, 2010, we do not intend to sell our securities, nor do we believe it is more likely than not that we will be required to sell our securities before recovery of their amortized cost bases, which may be at maturity. This, combined with our assessment of cash flows, is the basis for our conclusion that these investments are not impaired, other than as described above, despite the differences between estimated fair value and book value. We attribute the difference between book value and estimated fair value to the current market dislocation and a general negative bias against structured financial products such as CMBS and CDOs.

Note 4. Loans Receivable, net

As described in Note 2, our consolidated balance sheets separately state our assets and liabilities and certain assets and liabilities of our consolidated VIEs. The following disclosures relate only to our loans receivable portfolio we own directly. See also Note 10 for comparable disclosures regarding our loans receivable which are held in consolidated VIEs, as separately stated on our consolidated balance sheets.

Activity relating to our loans receivable for the three months ended March 31, 2010 was as follows (in thousands):

	Gross Book Value	Provision for Loan Losses	Net Book Value (1)
December 31, 2009	$1,126,697	($359,952)	$766,745
Additional fundings (2)	276	—	276
Principal paydowns	(1,167)	—	(1,167)
Discount/premium amortization & other	296	—	296
Provision for loan losses	—	(27,000)	(27,000)
March 31, 2010	$1,126,102	($386,952)	$739,150

(1) Includes loans with a total principal balance of $1.13 billion as of both March 31, 2010 and December 31, 2009.

(2) Additional fundings includes capitalized interest of $90,000.

The following table details overall statistics for our loans receivable portfolio as of March 31, 2010 and December 31, 2009:

	March 31, 2010	December 31, 2009
Number of investments	35	35
Fixed / Floating (in millions) (1)	$58 / $681	$58 / $708
Coupon (2) (3)	3.75%	3.77%
Yield (2) (3)	3.72%	3.59%
Maturity (years) (2) (4)	2.0	2.2

(1) Represents the aggregate net book value of our portfolio allocated between fixed rate and floating rate loans.

(2) Represents a weighted average as of March 31, 2010 and December 31, 2009, respectively.

(3) Calculations for floating rate loans are based on LIBOR of 0.25% and 0.23% as of March 31, 2010 and December 31, 2009, respectively.

(4) Represents the final maturity of the investment assuming all extension options are executed.

Index

Capital Trust, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
(unaudited)

The tables below detail the types of loans in our portfolio, as well as the property type and geographic distribution of the properties securing our loans, as of March 31, 2010 and December 31, 2009 (in thousands):

	March 31, 2010		December 31, 2009	
Asset Type	Book Value	Percentage	Book Value	Percentage
Senior mortgages	$302,521	41 %	$302,999	40 %
Mezzanine loans	209,857	28	209,980	27
Subordinate interests in mortgages	152,441	20	179,525	23
Other	74,331	11	74,241	10
Total	$739,150	100 %	$766,745	100 %

Property Type	Book Value	Percentage	Book Value	Percentage
Office	$338,736	46 %	$339,142	44 %
Hotel	176,680	24	176,557	23
Healthcare	113,511	15	113,900	15
Multifamily	23,628	3	23,657	3
Retail	14,223	2	14,219	2
Other	72,372	10	99,270	13
Total	$739,150	100 %	$766,745	100 %

Geographic Location	Book Value	Percentage	Book Value	Percentage
Northeast	$222,259	30 %	$222,303	29 %
Southeast	196,789	27	196,640	26
Southwest	97,368	13	97,384	13
West	76,840	10	76,751	10
Northwest	36,780	5	64,260	8
Midwest	18,783	3	18,827	2
International	54,723	7	54,800	7
Diversified	35,608	5	35,780	5
Total	$739,150	100 %	$766,745	100 %

Quarterly, management evaluates our loan portfolio for impairment as described in Note 2. As of March 31, 2010, we identified ten loans with an aggregate gross book value of $459.3 million for impairment, against which we have recorded a $387.0 million provision, and which are carried at an aggregate net book value of $72.3 million. These include six loans with an aggregate gross carrying value of $371.3 million which are current in their interest payments, against which we have recorded a $318.9 million provision, as well as four loans which are delinquent on contractual payments with an aggregate gross carrying value of $88.0 million, against which we have recorded a $68.1 million provision.

Our average balance of impaired loans was $65.3 million during the three months ended March 31, 2010. Subsequent to their impairment, we recorded interest on these loans of $3.0 million during the first quarter of 2010. Our average balance of impaired loans was $8.4 million during the three months ended March 31, 2009. We did not record any income on these loans during the first quarter of 2009.

In some cases our loan originations are not fully funded at closing, creating an obligation for us to make future fundings, which we refer to as Unfunded Loan Commitments. Typically, Unfunded Loan Commitments are part of construction and transitional loans. As of March 31, 2010, our three Unfunded Loan Commitments totaled $4.7 million, which will generally only be funded when and/or if the borrower meets certain performance hurdles with respect to the underlying collateral, or to reimburse costs associated with leasing activity.

Note 5. Real Estate Held-for-Sale

We do not have any real estate held-for-sale as of March 31, 2010. During the three months ended March 31, 2009 we recorded a $1.3 million impairment against an investment which was sold in July 2009.

Index

Capital Trust, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
(unaudited)

Note 6. Equity Investments in Unconsolidated Subsidiaries

Our equity investments in unconsolidated subsidiaries consist primarily of our co-investments in investment management vehicles that we sponsor and manage. As of March 31, 2010, we had co-investments in two such vehicles, CT Mezzanine Partners III, Inc., or Fund III, in which we have a 4.7% investment, and CT Opportunity Partners I, LP, or CTOPI, in which we have a 4.6% investment. In addition to our co-investments, we record capitalized costs associated with these vehicles in equity investments in unconsolidated subsidiaries. As of March 31, 2010, $17.8 million of our $25.0 million capital commitment to CTOPI remains unfunded.

Activity relating to our equity investments in unconsolidated subsidiaries for the three months ended March 31, 2010 was as follows (in thousands):

	Fund III	CTOPI	Other	Total
December 31, 2009	$158	$2,175	$18	$2,351
Income (loss) from equity investments	—	372	(2)	370
March 31, 2010	$158	$2,547	$16	$2,721

In accordance with the respective management agreements with Fund III and CTOPI, CTIMCO may earn incentive compensation when certain returns are achieved for the shareholders/partners of Fund III and CTOPI, which will be accrued if and when earned, and when appropriate contingencies have been eliminated. In the event that additional capital calls are made at Fund III, we may be required to refund some or all of the $5.6 million incentive compensation previously received. As of March 31, 2010, our maximum exposure to loss from Fund III and CTOPI was $6.3 million and $8.7 million, respectively.

Note 7. Debt Obligations

As described in Note 2, our consolidated balance sheets separately state our assets and liabilities and certain assets and liabilities of our consolidated VIEs. The following disclosures relate to the debt obligations of Capital Trust, Inc. and its wholly-owned subsidiaries only. See also Note 10 for comparable disclosures regarding the debt obligations of our consolidated VIEs, which are non-recourse to us, as separately stated on our consolidated balance sheets.

As of March 31, 2010 and December 31, 2009, we had $672.7 million and $677.4 million of total debt obligations outstanding, respectively. The balances of each category of debt, their respective coupons and all-in effective costs, including the amortization of fees and expenses, were as follows (in thousands):

	March 31, 2010		December 31, 2009	March 31, 2010		
Recourse Debt Obligations	Principal Balance	Book Balance	Book Balance	Coupon(1)	All-In Cost(1)	Maturity Date(2)
Repurchase obligations						
JPMorgan	$255,941	$255,678	$258,203	1.76 %	1.81 %	March 15, 2011
Morgan Stanley	145,687	145,549	148,170	2.11 %	2.11 %	March 15, 2011
Citigroup	43,547	43,498	43,764	1.59 %	1.65 %	March 15, 2011

Total repurchase obligations	445,175	444,725	450,137	1.86 %	1.89 %	March 15, 2011
Senior credit facility	98,922	98,922	99,188	3.25 %	7.20 %	March 15, 2011
Junior subordinated notes (3)	143,753	129,089	128,077	1.00 %	4.28 %	April 30, 2036
Total/Weighted Average	$687,850	$672,736	$677,402	1.88 %	3.13 % (4)	January 9, 2016

(1) Represents a weighted average for each respective facility, assuming LIBOR of 0.25% at March 31, 2010 for floating rate debt obligations.

(2) Maturity dates for our repurchase obligations with JPMorgan, Morgan Stanley and Citigroup, and our senior credit facility, do not give effect to the potential one year extension, to March 15, 2012, which is at our lenders' discretion.

(3) The coupon for junior subordinated notes will remain at 1.00% per annum through April 29, 2012, increase to 7.23% per annum for the period from April 30, 2012 through April 29, 2016 and then convert to a floating interest rate of three-month LIBOR + 2.44% per annum through maturity.

(4) Including the impact of interest rate hedges with an aggregate notional balance of $64.3 million as of March 31, 2010, the effective all-in cost of our debt obligations would be 3.60% per annum.

Capital Trust, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
(unaudited)

Repurchase Obligations and Secured Debt

On March 16, 2009, we amended and restructured our secured, recourse credit facilities with: (i) JPMorgan Chase Bank, N.A., JPMorgan Chase Funding Inc. and J.P. Morgan Securities Inc., or collectively JPMorgan, (ii) Morgan Stanley Bank, N.A., or Morgan Stanley, and (iii) Citigroup Financial Products Inc. and Citigroup Global Markets Inc., or collectively Citigroup. We collectively refer to JPMorgan, Morgan Stanley and Citigroup as the participating secured lenders.

Specifically, on March 16, 2009, we entered into separate amendments to the respective master repurchase agreements with JPMorgan, Morgan Stanley and Citigroup. Pursuant to the terms of each such agreement, we amended the terms of each such facility, without any change to the collateral pool securing the debt owed to each participating secured lender, to provide the following:

- Maturity dates were modified to one year from the March 16, 2009 effective date of each respective agreement, which maturity dates may be extended further for two one-year periods. The first one-year extension option was exercised by us in March 2010, as a result of a successful twenty percent reduction in the amount owed each secured lender from the amount outstanding as of the March 16, 2009 amendment. The second one-year extension option is exercisable by each participating secured lender in its sole discretion. Currently, maturity dates for our repurchase agreements have been extended to March 15, 2011.

- We agreed to pay each secured participating lender periodic amortization as follows: (i) mandatory payments, payable monthly in arrears, in an amount equal to sixty-five (65%) of the net interest income generated by each such lender’s collateral pool (this amount did not change during the first one-year extension period), and (ii) one hundred percent (100%) of the principal proceeds received from the repayment of assets in each such lender’s collateral pool. In addition, under the terms of the amendment with Citigroup, we agreed to pay Citigroup an additional quarterly amortization payment equal to the lesser of: (x) Citigroup’s then outstanding secured credit facility balance or (y) the product of (i) the total cash paid (including both principal and interest) during the period to our senior credit facility in excess of an amount equivalent to LIBOR plus 1.75% based upon a $100.0 million facility amount, and (ii) a fraction, the numerator of which is Citigroup’s then outstanding secured credit facility balance and the denominator is the total outstanding secured indebtedness of the secured participating lenders.

- We further agreed to amortize each participating secured lender’s secured debt at the end of each calendar quarter on a pro rata basis until we have repaid our secured recourse credit facilities and thereafter our senior credit facility in an amount equal to any unrestricted cash in excess of the sum of (i) $25.0 million, and (ii) any unfunded loan and co-investment commitments.

- Each participating secured lender was relieved of its obligation to make future advances with respect to unfunded commitments arising under investments in its collateral pool.

- We received the right to sell or refinance collateral assets as long as we apply one hundred percent (100%) of the proceeds to pay down the related secured credit facility balance subject to minimum release price mechanics.

- We eliminated the cash margin call provisions and amended the mark-to-market provisions that were in effect under the original terms of the secured credit facilities. Under the revised secured credit facilities, going forward, collateral value is expected to be determined by our lenders based upon changes in the performance of the underlying real estate collateral as opposed to changes in market spreads under the original terms. Beginning

September 2009, each collateral pool may be valued monthly. If the ratio of a secured lender's total outstanding secured credit facility balance to total collateral value exceeds 1.15x the ratio calculated as of the effective date of the amended agreements, we may be required to liquidate collateral and reduce the borrowings or post other collateral in an effort to bring the ratio back into compliance with the prescribed ratio, which may or may not be successful.

In each master repurchase agreement amendment and the amendment to our senior credit agreement described in greater detail below, which we collectively refer to as our restructured debt obligations, we also replaced all existing financial covenants with the following uniform covenants which:

- prohibit new balance sheet investments except, subject to certain limitations, co-investments in our investment management vehicles or protective investments to defend existing collateral assets on our balance sheet;

Capital Trust, Inc. and Subsidiaries
Notes to Consolidated Financial Statements (continued)
(unaudited)

- prohibit the incurrence of any additional indebtedness except in limited circumstances;
- limit the total cash compensation to all employees and, specifically with respect to our chief executive officer and chief financial officer, freeze their base salaries at 2008 levels, and require cash bonuses to any of them to be approved by a committee comprised of one representative designated by the secured lenders, the administrative agent under the senior credit facility and a representative of our board of directors;
- prohibit the payment of cash dividends to our common shareholders except to the minimum extent necessary to maintain our REIT status;
- require us to maintain a minimum amount of liquidity, as defined, of $5.0 million;
- trigger an event of default if our chief executive officer ceases his employment with us during the term of the agreement and we fail to hire a replacement acceptable to the lenders; and
- trigger an event of default, if any event or condition occurs which causes any obligation or liability of more than $1.0 million to become due prior to its scheduled maturity or any monetary default under our restructured debt obligations if the amount of such obligation is at least $1.0 million.

On March 16, 2009, we issued to JPMorgan, Morgan Stanley and Citigroup warrants to purchase 3,479,691 shares of our class A common stock at an exercise price of $1.79 per share, which is equal to the closing bid price on the New York Stock Exchange on March 13, 2009. The fair value assigned to these warrants, totaling $940,000, has been recorded as a discount on the related debt obligations with a corresponding increase to additional paid-in capital, and will be accreted as a component of interest expense over the term of each respective facility. The warrants were valued using the Black-Scholes valuation method.

The following table details the aggregate outstanding principal balance, carrying value and fair value of our assets, primarily loans receivable, which were pledged as collateral under our secured credit facilities as of March 31, 2010, as well as the amount at risk under each facility (in thousands). The amount at risk is generally equal to the carrying value of our collateral less the outstanding principal balance of the associated credit facility.