

Five Oaks Investment Corp.
Form 10-K/A
March 31, 2016

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K/A

(Amendment No. 1)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES

EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014

OR

“ 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: 001-35845

FIVE OAKS INVESTMENT CORP.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of incorporation or organization)

45-4966519

(I.R.S. Employer Identification No.)

540 Madison Avenue, 19th Floor, New York, New York 10022

(Address of principal executive offices) (Zip Code)

Registrant’s Telephone Number, including area code (212) 257-5073

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on which registered
Common stock, \$0.01 par value	New York Stock Exchange
Series A Cumulative Redeemable Preferred Stock, \$0.01 par value	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act:

None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes or No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes or No

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 or No

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 or No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K

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 Accelerated filer
Non-accelerated (Do not check if a smaller reporting company) Smaller reporting company

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

The aggregate market value of the registrant's common stock held by non-affiliates was \$122.5 million based on the closing sales price on the New York Stock Exchange on June 30, 2014.

As of March 2, 2015, the registrant had outstanding 14,718,750 shares of common stock, \$0.01 par value.

Documents Incorporated By Reference

Portions of the registrant’s definitive proxy statement filed with the Securities and Exchange Commission pursuant to Regulation 14A on or prior to April 30, 2015, are incorporated by reference into Part III of this Annual Report on Form 10-K.

EXPLANATORY NOTE

Five Oaks Investment Corp. (the “Company” or “we”) is filing this Amendment No.1 on Form 10-K (this “Amendment”) to its Annual Report on Form 10-K for the year ended December 31, 2014, which was originally filed with the Securities and Exchange Commission (the “SEC”) on March 16, 2015 (the “Original Filing”). The sole purposes of this Amendment are (i) to provide previously omitted financial statements and information for our short, pre-IPO year from May 16, 2012 (commencement of operations) to December 31, 2012, including an updated auditor’s report and notes thereto as well as updated XBRL exhibits reflecting the foregoing; (ii) to amend Item 9A to reflect the current determination of our principal executive officer and principal financial officer that our disclosure controls and procedures were not effective as of December 31, 2014 by reason of such omission; and (iii) to amend the section of the cover page captioned “Documents Incorporated by Reference” to delete the phrase “expected to be”. This Form 10-K/A includes:

Part II. Item 6. Selected Financial Data.

Part II. Item 9A. Controls and Procedures.

Part IV. Item 15. Exhibits, Financial Statements and Schedules.

In accordance with Rule 12b-15 under the Securities Exchange Act of 1934, as amended (“Rule 12b-15”), each Item of the Original Filing that is affected by this Amendment has been amended and restated in its entirety. All other Items of the Original Filing are unaffected by this Amendment and such Items have not been included in this Amendment.

Except as described in this Explanatory Note, the information contained in the Original Filing has not been updated to reflect any events or developments that have occurred since the date of the Original Filing.

ITEM 6. SELECTED FINANCIAL DATA

Our selected financial data set forth below is derived from our audited financial statements and should be read in conjunction with our consolidated financial statements and the accompanying notes, included under Item 8 of this Annual Report on Form 10-K.

Balance Sheet Data

	December 31, 2014	December 31, 2013	December 31, 2012
Available-for-sale securities, at fair value (includes pledged securities of \$366,103,204, \$444,984,955 and \$66,337,080 for December 31, 2014, December 31, 2013 and December 31, 2012, respectively)	\$368,315,738	\$444,984,955	\$81,027,998
Mortgage loans held-for-sale, at fair value	54,678,382	-	-
Multi-family mortgage loans held in securitization trusts, at fair value	1,750,294,430	-	-
Residential mortgage loans held in securitization trusts, at fair value	631,446,984	-	-
Linked Transactions, net, at fair value	60,818,111	33,352,562	8,612,753
Cash and cash equivalents	32,274,285	33,062,931	3,608,759
Other assets (1)	24,381,627	16,800,957	3,799,612
Total assets	\$2,922,209,557	\$528,201,405	\$97,049,122
Repurchase agreements			
Available-for-sale securities	544,614,000	412,172,000	63,423,000
Mortgage loans held-for-sale	50,263,852	-	-
Multi-family securitized debt obligations	1,670,573,456	-	-
Residential securitized debt obligations	432,035,976	-	-
Other liabilities	11,924,143	2,104,043	1,357,402
Total stockholders' equity (deficit)	212,798,130	113,925,362	32,268,720
Total liabilities and stockholders' equity (deficit)	2,922,209,557	\$528,201,405	\$97,049,122

(1) Includes \$11,400,645, \$13,343,173 and \$1,933,390 in restricted cash for December 31, 2014, December 31, 2013 and December 31, 2012, respectively; restricted cash represents our cash held by counterparties as collateral against our securities, derivatives and/or repurchase agreements.

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Statement of Operation Data

\$ in thousands, except per share data	Twelve Months Ended December 31, 2014	Twelve Months Ended December 31, 2013	Period from May 16, 2012 (Commencement of Operations) to December 31, 2012
Interest income	\$ 45,813	\$ 16,424	\$ 1,684
Interest expense	(27,841)	(2,244)	(267)
Net interest income	17,972	14,180	1,417
Other income (loss)	(3,123)	(6,052)	4,350
Total expenses	11,535	4,902	948
Net income (loss)	3,314	3,226	4,819
Net income (loss) attributable to common stockholders (basic and diluted)	426	3,182	4,819
Earnings (loss) per share:			
Net income (loss) attributable to common stockholders (basic and diluted)	426	3,182	4,819
Dividends declared on common stock	(18,230)	(10,083)	(1,162)
Weighted average number of shares of common stock outstanding:	12,358,587	6,132,702	1,656,250
Basic and diluted income (loss) per share	\$ 0.03	\$ 0.52	\$ 2.91

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management is responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) or 15d-15(e)) that are designed to ensure that information we are required to disclose in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of management, including our principal executive officer and principal financial officer, we re-evaluated in March 2016 the effectiveness of the design and operation of our disclosure controls and procedures pursuant to paragraph (b) of Exchange Act Rules 13a-15 or 15d-15 as of December 31, 2014. Based upon our evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were not effective as of December 31, 2014, as a result of the omission of financial statements described below, due to ineffective review of periodic filings and disclosure checklists.

We inadvertently omitted financial statements for our pre-IPO year from May 16, 2012 (date of commencement) to December 31, 2012 from our Original Filing. Although it was the initial determination of our management that such omission was an immaterial deficiency in our disclosure controls and procedures, after consultation with the Staff of the SEC on this matter, our principal executive officer and principal financial officer have concluded that the ineffective control that resulted in such omission rendered our disclosure controls and procedures ineffective as of December 31, 2014.

To remediate the deficiencies in our disclosure controls and procedures, we have, with the assistance of an internationally recognized accounting firm, enhanced our review of disclosure requirements through the review of our periodic filings and disclosure checklists for such future filings.

We believe the actions described above will be sufficient to remediate the deficiencies in our disclosure controls and procedures; however, we may determine to take additional measures to address our control deficiencies or to modify the remediation plans described above.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act) during the period from January 1, 2014 through December 31, 2014 that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

Management's Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act as a process designed by, or under the supervision of, our principal executive and principal financial officers and effected by our Board, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that:

pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;

provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and

provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Our management, including our principal executive officer and principal financial officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2014. In making this assessment, our management used the criteria set forth in the “Internal Control-Integrated Framework” (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO Framework). Based on this assessment, management believes that, as of December 31, 2014, our internal control over financial reporting was effective based on those criteria.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. The scope of management's assessment of the effectiveness of internal control over financial reporting includes all of our consolidated subsidiaries.

As an emerging growth company we are not currently required to obtain an attestation report of our independent registered public accounting firm regarding our internal control over financial reporting.

Item 15. Exhibits, Financial Statements and Schedules

(a) Financial Statements.

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(b) Exhibits.

The Exhibits listed in the Exhibit Index, which appear immediately following the signature pages, are incorporated herein by reference and are filed as part of this Annual Report on Form 10-K/A.

(c) Schedules

Schedule IV - Mortgage Loans on Real Estate.

Schedules other than the one listed above are omitted because they are not applicable or deemed not material.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and Rule 12b-15 thereunder, the registrant has duly caused this Amendment No. 1 to its Annual Report on Form 10-K/A to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, State of New York, on March 31, 2016.

FIVE OAKS INVESTMENT CORP.

By: /s/ David Oston

David Oston

Chief Financial Officer, Treasurer and Secretary (Principal Financial Officer and Principal Accounting Officer)

EXHIBIT INDEX

Exhibit

No. Document

- 3.1 Amended and Restated Articles of Incorporation of Five Oaks Investment Corp. (incorporated by reference to Exhibit 3.1 filed with Five Oaks Investment Corp. Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013 (File No. 001-35845), which was filed with the Securities and Exchange Commission on May 3, 2013 (the “*2013 1st Quarter 10-Q*”)).
- 3.2 Articles Supplementary, designating the Series A Cumulative Redeemable Preferred Stock (Liquidation Preference \$25.00 per share) (incorporated by reference to Exhibit 3.1 filed with Five Oaks Investment Corp. Current Report on Form 8-K (File No. 001-35845), which was filed with the Securities and Exchange Commission on December 23, 2013).
- 3.3 Articles of Amendment, increasing the aggregate number of authorized shares of Series A Cumulative Redeemable Preferred Stock (Liquidation Preference \$25.00 per share) (incorporated by reference to Exhibit 3.2 filed with Five Oaks Investment Corp. current report on Form 8-K (File No. 001-35845), which was filed with the Securities and Exchange Commission on May 27, 2014).
- 3.4 Second Amended and Restated Bylaws of Five Oaks Investment Corp. (incorporated by reference to Exhibit 3.2 filed with the 2013 1st Quarter 10-Q).
- 4.1 Specimen Common Stock Certificate of Five Oaks Investment Corp. (incorporated by reference to Exhibit 4.1 filed with Pre-Effective Amendment No. 1 to Five Oaks Investment Corp.’s Registration Statement on Form S-11 (File No. 333-185570), which was filed with the Securities and Exchange Commission on January 22, 2013 (“*Pre-Effective Amendment No. 1*”)).
- 4.2 Specimen Certificate representing the Series A Cumulative Redeemable Preferred Stock (Liquidation Preference \$25.00 per share) (incorporated by reference to Exhibit 4.2 filed with Pre-Effective Amendment No. 1 to Five Oaks Investment Corp.’s Registration Statement on Form S-11 (File No. 333-191787), which was filed with the Securities and Exchange Commission on December 9, 2013).
- 4.3 Form of Warrant as amended and restated on August 18, 2014 (incorporated by reference to Exhibit 4.2 filed with Five Oaks Investment Corp.’s Registration Statement on Form S-3 (File No. 333-198272), which was filed with the Securities and Exchange Commission on August 20, 2014).
- 10.1 Management Agreement, dated as of May 16, 2012 by and between Five Oaks Investment Corp. and Oak Circle Capital Partners LLC. (incorporated by reference to Exhibit 10.1 filed with Five Oaks Investment Corp. Draft Registration Statement on Form S-11 (File No. 021-178729), which was confidentially submitted with the Securities and Exchange Commission on October 19, 2012 (“*DRS*”)).
- 10.2 Amended and Restated Registration Rights Agreement, dated as of December 18, 2012, by and among Five Oaks Investment Corp., XL Investments Ltd, Oak Circle Capital Partners LLC, Messrs. Carroll, Chong, Comisso, Flynn and Oston and the other persons who become parties thereto. (incorporated by reference to

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Exhibit 10.2 filed with Five Oaks Investment Corp.'s Registration Statement on Form S-11 (File No. 333-185570), which was filed with the Securities and Exchange Commission on December 20, 2012 (“*IPO S-11*”).

10.3 Amended and Restated Letter Agreement dated as of March 25, 2013, between Five Oaks Investment Corp., Oak Circle Capital Partners LLC, XL Global, Inc., Messrs. Carroll, Chong, Comisso, Flynn and Oston, regarding Manager Equity Plan allocations (incorporated by reference to Exhibit 10.3 filed with Post-Effective Amendment No. 1 to Five Oaks Investment Corp.'s Registration Statement on Form S-11 (File No. 333-185570), which was filed with the Securities and Exchange Commission on March 26, 2013 (“*Post-Effective Amendment No. 1*”).

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- 10.4† Five Oaks Investment Corp. Manager Equity Plan (incorporated by reference to Exhibit 10.5 filed with the Pre-Effective Amendment No. 1).
- 10.5 Trademark License Agreement, dated as of September 6, 2012, between Oak Circle Capital Partners LLC and Five Oaks Investment Corp. (incorporated by reference to Exhibit 10.6 filed with the DRS).
- 10.6 Form of Indemnification Agreement (incorporated by reference to Exhibit 3.2 filed with the 2013 1st Quarter 10-Q).
- 10.7 Amended and Restated Letter Agreement, dated as of January 21, 2013, between Five Oaks Investment Corp. and XL Investments Ltd, regarding the appointment of a board observer by XL Investments Ltd (incorporated by reference to Exhibit 10.8 filed with Pre-Effective Amendment No. 1).
- 10.8 Form of Master Repurchase Agreement (incorporated by reference to Exhibit 10.9 filed with the IPO S-11).
- 10.9 Master Services Agreement, dated as of June 1, 2012, by and among Five Oaks Investment Corp., Oak Circle Capital Partners LLC and Stone Coast Fund Services LLC. (incorporated by reference to Exhibit 10.10 filed with Amendment No. 2 to Five Oaks Investment Corp.'s Registration Statement on Form S-11 (File No. 333-185570), which was filed with the Securities and Exchange Commission on February 21, 2013).
- 10.10 Subscription Agreement, dated as of May 16, 2012, between XL Investments Ltd and Five Oaks Investment Corp. (incorporated by reference to Exhibit 10.11 filed with Post-Effective Amendment No. 1).
- 10.11 Amendment No. 1, dated as of January 25, 2013, to the Subscription Agreement, dated as of May 16, 2012, between XL Investments Ltd and Five Oaks Investment Corp. (incorporated by reference to Exhibit 10.12 filed with Post-Effective Amendment No. 1).
- 10.12 Amendment No. 2, dated as of March 20, 2013, to the Subscription Agreement, dated as of May 16, 2012, between XL Investments Ltd and Five Oaks Investment Corp. (incorporated by reference to Exhibit 10.13 filed with Post-Effective Amendment No. 1).
- 10.13 Amendment No. 3, dated as of March 25, 2013, to the Subscription Agreement, dated as of May 16, 2012, between XL Investments Ltd and Five Oaks Investment Corp. (incorporated by reference to Exhibit 10.14 filed with Post-Effective Amendment No. 1).
- 10.14 Master Repurchase Agreement, dated as of February 25, 2014, by and among Credit Suisse First Boston Mortgage Capital LLC as buyer, Five Oaks Acquisition Corp. as seller and Five Oaks Investment Corp. as guarantor (incorporated by reference to Exhibit 10.1 to the Form 8-K (File No. 001-35845) filed with the Securities and Exchange Commission on February 26, 2014 (the "*February 8-K*").
- 10.15 Guaranty, dated as of February 25, 2014, by Five Oaks Investment Corp. in favor of Credit Suisse First Boston Mortgage Capital LLC (incorporated by reference to Exhibit 10.2 to the February 8-K).
- 10.16 Loan and Security Agreement dated as of July 18, 2014, between Bank of America, N.A. as lender, Five Oaks Acquisition Corp. as borrower (incorporated by reference to Exhibit 10.1 filed with Five Oaks Investment Corp. current report on Form 8-K (File No. 001-35845), which was filed with the Securities and Exchange Commission on August 7, 2014 (the "*August 8-K*").

- 10.17 Guaranty, dated as of July 18, 2014, by Five Oaks Investment Corp. in favor of Bank of America, N.A. (incorporated by reference to Exhibit 10.2 to the August 8-K).
- 10.18 Master Repurchase Agreement dated as of July 29, 2014, by and among Barclays Bank PLC as purchaser and agent, Five Oaks Acquisition Corp. as seller and Five Oaks Investment Corp. as guarantor (incorporated by reference to Exhibit 10.3 to the August 8-K).
- 10.19 Guaranty, dated as of July 29, 2014, by Five Oaks Investment Corp. in favor of Barclays Bank PLC (incorporated by reference to Exhibit 10.4 to the August 8-K).
- 10.20 Mortgage Loan Purchase and Servicing Agreement dated as of September 26, 2014, between Five Oaks Acquisition Corp., as seller and servicing administrator, and J.P. Morgan Mortgage Acquisition Corp., as purchaser. (incorporated by reference to Exhibit 10.1 filed with Five Oaks Investment Corp. current report on Form 8-K (File No. 001-35845), which was filed with the Securities and Exchange Commission on October 15, 2014 (the “*October 8-K*”)).
- 10.21 Assignment, Assumption and Recognition Agreement dated as of October 9, 2014, by and among J.P. Morgan Acceptance Corporation I, J.P. Morgan Mortgage Trust 2014-OAK4, J.P. Morgan Mortgage Acquisition Corp. and Five Oaks Acquisition Corp. (incorporated by reference to Exhibit 10.2 to the October 8-K).
- 10.22 Form of Mortgage Loan Purchase and Interim Servicing Agreement between Aggregator 1, as purchaser, and originator, as seller, with corresponding Form of Assignment, Assumption and Recognition Agreement among Aggregator 1, as assignor, Five Oaks Acquisition Corp, as assignee, and originator. (incorporated by reference to Exhibit 10.6 filed with Five Oaks Investment Corp. Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2014 (File No. 001-35845), which was filed with the Securities and Exchange Commission on November 14, 2014 (the “*2014 3^d Quarter 10-Q*”)).
- 10.23 Form of Flow Sale and Interim Servicing Agreement between Aggregator 2, as purchaser, and originator, as seller and interim servicer, with corresponding Form of Assignment, Assumption and Recognition Agreement (Whole Loan Transfer), among Aggregator 2, as assignor, Five Oaks Acquisition Corp., as assignee, originator and servicer. (incorporated by reference to Exhibit 10.7 to the 2014 3rd Quarter 10-Q).
- 10.24 Mortgage Loan Purchase and Sale Agreement, dated as of December 23, 2014, between Five Oaks Acquisition Corp. and Credit Suisse First Boston Mortgage Securities Corp. (incorporated by reference to Exhibit 10.1 filed with Five Oaks Investment Corp. current report on Form 8-K (File No. 001-35845), which was filed with the Securities and Exchange Commission on January 12, 2015 (the “*January 8-K*”)).
- 10.25 Certificate Purchase Agreement, dated December 22, 2014, among Credit Suisse First Boston Mortgage Securities Corp., Credit Suisse Securities (USA) LLC, Wells Fargo Securities, LLC, Five Oaks Acquisition Corp. and Five Oaks Investment Corp. (incorporated by reference to Exhibit 10.2 to the January 8-K).
- 10.26 Indemnity Letter, dated December 23, 2014, among Five Oaks Investment Corp., Credit Suisse Securities (USA) LLC and Credit Suisse First Boston Mortgage Securities Corp. (incorporated by reference to Exhibit 10.3 to the January 8-K).
- 10.27 Pooling And Servicing Agreement, dated as of December 1, 2014, among Credit Suisse First Boston Mortgage Securities Corp., Christiana Trust, Select Portfolio Servicing, Inc. and Wells Fargo Bank, N.A. (incorporated by

reference to Exhibit 10.4 to the January 8-K).

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- 10.28 Master Repurchase Agreement, dated as of December 30, 2014, between Bank of America, N.A. and Five Oaks Acquisition Corp. (incorporated by reference to Exhibit 10.5 to the January 8-K).
- 10.29 Guaranty, dated as of December 30, 2014, by Five Oaks Investment Corp., to and for the benefit of Bank of America, N.A. (incorporated by reference to Exhibit 10.6 to the January 8-K).
- 12.1 Computation of Ratios of Earnings to Fixed Charges (incorporated by reference to Exhibit 12.1 to the Original Filing (File No. 001-35845)).
- 21.1 List of Subsidiaries of Five Oaks Investment Corp. (incorporated by reference to Exhibit 21.1 to the Original Filing).
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (incorporated by reference to Exhibit 31.1 to the Original Filing).
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (incorporated by reference to Exhibit 31.2 to the Original Filing).
- 31.3 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
- 31.4 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (incorporated by reference to Exhibit 32.1 to the Original Filing).
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (incorporated by reference to Exhibit 32.2 to the Original Filing).
- 32.3 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
- 32.4 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
- 101.INS XBRL Instance Document*
- 101.SCH XBRL Taxonomy Extension Schema Document*
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document*
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document*
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document*

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document*

* Filed herewith.

†Management contract or compensatory plan or arrangement.

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(a) Financial Statements.

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Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders

Five Oaks Investment Corp.

We have audited the accompanying consolidated balance sheets of Five Oaks Investment Corp. (a Maryland corporation) and subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income (loss), changes in stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2014 and for the period May 16, 2012 (commencement of operations) to December 31, 2012. Our audits of the basic consolidated financial statements included the financial statement schedule listed in the index appearing under Item 15(c). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Five Oaks Investment Corp. and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the two years ended December 31, 2014 and for the period May 16, 2012 (commencement of operations) to December 31, 2012 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ GRANT THORNTON LLP

New York, New York

March 16, 2015

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FIVE OAKS INVESTMENT CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

	December 31, 2014	December 31, 2013
ASSETS		
Available-for-sale securities, at fair value (includes pledged securities of \$366,103,204 and \$444,984,955 for December 31, 2014 and December 31, 2013, respectively)	\$368,315,738	\$444,984,955
Mortgage loans held-for-sale, at fair value	54,678,382	-
Multi-family loans held in securitization trusts, at fair value	1,750,294,430	-
Residential loans held in securitization trusts, at fair value	631,446,984	-
Linked transactions, net, at fair value	60,818,111	33,352,562
Cash and cash equivalents	32,274,285	33,062,931
Restricted cash	11,400,645	13,343,173
Deferred offering costs	945,661	-
Accrued interest receivable	10,962,663	1,045,191
Investment related receivable	979,509	506,892
Derivative assets, at fair value	21,550	1,839,154
Other assets	71,599	66,547
Total assets (1)	\$2,922,209,557	\$528,201,405
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Repurchase agreements:		
Available-for-sale securities	\$544,614,000	\$412,172,000
Mortgage loans held-for-sale	50,263,852	-
Multi-family securitized debt obligations	1,670,573,456	-
Residential securitized debt obligations	432,035,976	-
Derivative liabilities, at fair value	2,289,058	839,413
Accrued interest payable	8,238,924	274,615
Dividends payable	39,132	42,501
Fees and expenses payable to Manager	1,062,000	330,000
Other accounts payable and accrued expenses	295,029	617,514
Total liabilities (1)	2,709,411,427	414,276,043
STOCKHOLDERS' EQUITY:		
Preferred Stock: par value \$0.01 per share; 50,000,000 shares authorized, 8.75% Series A cumulative redeemable, \$25 liquidation preference, 1,610,000 and 800,000	37,156,972	18,060,898

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issued and outstanding at December 31, 2014 and December 31, 2013, respectively

Common Stock: par value \$0.01 per share; 450,000,000 shares authorized,

14,718,750 and 7,389,250 shares issued and outstanding, at December 31, 2014 and 146,953 73,563

December 31, 2013, respectively

Additional paid-in capital	189,332,874	110,129,489
Accumulated other comprehensive income (loss)	7,208,350	(11,094,954)
Cumulative distributions to stockholders	(32,406,541)	(11,289,370)
Accumulated earnings	11,359,522	8,045,736
Total stockholders' equity	212,798,130	113,925,362
Total liabilities and stockholders' equity	\$2,922,209,557	\$528,201,405

Our consolidated balance sheets include assets and liabilities of consolidated variable interest entities (“VIEs”) as the Company is primary beneficiary of these VIEs. As of December 31, 2014 and December 31, 2013, assets of (1) consolidated VIEs totaled \$2,389,754,101 and \$0, respectively, and the liabilities of consolidated VIEs totaled \$2,180,936,221 and \$0, respectively.

See Notes 6 and 7 for further discussion.

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

FIVE OAKS INVESTMENT CORP. AND SUBSIDIARIES

Consolidated Statements of Operations

	Year Ended December 31, 2014	Year Ended December 31, 2013	Period From May 16, 2012 (Commencement of Operations) to December 31, 2012
Revenues:			
Interest income:			
Available-for-sale securities	\$ 16,560,338	\$ 16,411,730	\$ 1,683,035
Mortgage loans held-for-sale	3,634,264	-	-
Multi-family loans held in securitization trusts	21,158,102	-	-
Residential loans held in securitization trusts	4,438,634	-	-
Cash and cash equivalents	21,274	11,843	553
Interest expense:			
Repurchase agreements - available-for-sale securities	(2,661,329)	(2,243,565)	(267,080)
Repurchase agreements - mortgage loans held-for-sale	(2,203,961)	-	-
Multi-family securitized debt obligations	(19,400,851)	-	-
Residential securitized debt obligations	(3,575,168)	-	-
Net interest income	17,971,303	14,180,008	1,416,508
Other income:			
Realized gain (loss) on sale of investments, net	3,271,592	(31,581,087)	(98,382)
Unrealized gain (loss) and net interest income from Linked Transactions	10,605,848	5,838,309	4,822,727
Realized gain (loss) on derivative contracts, net	(18,214,460)	18,812,854	(75,551)
Unrealized gain (loss) on derivative contracts, net	(2,931,249)	878,100	(298,359)
Realized (loss) on mortgage loans held-for-sale	(776,971)	-	-
Unrealized gain on mortgage loans held-for-sale	329,728	-	-
Unrealized gain/(loss) on multi-family loans held in securitization trusts	1,473,485	-	-
Unrealized gain/(loss) on residential loans held in securitization trusts	3,059,647	-	-
Other income	59,590	-	-
Total other income (loss)	(3,122,790)	(6,051,824)	4,350,435
Expenses:			
Management fee	2,627,592	1,287,077	244,882
General and administrative expenses	2,901,076	992,115	113,606
Operating expenses reimbursable to Manager	3,247,683	2,103,223	563,806

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Other operating expenses	2,504,741	288,416	25,343
Compensation expense	253,635	230,923	-
Total expenses	11,534,727	4,901,754	947,637
Net income (loss)	\$ 3,313,786	\$ 3,226,430	\$ 4,819,306
Dividends to preferred stockholders	(2,887,296)	(44,827)	-
Net income (loss) attributable to common stockholders	\$ 426,490	\$ 3,181,603	\$ 4,819,306
Earnings (loss) per share:			
Net income attributable to common stockholders (basic and diluted)	\$ 426,490	\$ 3,181,603	\$ 4,819,306
Weighted average number of shares of common stock outstanding	12,358,587	6,132,702	1,656,250
Basic and diluted income per share	\$ 0.03	\$ 0.52	\$ 2.91
Dividends declared per share of common stock	\$ 1.47	\$ 1.64	\$ 0.70

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

FIVE OAKS INVESTMENT CORP. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss)

	Year Ended December 31, 2014	Year Ended December 31, 2013	Period from May 16, 2012 (Commencement of Operations) to December 31, 2012
Net income	\$ 3,313,786	\$ 3,226,430	\$ 4,819,306
Other comprehensive income (loss):			
Increase (decrease) in net unrealized gain on available-for-sale securities, net	10,845,303	(12,094,479)	2,433,997
Reclassification adjustment for net gain (loss) included in net income	7,458,001	(1,434,472)	-
Total other comprehensive income (loss)	18,303,304	(13,528,951)	2,433,997
Less: Dividends to preferred stockholders	(2,887,296)	(44,827)	-
Comprehensive income (loss) attributable to common stockholders	\$ 18,729,794	\$ (10,347,348)	\$ 7,253,303

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

FIVE OAKS INVESTMENT CORP. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity

	Preferred Stock Shares	Par Value	Common Stock Shares	Par Value	Additional Paid in Capital	Accumulated Other Comprehensive Income (Loss)	Cumulative Distributions to Stockholders	Accumul to Earnings (Deficit)
Issuance of common stock, net	-	\$-	1,656,250	\$ 16,653	\$ 26,160,526	\$-	\$-	\$-
Net income	-	-	-	-	-	-	-	4,819,3
Other comprehensive income (loss)	-	-	-	-	-	2,433,997	-	-
Common dividends declared	-	-	-	-	-	-	(1,161,672)	-
Balance at December 31, 2012	-	\$-	1,656,250	\$ 16,653	\$ 26,160,526	\$ 2,433,997	\$(1,161,672)	\$ 4,819,3
Balance at January 1, 2013	-	\$-	1,656,250	\$ 16,563	\$ 26,160,526	\$ 2,433,997	\$(1,161,672)	\$ 4,819,3
Issuance of common stock, net	-	-	5,700,000	57,000	83,943,000	-	-	-
Issuance of preferred stock, net	800,100	8,001	-	-	18,062,937	-	-	-
Redemption of preferred stock, net	(100)	(1)	-	-	(109,999)	-	-	-
Restricted stock compensation expense	-	-	33,000	-	125,923	-	-	-
Net income	-	-	-	-	-	-	-	3,226,4
Other comprehensive income (loss)	-	-	-	-	-	(13,528,951)	-	-
Common dividends declared	-	-	-	-	-	-	(10,082,871)	-
	-	-	-	-	-	-	(44,827)	-

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Preferred dividends declared									
Balance at December 31, 2013	800,000	\$8,000	7,389,250	\$73,563	\$128,182,387	\$(11,094,954)	\$(11,289,370)	\$8,045,7	
Balance at January 1, 2014	800,000	\$18,060,898	7,389,250	\$73,563	\$110,129,489	\$(11,094,954)	\$(11,289,370)	\$8,045,7	
Issuance of common stock, net	-	-	7,339,000	73,390	79,189,928	-	-	-	
Issuance of preferred stock, net	810,000	19,096,074	-	-	-	-	-	-	
Restricted stock compensation expense	-	-	(9,500)	-	13,457	-	-	-	
Net income	-	-	-	-	-	-	-	3,313,7	
Other comprehensive income (loss)	-	-	-	-	-	18,303,304	-	-	
Common dividends declared	-	-	-	-	-	-	(18,229,875)	-	
Preferred dividends declared	-	-	-	-	-	-	(2,887,296)	-	
Balance at December 31, 2014	1,610,000	\$37,156,972	14,718,750	\$146,953	\$189,332,874	\$7,208,350	\$(32,406,541)	\$11,359,	

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

FIVE OAKS INVESTMENT CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	Year Ended December 31, 2014	Year Ended December 31, 2013	Period from May 16, 2012 (Commencement of Operations) to December 31, 2012
Cash flows from operating activities:			
Net income (loss)	\$3,313,786	\$3,226,430	\$ 4,819,306
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Amortization/accretion of available-for-sale securities premiums and discounts, net	(4,705,639)	(1,974,765)	(347,647)
Realized loss on sale of investments, net	3,877,356	33,931,298	98,382
Unrealized (gain) loss on Linked Transactions, net	1,966,726	(2,364,354)	(3,932,369)
Realized (gain) loss on derivative contracts	18,214,460	(18,812,854)	37,333
Unrealized loss on derivative contracts	2,931,249	(878,100)	298,359
Realized loss on mortgage loans held-for-sale	776,971	-	-
Unrealized (gain) on mortgage loans held-for-sale	(329,728)	-	-
Unrealized (gain) on multi-family loans held in securitization trusts	(1,473,485)	-	-
Unrealized (gain) on residential loans held in securitization trusts	(3,059,647)	-	-
Restricted stock compensation expense	13,457	125,923	-
Net change in:			
Accrued interest receivable	(1,874,785)	(855,827)	(189,364)
Deferred offering costs	187,457	-	-
Other assets	(5,052)	(66,547)	-
Accrued interest payable	501,584	208,795	65,820
Fees and expenses payable to Manager	732,000	297,279	32,721
Other accounts payable and accrued expenses	(322,485)	490,650	4,990
Net cash provided by operating activities	20,744,225	13,327,928	887,531
Cash flows from investing activities:			
Purchase of available-for-sale securities	(521,681,124)	(1,123,204,838)	(81,162,110)
Purchase of mortgage loans held-for-sale	(451,629,615)	678,640,520	-
Proceeds from mortgage loans held-for-sale	388,053,342	-	-
Proceeds from sales of available-for-sale securities	296,246,293	-	-
Net proceeds of (payment for) derivative contracts	(17,878,460)	18,419,521	(64,000)
Principal payments from available-for-sale securities	45,077,314	35,121,878	2,817,375
Principal payments from mortgage loans held-for-sale	8,450,648	-	-

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Investment related receivable	506,892	(506,892)	-
Restricted cash	1,942,528	(11,409,783)	(1,933,390)
Net cash used in investing activities	(250,912,182)	(402,939,594)	(80,342,125)
Cash flows from financing activities:			
Net proceeds from issuance of common stock	79,263,318	84,000,000	26,177,089
Net proceeds from issuance of preferred stock	19,096,074	18,070,938	-
Redemption of preferred stock	-	(110,000)	-
Change in deferred offering costs	(1,133,118)	1,037,386	(915,512)
Dividends paid on common stock	(18,229,875)	(10,303,705)	(940,839)
Dividends paid on preferred stock	(2,890,665)	(2,326)	-
Proceeds from repurchase agreements - available-for-sale securities	4,528,080,286	4,116,258,000	392,314,000
Proceeds from repurchase agreements - mortgage loans held-for-sale	401,295,517	-	-
Principal repayments of repurchase agreements - available-for-sale securities	(4,395,638,286)	(3,767,509,000)	(328,891,000)
Principal repayments of repurchase agreements - mortgage loans held-for-sale	(351,031,665)	-	-
Net cash received (paid) on securities underlying Linked Transactions	(117,544,275)	(69,567,455)	(18,669,385)
Net cash received from repurchase agreements underlying Linked Transactions	88,112,000	47,192,000	13,989,000
Net cash provided by financing activities	229,379,311	419,065,838	83,063,353
Net increase (decrease) in cash and cash equivalents	(788,646)	29,454,172	3,608,759
Cash and cash equivalents, beginning of period	33,062,931	3,608,759	-
Cash and cash equivalents, end of period	\$32,274,285	\$33,062,931	\$ 3,608,759
Supplemental disclosure of cash flow information			
Cash paid for interest	\$4,363,706	\$4,528,172	\$ 201,260
Non-cash investing and financing activities information			
Restricted stock compensation expense	\$13,457	\$125,923	\$ -
Dividends declared but not paid at end of period	\$39,132	\$42,501	\$ 220,833
Net change in unrealized gain (loss) on available-for-sale securities	\$18,303,304	\$(13,528,951)	\$ 2,433,997
Consolidation of multi-family loans held in securitization trusts	\$1,677,847,006	\$-	\$ -
Consolidation of residential loans held in securitization trusts	\$507,423,695	\$-	\$ -
Consolidation of multi-family securitized debt obligations	\$1,676,373,521	\$-	\$ -
Consolidation of residential securitized debt obligations	\$433,698,636	\$-	\$ -

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

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FIVE OAKS INVESTMENT CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2014

NOTE 1 – ORGANIZATION AND BUSINESS OPERATIONS

Five Oaks Investment Corp. (the “Company”) is a Maryland corporation focused on investing primarily in, financing and managing residential mortgage-backed securities (“RMBS”), multi-family mortgage backed securities (“Multi-Family MBS”, and together with RMBS, “MBS”), residential mortgage loans, mortgage servicing rights and other mortgage-related investments. The Company is externally managed by Oak Circle Capital Partners LLC (the “Manager”), an asset management firm incorporated in Delaware. The Company’s common stock is listed on the NYSE under the symbol “OAKS.”

The Company was incorporated on March 28, 2012 and commenced operations on May 16, 2012. The Company began trading as a publicly traded company on March 22, 2013.

The Company has elected to be taxed as a real estate investment trust (“REIT”) and to comply with Sections 856 through 859 of the Internal Revenue Code of 1986, as amended, the (“Code”). Accordingly, the Company generally will not be subject to U.S. federal income tax to the extent of its distributions to stockholders and as long as certain asset, income and share ownership tests are met. The Company invests in Agency RMBS, which are RMBS for which the principal and interest payments are guaranteed by a U.S. Government agency such as the Government National Mortgage Association or a U.S. Government-sponsored entity such as the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation. The Company also invests in Non-Agency RMBS, which are RMBS that are not guaranteed by a U.S. Government agency or a U.S. Government-sponsored entity. Additionally, the Company invests in Multi-Family MBS, which are MBS for which the principal and interest may be sponsored by a U.S. Government agency such as the Government National Mortgage Association or a U.S. Government-sponsored entity such as the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, or may not be sponsored by a U.S. Government agency or a U.S. Government-sponsored entity. The Company also invests in residential mortgage loans, mortgage servicing rights, and may also invest in other mortgage-related investments.

On June 10, 2013, the Company established Five Oaks Acquisition Corp. (“FOAC”) as a wholly owned taxable REIT subsidiary (“TRS”), for the acquisition and disposition of residential mortgage loans. The Company consolidates this subsidiary under generally accepted accounting principles in the United States of America (“U.S. GAAP”).

On April 30, 2014, the Company established Five Oaks Insurance LLC (“FOI”) as a wholly owned subsidiary. There has been limited activity within FOI since its inception, primarily focused on licensing and related matters. The Company consolidates this subsidiary under U.S. GAAP.

In September 2014, and October 2014, respectively, the Company acquired first loss tranches issued or backed by two Freddie Mac-sponsored Multi-Family MBS K series securitizations (the “FREMF 2011-K13 Trust” and the “FREMF 2012-KF01 Trust”). In October 2014, and December 2014, respectively, the Company also acquired first loss and subordinated tranches issued by two residential mortgage-backed securitizations (the “JPMMT 2014-OAK4 Trust” and the “CSMC 2014-OAK1 Trust”). The Company determined that each of the Trusts was a variable interest entity (“VIE”) and that in each case the Company was the primary beneficiary, and accordingly consolidated the assets and liabilities of the four trusts into the Company’s financial statements in accordance with U.S. GAAP.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements have been prepared in accordance with U.S. GAAP and are expressed in United States dollars.

The consolidated financial statements of the Company include the accounts of its subsidiaries.

FIVE OAKS INVESTMENT CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation.

Principles of Consolidation

The accompanying consolidated financial statements of the Company include the accounts of the Company and all its subsidiaries which are majority-owned, controlled by the Company or a variable interest entity where the Company is the primary beneficiary. All significant intercompany transactions have been eliminated in consolidation.

VIEs

An entity is referred to as a variable interest entity (“VIE”) if it lacks one or more of the following characteristics: (1) sufficient equity at risk to finance its activities without additional subordinated financial support provided by any parties, including the equity holders; (2) as a group the holders of the equity investment at risk have (a) the power, through voting rights or similar rights, to direct the activities of a legal entity that most significantly impact the entity's economic performance, (b) the obligation to absorb the expected losses of the legal entity and (c) the right to receive the expected residual returns of the legal entity; and (3) the voting rights of these investors are proportional to their obligations to absorb the expected losses of the entity, their rights to receive the expected returns of their equity, or both, and whether substantially all of the entity's activities involve or are conducted on behalf of an investor that has disproportionately fewer voting rights. An investment that lacks one or more of the above three characteristics is considered to be a VIE. The Company reassesses its initial evaluation of an entity as a VIE based upon changes in the facts and circumstances pertaining to the VIE.

VIEs are required to be consolidated by their primary beneficiary. The primary beneficiary of a VIE is determined to be the party that has both the power to direct the activities that most significantly impact the VIE's economic performance and the obligation to absorb losses of, or the right to receive benefits from, the VIE that could potentially be significant to the VIE. This determination may involve complex and subjective analyses. In general, the obligation to absorb losses is a function of holding a majority of the first loss tranche, while the ability to direct the activities that most significantly impact the VIEs economic performance will be determined based upon the rights associated with acting as the directing certificate holder, or equivalent, in a given transaction. The Company is required to reconsider its evaluation of whether to consolidate a VIE each reporting period based upon changes in the facts and circumstances pertaining to the VIE.

The Company has evaluated its Non-Agency RMBS and Multi-Family MBS investments to determine if each represents a variable interest in a VIE. The Company monitors these investments and analyzes them for potential consolidation. The Company's real estate securities investments represent variable interests in VIEs. At December 31, 2014, the Company determined that it was the primary beneficiary of two Multi-Family MBS transactions (FREMF 2011-K13 and FREMF 2012-KF01), and two residential mortgage loan transactions (CSMC 2014-OAK1 and JPMMT 2014-OAK4), in each case based on its power to direct the trust's activities and its obligations to absorb losses derived from the ownership of the first-loss tranches. Accordingly, the Company consolidated the assets, liabilities, income and expenses of each of the underlying trusts, and has elected the fair value option in respect of the assets and liabilities of each trust. The maximum exposure of the Company to loss from consolidation of the trusts is limited to the fair value of \$208.8 million as of December 31, 2014 which represents the Company's net aggregate investment. At December 31, 2013, no VIEs required consolidation as the Company was not the primary beneficiary of any of these VIEs at that time. At December 31, 2014, with the exception of the listed transactions, and at December 31, 2013, the maximum exposure of the Company to VIEs was limited to the fair value of its investment in Non-Agency RMBS as disclosed in Note 4 (Non-Agency RMBS \$53,485,053 and \$62,684,335, respectively).

FIVE OAKS INVESTMENT CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The financial statements have been prepared on the accrual basis of accounting in accordance with U.S. GAAP. The preparation of financial statements in conformity with U.S. GAAP requires the Company to make a number of significant estimates. These include estimates of fair value of certain assets and liabilities, amount and timing of credit losses, prepayment rates, and other estimates that affect the reported amounts of certain assets and liabilities as of the date of the financial statements and the reported amounts of certain revenues and expenses during the reported period. It is likely that changes in these estimates (e.g., valuation changes due to supply and demand, credit performance, prepayments, interest rates, or other reasons) will occur in the near term. The Company's estimates are inherently subjective in nature and actual results could differ from its estimates and the differences may be material.

Cash and Cash Equivalents

Cash and cash equivalents include cash held in bank accounts on an overnight basis. The Company maintains its cash and cash equivalents in highly rated financial institutions, and at times these balances exceed insurable amounts.

Restricted Cash

Restricted cash represents the Company's cash held by counterparties as collateral against the Company's securities, derivatives and/or repurchase agreements. Cash held by counterparties as collateral is not available to the Company for general corporate purposes, but may be applied against amounts due to securities, derivatives or repurchase counterparties or returned to the Company when the collateral requirements are exceeded or, at the maturity of the derivative or repurchase agreement.

Deferred Offering Costs

In accordance with Accounting Standards Codification (“ASC”) Subtopic 505-10, the direct costs incurred to issue shares classified as equity, such as legal and accounting fees, should be deducted from the related proceeds and the net amount recorded as stockholders’ equity. Accordingly, payments made by the Company in respect of such costs related to the issuance of shares will be recorded as an asset in the accompanying consolidated balance sheets in the line item “Deferred offering costs”, for subsequent deduction from the related proceeds upon closing of the offering.

To the extent that certain costs, in particular legal fees, are known to have been accrued but have not yet been invoiced and paid, they are included in “Other accounts payable and accrued expenses” on the accompanying consolidated balance sheets.

On April 25, 2014, the Company filed an S-3 registration statement allowing the Company to issue common stock, preferred stock, debt securities and warrants up to a maximum aggregate offering price of \$750,000,000. This registration statement is valid for a three-year period, and accordingly, the Company is amortizing the direct costs incurred in connection with this registration statement on a straight-line basis over three years.

Available-for-Sale Securities, at Fair Value

Revenue Recognition, Premium Amortization, and Discount Accretion

Interest income on the Company’s available-for-sale (“AFS”) securities portfolio is accrued based on the actual coupon rate and the outstanding principal balance of such securities. The Company recognizes interest income using the effective interest method for all AFS securities. As such, premiums and discounts are amortized or accreted into interest income over the lives of the securities in accordance with ASC 310-20, “Nonrefundable Fees and Other Costs”, ASC 320-10, “Investments – Debt and Equity Securities” or ASC 325-40, “Beneficial Interests in Securitized Financial Assets”, as applicable. Total interest income will flow through the “Interest Income” line item on the consolidated statement of operations.

FIVE OAKS INVESTMENT CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On at least a quarterly basis for securities accounted for under ASC 320-10 and ASC 310-20 (generally Agency RMBS), prepayments of the underlying collateral must be estimated, which directly affect the speed at which the Company amortizes such securities. If actual and anticipated cash flows differ from previous estimates; the Company recognizes a “catch-up” adjustment in the current period to the amortization of premiums for the impact of the cumulative change in the effective yield through the reporting date.

Similarly, the Company also reassesses the cash flows on at least a quarterly basis for securities accounted for under ASC 325-40 (generally Non-Agency RMBS and Multi-Family MBS). In estimating these cash flows, there are a number of assumptions that will be subject to uncertainties and contingencies. These include the rate and timing of principal and interest receipts (including assumptions of prepayments, repurchases, defaults and liquidations), the pass-through or coupon rate and interest rate fluctuations. In addition, interest payment shortfalls due to delinquencies on the underlying mortgage loans have to be judgmentally estimated. Differences between previously estimated cash flows and current actual and anticipated cash flows are recognized prospectively through an adjustment of the yield over the remaining life of the security based on the current amortized cost of the investment as adjusted for credit impairment, if any.

For investments purchased with evidence of deterioration of credit quality for which it is probable, at acquisition, that the Company will be unable to collect all contractually required payments receivable, the Company will apply the provisions of ASC 310-30, “Loans and Debt Securities Acquired with Deteriorated Credit Quality.” ASC 310-30 addresses accounting for differences between contractual cash flows and cash flows expected to be collected from an investor’s initial investment in loans or debt securities (loans) acquired in a transfer if those differences are attributable, at least in part, to credit quality. ASC 310-30 limits the yield that may be accreted (accretable yield) to the excess of the investor’s estimate of undiscounted expected principal, interest and other cash flows (cash flows expected at acquisition to be collected) over the investor’s initial investment in the loan. ASC 310-30 requires that the excess of contractual cash flows over cash flows expected to be collected (nonaccretable difference) not be recognized as an adjustment of yield, loss accrual or valuation allowance.

Subsequent increases in cash flows expected to be collected are generally recognized prospectively through adjustment of the loan’s yield over its remaining life. Decreases in cash flows expected to be collected are recognized

as impairment.

The Company's accrual of interest, discount and premium for U.S. federal and other tax purposes is likely to differ from the financial accounting treatment of these items as described above.

Gains and losses from the sale of AFS securities are recorded as realized gains (losses) within realized gain (loss) on sale of investments, net in the Company's consolidated statement of operations. Upon the sale of a security, the Company will determine the cost of the security and the amount of unrealized gains or losses to reclassify out of accumulated other comprehensive income (loss) into earnings based on the specific identification method. Unrealized gains and losses on the Company's AFS securities are recorded as unrealized gain (loss) on available-for-sale securities, net in the Company's consolidated statement of comprehensive income (loss).

Impairment

The Company evaluates its MBS, on a quarterly basis, to assess whether a decline in the fair value of an AFS security below the Company's amortized cost basis is an other-than-temporary impairment ("OTTI"). The presence of OTTI is based upon a fair value decline below a security's amortized cost basis and a corresponding adverse change in expected cash flows due to credit related factors as well as non-credit factors, such as changes in interest rates and market spreads. Impairment is considered other-than-temporary if an entity (i) intends to sell the security, (ii) will more likely than not be required to sell the security before it recovers in value or (iii) does not expect to recover the security's amortized cost basis, even if the entity does not intend to sell the security. Under these scenarios, the impairment is other-than-temporary and the full amount of impairment should be recognized currently in earnings and the cost basis of the investment security is adjusted. However, if an entity does not intend to sell the impaired debt security and it is more likely than not that it will not be required to sell before recovery, the OTTI should be separated into (i) the estimated amount relating to credit loss ("credit" component) and (ii) the amount relating to all other factors ("non-credit" component). Only the estimated credit loss amount is recognized currently in earnings, with the remainder of the loss amount recognized in other comprehensive income. The difference between the new amortized cost basis and the cash flows expected to be collected is accreted as interest income in accordance with the effective interest method.

FIVE OAKS INVESTMENT CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Mortgage Loans Held-for-Sale, at Fair Value

Mortgage loans held-for-sale are reported at fair value as a result of a fair value option election. See Note 3 – Fair Value Measurements for details on fair value measurement. Mortgage loans are currently classified as held-for-sale based upon the Company’s intent to sell them either in the secondary whole loan market or to include them in a securitization, including transfers to securitization entities that the Company plans to sponsor and expects to be accounted for as sales for financial reporting purposes.

Interest income on mortgage loans held-for-sale is recognized at the loan coupon rate. Interest income recognition is suspended when mortgage loans are placed on non-accrual status. The accrual of interest on loans is discontinued when, in management’s opinion, the interest is considered non-collectible, and in all cases when payment becomes greater than 90 days past due. Loans return to accrual status when principal and interest become current and are anticipated to be fully collectible.

Multi-Family and Residential Mortgage Loans Held in Securitization Trusts

Multi-family and residential mortgage loans held in securitization trusts are comprised of multi-family mortgage loans held in the FREMF 2011-K13 Trust and the FREMF 2012-KF01 Trust, and residential mortgage loans held in the CSMC 2014-OAK1 Trust and the JPMMT 2014-OAK4 Trust, as of December 31, 2014. Based on a number of factors, the Company determined that it was the primary beneficiary of the VIEs underlying the trusts, met the criteria for consolidation and, accordingly, has consolidated the four trusts, including their assets, liabilities, income and expenses in its financial statements. The Company has elected the fair value option on each of the assets and liabilities held within the trusts. See Note 3 – Fair Value Measurement below for additional detail.

Interest income on multi-family and residential mortgage loans held in securitization trusts is recognized at the loan coupon rate. Interest income recognition is suspended when mortgage loans are placed on non-accrual status. The accrual of interest on loans is discontinued when, in management's opinion, the interest is considered non-collectible, and in no case when payment becomes greater than 90 days past due. Loans return to accrual status when principal and interest become current and are anticipated to be fully collectible.

Mortgage Servicing Rights and Excess Servicing Rights, at Fair Value

Mortgage servicing rights ("MSRs") are associated with residential mortgage loans that the Company has purchased and subsequently sold or securitized. MSRs are held and managed at our TRS. As the owner of MSRs, the Company is entitled to receive a portion of the interest payments from the associated residential mortgage loan, and is obligated to service directly or through a subservicer, the associated loan. MSRs are reported at fair value as a result of a fair value option election. See Note 3 – Fair Value Measurement below for additional detail. Residential mortgage loans for which the Company owns the MSRs are directly serviced by one or more sub-servicers retained by the Company, since the Company does not originate or directly service any residential mortgage loans.

FIVE OAKS INVESTMENT CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

To the extent that the Company determines it is the primary beneficiary of a residential mortgage loan securitization trust into which it has sold loans, any associated MSR's are eliminated on the consolidation of the trust. The trust is contractually obligated to pay a portion of the interest payments from the associated residential mortgage loans for the direct servicing of the loans, and after deduction of sub-servicing fees payable to contracted sub-servicers, the net amount, excess servicing rights, represents a liability of the trust. See Note 3 – Fair Value Measurement below for additional detail.

Repurchase Agreements

The Company finances the acquisition of certain of its mortgage-backed securities through the use of repurchase agreements. The repurchase agreements are generally short-term debt, which expire within one year. Borrowings under repurchase agreements generally bear interest rates at a specified margin over LIBOR and are generally uncommitted. In accordance with ASC 860 "Transfers and Servicing" the Company accounts for the repurchase agreements, other than those treated as Linked Transactions (see Note 3 – Accounting for Derivative Financial Instruments – Non-Hedging Activity/Linked Transactions below), as collateralized financing transactions and they are carried at their contractual amounts, as specified in the respective agreements. The contractual amounts approximate fair value due to their short-term nature.

Residential Loan Warehouse Facilities

The Company finances the acquisition of certain of its residential mortgage loans through the use of short-term, uncommitted residential loan warehouse facilities, which are currently structured as repurchase agreements. The Company accounts for outstandings under these facilities as collateralized financing transactions which are carried at its contractual amount, and approximate fair value due to their short-term nature.

Multi-Family and Residential Securitized Debt Obligations

Multi-family and residential securitized debt obligations represent third-party liabilities of the FREMF 2011-K13 Trust, FREMF 2012-KF01 Trust, JPMMT 2014-OAK4 Trust and CSMC 2014-OAK1 Trust, and excludes liabilities of the trust acquired by the Company that are eliminated on consolidation. The third-party obligations of each trust do not have any recourse to the Company as the consolidator of each trust.

Income Taxes

The Company has elected to be taxed as a REIT under the Code for U.S. federal income tax purposes, commencing with the Company's short taxable period ended December 31, 2012. So long as the Company qualifies as a REIT, the Company generally will not be subject to U.S. federal income taxes on its taxable income to the extent it annually distributes at least 90% of its net taxable income to shareholders and maintains its qualification as a REIT.

FIVE OAKS INVESTMENT CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to the Company's election to be taxed as a REIT, the Company complies with Sections 856 through 859 of the Code. Accordingly, the Company generally will not be subject to U.S. federal income tax to the extent of its distributions to stockholders and as long as certain asset, income and share ownership tests are met. To maintain its qualification as a REIT, the Company must distribute at least 90% of its REIT taxable income to its stockholders and meet certain other requirements. The Company may also be subject to certain state, local and franchise taxes. Under certain circumstances, federal income and excise taxes may be due on its undistributed taxable income. If the Company were to fail to meet these requirements, it would be subject to U.S. federal income tax, which could have a material adverse impact on its results of operations and amounts available for distributions to its stockholders. The Company believes it will meet all of the criteria to maintain the Company's REIT qualification for the applicable periods, but there can be no assurance that these criteria will continue to be met in subsequent periods.

The Company does not have any material uncertain tax positions at this time. The Company's accounting policy with respect to interest and penalties is to classify these amounts as interest expense. The Company has not recognized any such amounts related to uncertain tax positions as of the balance sheet date.

Certain activities of the Company are conducted through a TRS and therefore will be taxed as a standalone U.S. C-Corporation.

If a TRS generates net income, the TRS can declare dividends to the Company which will be included in its taxable income and necessitate a distribution to its stockholders. Conversely, if the Company retains earnings at a TRS level, no distribution is required and the Company can increase book equity of the consolidated entity.

Earnings per Share

The Company calculates basic and diluted earnings per share by dividing net income attributable to common stockholders for the period by the weighted-average shares of the Company's common stock outstanding for that period. Diluted earnings per share takes into account the effect of dilutive instruments, such as warrants, stock options, and unvested restricted stock, but use the average share price for the period in determining the number of incremental shares that are to be added to the weighted-average number of shares outstanding. See Note 12 for details of the computation of basic and diluted earnings per share.

Stock-Based Compensation

The Company is required to recognize compensation costs relating to stock-based payment transactions in the financial statements. The Company accounts for share-based compensation issued to its Manager and non-management directors using the fair value based methodology prescribed by ASC 718, *Share-Based Payment* ("ASC 718"). Compensation cost related to restricted common stock issued to the Manager is initially measured at estimated fair value at the grant date, and is remeasured on subsequent dates to the extent the awards are unvested. Additionally, compensation cost related to restricted common stock issued to the non-management directors is measured at its estimated fair value at the grant date and amortized and expensed over the vesting period. See Note 10 for details of stock-based awards issuable under the Manager Equity Plan.

Comprehensive Income (Loss)

Comprehensive income (loss) is comprised of net income, as presented in the consolidated statement of comprehensive income (loss), adjusted for changes in unrealized gain or loss on AFS securities.

Recently Issued and/or Adopted Accounting Standards

In June 2014, FASB issued ASU No. 2014-11 "Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures", which amends ASC 860, "Transfers and Servicing". The amendments in this ASU change current accounting and disclosures for repurchase agreements and similar transactions under U.S. GAAP. In particular, ASU 2014-11 changes the accounting for repurchase-to-maturity transactions and linked repurchase financings to secured borrowing accounting, which is consistent with the accounting for other repurchase agreements under ASC 860.

FIVE OAKS INVESTMENT CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASU 2014-11 also requires two new disclosures for transactions accounted for as secured borrowings (1) disaggregating the related gross obligation by class of collateral pledged, and disclosing the remaining contractual maturity of the agreements, and; (2) discussing the potential risks of these agreements and related collateral pledged, including the risks stemming from a decline in the value of the pledged collateral and how such risks are managed. ASU 2014-11 requires enhanced disclosures by entities for transactions that involve a transfer of a financial asset reported as a sale and accompanied by an agreement that results in the transferor retaining substantially all of the exposure to the economic returns of the transferred asset during the transaction's term. In these circumstances, the entity is required to provide by type of transaction 1) the carrying amount of the assets derecognized and the gross amount of proceeds received at the transfer date, 2) any related amounts reported on the balance sheet, such as those represented by derivative contracts, and 3) information about its ongoing exposure to the economic return on the transferred financial assets.

ASU 2014-11 is effective for public entities for annual periods beginning after December 15, 2014 and interim periods beginning after March 15, 2015. The entity must report changes in accounting for transactions outstanding on the effective date as a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. The new disclosures are not required for comparative periods prior to the effective date. Adopting this ASU has a material impact on the Company's presentation of its statement of financial condition and results of operations as it relates to the Company's linked transactions (See Note 8). Currently, linked transactions are reported on the balance sheet as derivative transactions, as a result of this ASU, the assets and repurchase agreements that encompass linked transactions will be bifurcated and the gross amounts will be reported in available-for-sale securities and repurchase agreements respectively. In addition, unrealized gain (loss) and interest income on assets that are deemed to be linked are currently reflected in the income statement in other income unrealized gain (loss) and net interest income from Linked Transaction line item, as a result of this ASU the interest income will be recognized in revenue interest income and unrealized gain (loss) will be reflected in other comprehensive income.

In August 2014 FASB issued ASU No. 2014-13 "Consolidation (Topic 810) Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity". A collateralized financing entity is a VIE such as a securitization trust with no more than nominal equity that holds financial assets and issues beneficial interests in those financial assets; the beneficial interests have contractual recourse only to the related assets of the collateralized financing entity and are classified as financial liabilities. The amendments in this ASU address differences in measurement practice between the fair value of the collateralized financing entity's assets and liabilities, and apply to a

reporting entity that is required to consolidate such an entity when the reporting entity measures all of the financial assets and the financial liabilities of that consolidated collateralized financing entity at fair value in its financial statements, and that changes in such values are reflected in earnings.

When a reporting entity elects the measurement alternative included in ASU 2014-13 for a collateralized financing entity, the reporting entity should measure both the financial assets and the financial liabilities of that collateralized financing entity in its consolidated financial statements using the more observable of the fair value of the financial assets and the fair value of the financial liabilities. The amendments in this ASU are effective for public entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted as of the beginning of an annual period. Since the Company has not previously been required to consolidate the assets and liabilities of a collateralized financing entity, it has elected to early adopt this ASU in respect of the consolidated financial statements with effect from September 30, 2014. See Note 3 – Fair Value Measurements for further information.

In February 2015, FASB issued ASU No. 2015-02 “Amendments to the Consolidation Analysis”, which amends ASC 810, “Consolidation”. The amendments in this ASU affect the evaluation of, and consolidation analysis for, VIEs and is effective for public entities for annual periods, and interim periods within such annual periods, beginning after December 15, 2014. The Company has not yet completed its review of this ASU and accordingly cannot assess its effect on the Company’s current accounting policies.

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FIVE OAKS INVESTMENT CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2014

NOTE 3 – FAIR VALUE MEASUREMENTS

The Company discloses the fair value of its financial instruments according to a fair value hierarchy (Levels 1, 2 and 3, as defined). In accordance with U.S. GAAP, the Company is required to provide enhanced disclosures regarding instruments in the Level 3 category (which require significant management judgment), including a separate reconciliation of the beginning and ending balances for each major category of assets and liabilities.

Additionally, U.S. GAAP permits entities to choose to measure many financial instruments and certain other items at fair value (the “fair value option”), and the election of such choice is irrevocable. Unrealized gains and losses on items for which the fair value option has been elected are irrevocably recognized in earnings at each subsequent reporting date.

Available-for-sale Securities

The Company currently invests in Agency RMBS, Non-Agency RMBS and Multi-Family MBS.

Designation

The Company classifies its MBS securities as AFS investments. Although the Company generally intends to hold most of its investment securities until maturity, it may, from time to time, sell any of its investment securities as part of the overall management of its portfolio. All assets classified as AFS are reported at estimated fair value, with unrealized gains and losses, excluding other than temporary impairments, included in accumulated other comprehensive income, a separate component of shareholders' equity.

Determination of MBS Fair Value

The Company determines the fair values for the Agency RMBS, Non-Agency RMBS and Multi-Family MBS in its portfolio based on obtaining a valuation for each Agency RMBS, Non-Agency RMBS and Multi-Family MBS from third-party pricing services, and may also obtain dealer quotes, as described below. The third-party pricing services use common market pricing methods that may include pricing models that may incorporate such factors as coupons, prepayment speeds, spread to the Treasury curves and interest rate swap curves, duration, periodic and life caps and credit enhancement, as applicable. The dealers incorporate common market pricing methods, including a spread measurement to the Treasury curve or interest rate swap curve as well as underlying characteristics of the particular security, including coupon, periodic and life caps, collateral type, rate reset period and seasoning or age of the security, as applicable.

The Company obtains pricing data from a primary third-party pricing service for each Agency RMBS, Non-Agency RMBS and Multi-Family MBS. If other available market data indicates that the pricing data from the primary third-party service is materially inaccurate, or pricing data is unavailable from the primary third-party pricing service, the Company shall undertake a review of other available prices and shall take additional steps to determine fair value. In all cases, the Company validates its understanding of methodology and assumptions underlying the fair value used. The Company will determine that the pricing data from the primary third-party service is materially inaccurate if it is not materially representative of where a specific security can be traded in the normal course of business. In making such determination, the Company will follow a series of steps, including review of collateral marks from margin departments of repo counterparties, utilization of bid list, inventory list and extensive unofficial market color, review of other third-party pricing service data and a yield analysis of each Non-Agency RMBS and Multi-Family MBS based on the pricing data from the primary third-party service data, and a yield analysis of each non-Agency RMBS and Multi-Family MBS based on the pricing data from the primary third-party service and the Company's cashflow assumptions.

FIVE OAKS INVESTMENT CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2014

NOTE 3 – FAIR VALUE MEASUREMENTS (Continued)

The Company reviews all pricing of Agency and Non-Agency RMBS and Multi-Family MBS used to ensure that current market conditions are properly represented. This review includes, but is not limited to, comparisons of similar market transactions or alternative third-party pricing services, dealer quotes and comparisons to a pricing model. Values obtained from the third-party pricing service for similar instruments are classified as Level 2 securities if the pricing methods used are consistent with the Level 2 definition. If quoted prices for a security are not reasonably available from the pricing service, but dealer quotes are, the Company classifies the security as a Level 2 security. If neither is available, the Company determines the fair value based on characteristics of the security that are received from the issuer and based on available market information received from dealers and classifies it as a Level 3 security.

Mortgage Loans Held-for-sale

Designation

The Company currently classifies its residential mortgage loans as held-for-sale (“HFS”) investments. HFS residential mortgage loans include loans that the Company is marketing for sale to third parties, including transfers to securitization trusts.

The Company elected the fair value option for residential mortgage loans it has acquired and classifies as HFS. The fair value option was elected to help mitigate earnings volatility by better matching the asset accounting with any related hedges. The Company’s policy is to record separately interest income on these fair value elected loans. Additionally, upfront and costs related to these loans are not deferred or capitalized. Fair value adjustments are reported in gain (loss) on mortgage loans held-for-sale on the consolidated statements of comprehensive income (loss). The fair value option is irrevocable once the loan is acquired.

Determination of Mortgage Loan Fair Value

The Company determines the fair values of the mortgage loans in its portfolio from third-party pricing services. The third-party pricing services use common market pricing methods that may include pricing models which may incorporate such factors as coupons, prepayment speeds, spread to the Treasury curves and interest rate swap curves, duration, periodic and life caps, as applicable. In addition, the third-party pricing services benchmark their pricing models against observable pricing levels being quoted by a range of market participants active in the purchase and sale of residential mortgage loans.

The Company obtains pricing data from a primary third-party pricing service for each mortgage loan. If other available market data indicates that the pricing data from the primary third-party service is materially inaccurate, or pricing data is unavailable from the primary third-party pricing service, the Company undertakes a review of other available prices and takes additional steps to determine fair value. In all cases, the Company validates its understanding of methodology and assumptions underlying the fair value used. The Company will determine that the pricing data from the primary third-party service is materially inaccurate if it is not materially representative of the price at which a specific loan can be traded in the normal course of business, and/or is materially divergent from the price at which the Company would be willing to purchase such a loan in the normal course of its business.

The Company reviews all pricing of mortgage loans used to ensure that current market conditions are properly represented. This review includes, but is not limited to, comparisons of similar market transactions or alternative third-party pricing services, dealer quotes and comparisons to a pricing model. Values obtained from the third-party pricing service for similar instruments are classified as Level 2 assets if the pricing methods used are consistent with the Level 2 definition. If quoted prices for a loan are not reasonably available from the pricing service, but alternative quotes are, the Company classifies the loan as a Level 2 asset. If neither is available, the Company determines the fair value based on characteristics of the loan and based on other available market information and classifies it as a Level 3 asset.

FIVE OAKS INVESTMENT CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2014

NOTE 3 – FAIR VALUE MEASUREMENTS (Continued)

MSRs and Excess Servicing Rights

Designation

MSRs are associated with residential mortgage loans that the Company has purchased and subsequently sold or securitized, and are typically acquired directly from loan originators and recognized at the time that loans are transferred to a third party or a securitization, in each case providing such transfer meets the GAAP criteria for sale. The Company retains the rights to service certain loans that it sells or securitizes, but employs one or more sub-servicers to perform these servicing activities.

To the extent that the Company determines it is the primary beneficiary of a residential mortgage loan securitization trust into which it has sold loans, any associated MSRs are eliminated on the consolidation of the trust. The trust is contractually obligated to pay a portion of the interest payments from the associated residential mortgage loans for the direct servicing of the loans, and after deduction of sub-servicing fees payable to contracted sub-servicers, the net amount, excess servicing rights, represents a liability of the trust. Upon consolidation of the trust, the fair value of the excess servicing rights is equal to the related MSRs held at our TRS.

The Company has elected the fair value option in respect of MSRs and excess servicing rights.

Determination of Fair Value

The Company determines the fair value of its MSRs and excess servicing rights from third-party pricing services. The third-party pricing services use common market pricing methods that include market discount rates, prepayment

speeds of serviced loans, the market cost of servicing, and observed market pricing for MSR purchase and sale transactions. Changes in the fair value of MSRs occur primarily as a result of the collection and realization of expected cashflows, as well as changes in valuation inputs and assumptions.

The Company obtains MSR pricing data from a primary third-party pricing service, and validates its understanding of methodology and assumptions underlying the fair value used.

See Note 12 for a further presentation on MSRs and excess servicing rights.

Multi-Family Mortgage Loans Held in Securitization Trusts and Multi-Family Securitized Debt Obligations

Designation

Multi-family mortgage loans held in securitization trusts are comprised of multi-family mortgage loans held in the FREMF 2011-K13 Trust and the FREMF 2012-KF01 Trust as of December 31, 2014. Based on a number of factors, the Company determined that it was the primary beneficiary of the VIEs underlying the trusts, met the criteria for consolidation and, accordingly, has consolidated the FREMF 2011-K13 Trust and the FREMF 2012-KF01 Trust, including their assets, liabilities, income and expenses in its financial statements. The Company has elected the fair value option on each of the assets and liabilities held within the trusts.

FIVE OAKS INVESTMENT CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2014

NOTE 3 – FAIR VALUE MEASUREMENTS (Continued)

Determination of Fair Value

As noted earlier, the Company has early adopted ASU 2014-13, and has elected the fair value option in respect of the assets and liabilities of the FREMF 2011-K13 Trust and the FREMF 2012-KF01 Trust. The trusts are “static”, that is no reinvestment is permitted and there is very limited active management of the underlying assets. Under the ASU, the Company is required to determine whether the fair value of the financial assets or the fair value of the financial liabilities of the trusts is more observable, but in either case, the methodology results in the fair value of the assets of each of the trusts being equal to the fair value of their liabilities. The Company has determined that the fair value of the liabilities of each of the trusts is more observable, since in all cases prices for the liabilities are available from the primary third-party pricing service utilized for Multi-Family MBS, while the individual assets of the trusts are inherently incapable of precise measurement given their illiquid nature and the limitations on available information related to these assets. Given that the Company’s methodology for valuing the assets of the trusts is an aggregate value derived from the fair value of the trust’s liabilities, the Company has determined that the valuation of each of the trust’s assets in their entirety should be classified as Level 2 valuations.

Residential Mortgage Loans Held in Securitization Trusts and Residential Securitized Debt Obligations

Designation

Residential mortgage loans held in securitization trusts are comprised of residential mortgage loans held in the CSMC 2014-OAK1 Trust and the JPMMT 2014-OAK4 Trust as of December 31, 2014. Based on a number of factors, the Company determined that it was the primary beneficiary of the VIEs underlying the trusts, met the criteria for consolidation and, accordingly, has consolidated the CSMC 2014-OAK1 Trust and the JPMMT 2014-OAK4 Trust including their assets, liabilities, income and expenses in its financial statements. The Company has elected the fair value option on each of the assets and liabilities held within each of the trusts.

Determination of Fair Value

As noted earlier, the Company has early adopted ASU 2014-13, and has elected the fair value option in respect of the assets and liabilities of the CSMC 2014-OAK1 Trust and the JPMMT 2014-OAK4 Trust. The trusts are “static”, that is no reinvestment is permitted and there is very limited active management of the underlying assets. Under the ASU, the Company is required to determine whether the fair value of the financial assets or the fair value of the financial liabilities of the trusts is more observable, but in either case, the methodology results in the fair value of each of the assets of each of the trusts being equal to the fair value of their liabilities. The Company has determined that the fair value of the liabilities of each of the trusts is more observable, since in all cases prices for the liabilities are available from the primary third-party pricing service utilized for Non-Agency RMBS, with the exception of the excess servicing rights, which are available from an alternative third-party pricing service. While the individual assets of each of the trusts, i.e. the underlying residential mortgage loans, are capable of being priced, the Company has determined that the pricing of the liabilities is more easily and readily determined. Given that the Company’s methodology for valuing the assets of the trusts is an aggregate value derived from the fair value of the trust’s liabilities, the Company has determined that the valuation of each of the trust’s assets in their entirety should be classified as Level 2 valuations.

Accounting for Derivative Financial Instruments

In accordance with FASB guidance ASC 815 “Derivatives and Hedging”, all derivative financial instruments, whether designated for hedging relationships or not, are recorded at fair value on the consolidated balance sheet as assets or liabilities. The Company obtains valuation information for each derivative financial instrument from the related derivative counterparty. If other available market data indicates that the valuation information from the counterparty is materially inaccurate, or pricing data is unavailable from the counterparty, the Company shall undertake a review of other available valuation information, including third party pricing services and/or dealers, and shall take additional steps to determine fair value. The Company reviews all valuations of derivative financial instruments used to ensure that current market conditions are properly represented. This review includes, but is not limited to, comparisons of similar market transactions or alternative third-party pricing services, dealer quotes and comparisons to a pricing model. Values obtained from the derivative counterparty, the third-party pricing service or dealers, as appropriate, for similar instruments are classified as Level 2 valuations if the pricing methods used are consistent with the Level 2 definition. If none of these sources is available, the Company determines the fair value based on characteristics of the instrument and based on available market information received from dealers and classifies it as a Level 3 valuation.

FIVE OAKS INVESTMENT CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2014

NOTE 3 – FAIR VALUE MEASUREMENTS (Continued)

At the inception of a derivative contract, the Company determines whether or not the instrument will be part of a qualifying hedge accounting relationship. Due to the volatility of the credit markets and difficulty in effectively matching pricing or cash flows, the Company has elected to treat all current derivative contracts as trading instruments. The changes in fair value of derivatives accounted for as trading instruments are reported in the consolidated statement of operations as unrealized gain (loss) on derivative contracts, net.

The Company enters into interest rate derivative contracts for a variety of reasons, including minimizing significant fluctuations in earnings or market values on certain assets or liabilities that may be caused by changes in interest rates. The Company may, at times, enter into various forward contracts, including short securities, Agency to-be-announced securities (“TBAs”), options, futures, swaps and caps. Due to the nature of these instruments, they may be in a receivable/asset position or a payable/liability position at the end of an accounting period. Amounts payable to, and receivable from, the same party under contracts may be offset as long as the following conditions are met: (a) each of the two parties owes the other determinable amounts; (b) the reporting party has the right to offset the amount owed with the amount owed by the other party; (c) the reporting party intends to offset; and (d) the right of offset is enforceable by law. If the aforementioned conditions are not met, amounts payable to and receivable from are presented by the Company on a gross basis in the consolidated balance sheet.

Non-Hedging Activity – Linked Transactions

It is presumed that the initial transfer of a financial asset (i.e. the purchase of an MBS by the Company) and contemporaneous repurchase financing of such MBS with the same counterparty are considered part of the same arrangement, or a “linked transaction”, unless certain criteria are met. The two components of a linked transaction (MBS purchase and repurchase financing) are accounted for on a net basis and recorded as a forward purchase (derivative) contract (each a Linked Transaction) at fair value on the Company’s consolidated balance sheet in the line item “Linked Transactions, net, at fair value”. Changes in the fair value of the assets and liabilities underlying linked transactions and associated interest income and expense are reported as “Unrealized gain and net interest income from Linked Transactions”, on the Company’s consolidated statement of operations. When or if a transaction is no longer considered to be linked, the MBS and repurchase financing will be reported on a gross basis. In this case, the fair value of the MBS at the time the transactions are no longer considered linked will become the cost basis of the MBS, and the

income recognition yield for such MBS will be calculated prospectively using this new cost basis. (See Notes 8 and 9).

See Note 8 for specific disclosures regarding the location and amounts of derivative instruments in the financial statements and the accounting for derivative instruments and related hedged items.

Other Financial Instruments

The carrying value of short term instruments, including cash and cash equivalents, receivables and repurchase agreements whose term is less than twelve months, generally approximates fair value due to the short term nature of the instruments.

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FIVE OAKS INVESTMENT CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2014

NOTE 4 – AVAILABLE-FOR-SALE SECURITIES

Non-Agency RMBS and Multi-Family MBS that are accounted for as components of Linked Transactions are not reflected in the tables set forth in this Note, as they are accounted for as derivatives. (See Notes 8 and 9).

The following table presents the Company's AFS investment securities by collateral type at fair value as of December 31, 2014 and December 31, 2013:

	December 31, 2014	December 31, 2013
Mortgage-backed securities:		
Agency		
Federal Home Loan Mortgage Corporation	\$ 162,344,627	\$ 237,143,864
Federal National Mortgage Association	152,486,058	145,156,756
Non-Agency	53,485,053	62,684,335
Total mortgage-backed securities	\$ 368,315,738	\$ 444,984,955

The following tables present the amortized cost and fair value of the Company's AFS investment securities by collateral type as of December 31, 2014 and December 31, 2013:

	December 31, 2014		
	Agency	Non-Agency	Total
Face Value	\$ 309,790,551	\$ 76,672,548	\$ 386,463,099
Unamortized premium	4,796,106	-	4,796,106
Unamortized discount			
Designated credit reserve	-	(12,697,796)	(12,697,796)
Net, unamortized	(2,244,687)	(15,209,335)	(17,454,022)
Amortized Cost	312,341,970	48,765,417	361,107,387
Gross unrealized gain	3,670,643	4,732,247	8,402,890
Gross unrealized (loss)	(1,181,928)	(12,611)	(1,194,539)

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Fair Value \$314,830,685 \$53,485,053 \$368,315,738

	December 31, 2013		
	Agency	Non-Agency	Total
Face Value	\$386,672,123	\$95,390,328	\$482,062,451
Unamortized premium	12,544,193	-	12,544,193
Unamortized discount			
Designated credit reserve	-	(16,126,355)	(16,126,355)
Net, unamortized	(1,489,132)	(20,911,248)	(22,400,380)
Amortized Cost	397,727,184	58,352,725	456,079,909
Gross unrealized gain	-	4,331,610	4,331,610
Gross unrealized (loss)	(15,426,564)	-	(15,426,564)
Fair Value	\$382,300,620	\$62,684,335	\$444,984,955

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FIVE OAKS INVESTMENT CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2014

NOTE 4 – AVAILABLE-FOR-SALE SECURITIES (Continued)

The following table presents a summary of the Company's net realized gain (loss) from the sale of AFS securities, inclusive of securities previously booked as linked, for the years ended December 31, 2014 and December 31, 2013, and for the period May 16, 2012 (commencement of operations) to December 31, 2012:

	Year Ended December 31, 2014	Year Ended December 31, 2013	Period May 16, 2012 to December 31, 2012
AFS securities sold, at cost	\$462,470,753	\$717,309,717	\$ -
Proceeds from AFS securities sold	466,239,975	687,203,605	
Net realized gain (loss) on sale of AFS securities	\$3,769,222	\$(30,106,112)	\$ -

The following tables present the fair value of AFS investment securities by rate type as of December 31, 2014 and December 31, 2013:

	December 31, 2014		
	Agency	Non-Agency	Total
Adjustable rate	\$229,648,342	\$53,485,053	\$283,133,395
Fixed rate	85,182,343	-	85,182,343
Total	\$314,830,685	\$53,485,053	\$368,315,738

	December 31, 2013		
	Agency	Non-Agency	Total
Adjustable rate	\$170,587,649	\$62,684,335	\$233,271,984
Fixed rate	211,712,971	-	211,712,971
Total	\$382,300,620	\$62,684,335	\$444,984,955

The following tables present the fair value of AFS investment securities by maturity date as of December 31, 2014 and December 31, 2013:

	December 31, 2014	December 31, 2013
Less than one year	\$-	\$-
Greater than one year and less than five years	35,855,146	-
Greater than or equal to five years	332,460,592	444,984,955
Total	\$368,315,738	\$444,984,955

As described in Note 3, when the Company purchases a credit-sensitive AFS security at a significant discount to its face value, the Company generally does not amortize into income a significant portion of this discount that the Company is entitled to earn because it does not expect to collect it due to the inherent credit risk of the security. The Company may also record an OTTI for a portion of its investment in the security to the extent the Company believes that the amortized cost will exceed the present value of expected future cash flows. The amount of principal that the Company does not amortize into income is designated as an off balance sheet credit reserve on the security, with unamortized net discounts or premiums amortized into income over time to the extent realizable.

Actual maturities of AFS securities are affected by the contractual lives of the associated mortgage collateral, periodic payments of principal, and prepayments of principal. Therefore actual maturities of available-for-sale securities are generally shorter than stated contractual maturities. Stated contractual maturities are generally greater than ten years.

FIVE OAKS INVESTMENT CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2014

NOTE 4 – AVAILABLE-FOR-SALE SECURITIES (Continued)

The following tables present the changes for the years ended December 31, 2014 and December 31, 2013, and for the period May 16, 2012 (commencement of operations) to December 31, 2012 of the unamortized net discount and designated credit reserves on the Company's MBS.

	December 31, 2014		
	Designated credit reserve	Unamortized net discount	Total
Beginning Balance as of January 1, 2014	\$(16,126,355)	\$(22,400,380)	\$(38,526,735)
Acquisitions	-	(2,361,186)	(2,361,186)
Dispositions	559,860	1,667,828	2,227,688
Accretion of net discount	-	4,760,729	4,760,729
Realized gain on paydowns	-	223,212	223,212
Realized credit losses	2,868,699	-	2,868,699
Release of credit reserves	-	655,775	655,775
Ending balance at December 31, 2014	\$(12,697,796)	\$(17,454,022)	\$(30,151,818)

	December 31, 2013		
	Designated credit reserve	Unamortized net discount	Total
Acquisitions	\$(19,145,414)	\$(24,606,107)	\$(43,751,521)
Accretion of net discount	-	2,836,240	2,836,240
Realized gain on paydowns	-	25,262	25,262
Realized credit losses	2,363,284	-	2,363,284
Release of credit reserves	655,775	(655,775)	-
Ending balance at December 31, 2013	\$(16,126,355)	\$(22,400,380)	\$(38,526,735)

	December 31, 2012		
	Designated credit reserve	Unamortized net discount	Total
Acquisitions	\$(5,363,444)	\$(3,997,817)	\$(9,361,261)

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Accretion of net discount	-	463,478	463,478
Realized credit losses	480,862	-	480,862
Ending balance at December 31, 2012	\$(4,882,582)	\$(3,534,339)	\$(8,416,921)

Gains and losses from the sale of AFS securities are recorded within realized gain (loss) on sale of investments, net in the Company's consolidated statements of operations.

Unrealized gains and losses on the Company's AFS securities are recorded as unrealized gain (loss) on available-for-sale securities, net in the Company's consolidated statement of comprehensive income (loss). For the year ended December 31, 2014, the Company had unrealized gains (losses) on AFS securities of \$18,303,304. For the year ended December 31, 2013, the Company had unrealized gains (losses) on AFS securities of (\$13,528,951). For the period from May 16, 2012 (commencement of operations) to December 31, 2012, the Company had unrealized gains (losses) of \$2,433,997.

The following tables present components of interest income, inclusive of purchased accrued interest, on the Company's AFS securities for the years ended December 31, 2014 and December 31, 2013, and the period May 16, 2012 (commencement of operations) to December 31, 2012.

	Year Ended December 31, 2014		
	Coupon interest	Net (premium amortization)/ discount accretion	Interest income
Agency	\$11,409,239	\$ 603,547	\$12,012,786
Non-Agency	261,050	4,077,481	4,338,531
Multi-Family	184,411	24,610	209,021
Total	\$11,854,700	\$ 4,705,638	\$16,560,338

	Year Ended December 31, 2013		
	Coupon interest	Net (premium amortization)/ discount accretion	Interest income
Agency	\$14,266,215	\$ (716,788)) \$13,549,427
Non-Agency	170,750	2,691,552	2,862,302
Multi-Family	-	-	-
Total	\$14,436,966	\$ 1,974,764	\$16,411,730

	Period May 16, 2012 to December 31, 2012		
	Coupon interest	Net (premium amortization)/ discount accretion	Interest income
Agency	\$ 1,279,241	\$ (115,831)) \$ 1,163,410
Non-Agency	54,549	463,478	518,027

Total	\$ 1,333,790	\$ 347,647	\$ 1,681,437
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FIVE OAKS INVESTMENT CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2014

NOTE 5 – MORTGAGE LOANS HELD-FOR-SALE, at FAIR VALUE

Mortgage loans held-for-sale consists of residential mortgage loans carried at fair value as a result of the fair value option. The following table presents the carrying value of the Company's mortgage loans held-for-sale as of December 31, 2014 and December 31, 2013:

	December 31, 2014	December 31, 2013
Unpaid principal balance	\$ 54,348,654	\$ -
Fair value adjustment	329,728	-
Carrying value	\$ 54,678,382	\$ -

At December 31, 2014 and December 31, 2013, the Company pledged mortgage loans with a fair value of \$54.7 million and \$0, respectively, as collateral for repurchase or warehouse agreements. See Note 10 – *Repurchase Agreements*.

The geographic concentrations of credit risk exceeding 5% of the total loan balances related to the mortgage loans held-for-sale as of December 31, 2014 are as follows:

	December 31, 2014	
Massachusetts	46.2	%
New Jersey	25.6	%
California	21.2	%

At December 31, 2014, none of the Company's mortgage loans held-for-sale was more than 30 days past due.

NOTE 6 – MULTI-FAMILY MORTGAGE LOAN SECURITIZATION TRUSTS

The Company has elected the fair value option on the assets and liabilities of the FREMF 2011-K13 Trust and the FREMF 2012-KF01 Trust, which requires that changes in valuations of the trusts be reflected in the Company's statements of operations. The Company's net investment in the trusts is limited to the Multi-Family MBS comprised of first loss PO securities and IO securities acquired by the Company in 2014 with an aggregate net carrying value of \$79,933,551 at December 31, 2014.

The combined balance sheet of the multi-family mortgage loan securitization trusts at December 31, 2014:

Balance Sheet	December 31, 2014
Assets	
Multi-family mortgage loans held in securitization trusts	\$ 1,750,294,430
Receivables	6,012,642
 Total assets	 \$ 1,756,307,072
Liabilities and Equity	
Multi-family securitized debt obligations	\$ 1,670,573,456
Payables	5,800,065
	\$ 1,676,373,521
Equity	79,933,551
 Total liabilities and equity	 \$ 1,756,307,072

FIVE OAKS INVESTMENT CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2014

NOTE 6 – MULTI-FAMILY MORTGAGE LOAN SECURITIZATION TRUSTS (Continued)

The multi-family mortgage loans held in securitization trusts had an unpaid principal balance of \$1,637,721,473 at December 31, 2014. The multi-family securitized debt obligations had an unpaid principal balance of \$1,637,721,473 at December 31, 2014

The combined statement of operations of the multi-family mortgage loan securitization trusts at December 31, 2014 are as follows:

Statement of Operation	For the period from date of consolidation to December 31, 2014*
Interest income	\$ 21,158,102
Interest expense	(19,400,851)
Net interest income	\$ 1,757,251
General and administrative fees	(1,086,165)
Unrealized gain (loss) on multi-family mortgage loan held in securitization trusts	1,473,484
Net Income	\$ 2,144,570

* The Company consolidated the first trust in September, 2014 and the second trust in October, 2014.

The geographic concentrations of credit risk exceeding 5% of the total loan balances related to the trusts as of December 31, 2014:

	December 31, 2014	
Texas	20.7	%
California	12.7	%
New York	11.1	%
Washington	6.1	%
Colorado	6.0	%
Georgia	5.0	%

NOTE 7 – RESIDENTIAL MORTGAGE LOAN SECURITIZATION TRUSTS

The Company has elected the fair value option on the assets and liabilities of the CSMC 2014-OAK1 Trust and the JPMMT 2014-OAK4 Trust, which requires that changes in valuations of the trusts be reflected in the Company's statements of operations. The Company's net investment in the trusts is limited to the Non-Agency RMBS comprised of subordinated and first loss securities, IO securities and excess servicing rights acquired by the Company in 2014 with an aggregate net carrying value of \$128,914,329 at December 31, 2014.

FIVE OAKS INVESTMENT CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2014

NOTE 7 – RESIDENTIAL MORTGAGE LOAN SECURITIZATION TRUSTS (Continued)

The combined balance sheet of the residential mortgage loan securitization trusts at December 31, 2014:

Balance Sheet	December 31, 2014
Assets	
Residential mortgage loans held in securitization trusts	\$631,446,984
Receivables	2,030,045
Total assets	\$633,447,029
Liabilities and Equity	
Residential securitized debt obligations	\$502,900,040 (1)
Payables	1,662,660
	\$504,562,700
Equity	128,914,329
Total liabilities and equity	\$633,477,029

(1) Includes \$70,864,063 of residential securitized debt obligations sold but not settled as of December 31, 2014.

The residential mortgage loans held in securitization trusts had an unpaid principal balance of \$606,835,758 at December 31, 2014. The residential mortgage loan securitized debt obligations had an unpaid principal balance of \$606,835,758 at December 31, 2014.

The consolidated statements of operations of the residential mortgage loan securitization trusts at December 31, 2014 are as follows:

Statements of Operation	For the period from date of consolidation to December 31, 2014 *
Interest income	\$ 4,438,633
Interest expense	(3,575,168)
Net interest income	\$ 863,465
General and administrative fees	(44,267)
Unrealized gain (loss) on residential mortgage loans held in securitization trusts	3,059,647
Net Income	\$ 3,878,845

* The Company consolidated the first trust in October, 2014, and the second trust in December, 2014.

The geographic concentrations of credit risk exceeding 5% of the total loan balances related to the residential mortgage loan securitization trusts as of December 31, 2014:

	December 31, 2014	
California	52.5	%
Washington	10.9	%
Massachusetts	7.3	%

FIVE OAKS INVESTMENT CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2014

NOTE 8 – USE OF SPECIAL PURPOSE ENTITIES AND VARIABLE INTEREST ENTITIES

A Special Purpose Entity (“SPE”) is an entity designed to fulfill a specific limited purpose of the company that organized it, and a SPE is frequently used for the purpose of securitizing, or re-securitizing, financial assets. They are typically structured as pass through entities that receive principal and interest on the underlying collateral and distribute those payments to certificate holders. As a consequence of their purpose and design, SPEs are typically VIEs.

As further discussed in Notes 2, 6 and 7, the Company has evaluated its investments in Multi-Family MBS and Non-Agency RMBS and has determined that they are VIEs. The Company has then undertaken an analysis of whether it is the primary beneficiary of any of these VIEs, and has determined that it is the primary beneficiary of the FREMF 2011-K13 Trust, FREMF 2012-KF01 Trust, JPMMT 2014-OAK4 Trust and CSMC 2014-OAK1 Trust. Accordingly, the Company consolidated the assets, liabilities, income and expenses of the trusts in its financial statements as of and for the period ending December 31, 2014. However, the assets of each of the trusts are restricted, and can only be used to fulfill the obligations of the respective trusts. Additionally, the obligations of each of the trusts do not have any recourse to the Company as the consolidator of the trusts.

For the Company’s remaining Multi-Family and Non-Agency MBS investments that are VIEs, the Company has determined that it is not the primary beneficiary, and accordingly these investments are accounted for as further described in Notes 2, 6 and 7.

NOTE 9 – RESTRICTED CASH

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As of December 31, 2014, the Company is required to maintain certain cash balances with counterparties for broker activity and collateral for the Company's repurchase agreements in non-interest bearing accounts.

The following table presents the Company's restricted cash balances as of December 31, 2014 and December 31, 2013:

	December 31, 2014	December 31, 2013
Restricted cash balance held by:		
Broker counterparties for derivatives trading	\$ 5,104,533	\$ 7,297,667
Repurchase counterparties as restricted collateral	6,296,112	6,015,490
FOAC as minimum required capital	-	30,016
Total	\$ 11,400,645	\$ 13,343,173

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FIVE OAKS INVESTMENT CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2014

NOTE 10 – REPURCHASE AGREEMENTS

The Company has entered into repurchase agreements (including three residential loan warehouse facilities) to finance its portfolio of investments. The aggregate borrowing limit of the residential loan warehouse facilities was \$375 million at December 31, 2014. The repurchase agreements bear interest at a contractually agreed rate. The repurchase obligations mature and typically reinvest every thirty days to one year and have a weighted average aggregate interest rate of 0.99% at December 31, 2014. Repurchase agreements are being accounted for as secured borrowings since the Company maintains effective control of the financed assets. The following table summarizes certain characteristics of the Company's repurchase agreements at December 31, 2014 and December 31, 2013:

	December 31, 2014		December 31, 2013			
	Amount outstanding	Weighted average interest rate	Amount outstanding	Weighted average interest rate		
Agency	\$298,783,000	0.36	% \$370,901,000	0.40	%	
Non-Agency ⁽¹⁾	200,347,000	1.25	% 41,271,000	2.09	%	
Multi-Family ⁽²⁾	45,484,000	1.85	% -	0.00	%	
Mortgage loans	50,263,852	2.86	% -	0.00	%	
Total	\$594,877,852	0.99	% \$412,172,000	0.57	%	

At December 31, 2014 and December 31, 2013, the Company had repurchase agreements of \$85,497,000 and (1)\$61,181,000, respectively, that were linked to Non-Agency RMBS purchases and were accounted for as Linked Transactions, and as such, the linked repurchase agreements are not included in the above table. (See Note 3).

At December 31, 2014, the Company had repurchase agreements of \$63,796,000 that were linked to Multi-Family (2)MBS purchases and were accounted for as Linked Transactions, and as such, the linked repurchase agreements are not included in the above table. (See Note 3).

At December 31, 2014 and December 31, 2013, the repurchase agreements, including residential loan warehouse facilities, had the following remaining maturities:

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	December 31, 2014	December 31, 2013
< 30 days	\$465,817,820	\$373,422,000
31 to 60 days	86,025,327	38,750,000
> 90 days	43,034,705	-
Total	\$594,877,852	\$412,172,000

Under the repurchase agreements (including residential loan warehouse facilities), the respective lender retains the right to mark the underlying collateral to fair value. A reduction in the value of pledged assets would require the Company to provide additional collateral or fund margin calls. In addition, the repurchase agreements are subject to certain financial covenants. The Company is in compliance with these covenants as of December 31, 2014.

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FIVE OAKS INVESTMENT CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2014

NOTE 10 – REPURCHASE AGREEMENTS (Continued)

The following tables summarize certain characteristics of the Company's repurchase agreements at December 31, 2014 and December 31, 2013:

Repurchase Agreement Counterparties	December 31, 2014		Weighted average days to maturity	Market Value of collateral held
	Amount Outstanding	Percent of total amount outstanding		
North America	\$388,138,820	65.25	% 19	\$463,615,686
Europe ⁽²⁾	93,350,032	15.69	% 21	113,286,452
Asia ⁽²⁾	113,389,000	19.06	% 122	118,519,817
Total	\$594,877,852	100.00	% 36	\$695,421,955

(1) At December 31, 2014, the Company had repurchase agreements of \$85,497,000 and \$63,796,000 that were linked to Non-Agency RMBS and Multi-Family MBS purchases, respectively, and were accounted for as Linked Transactions, and as such, the linked repurchase agreements are not included in the above table. (See Note 3).

(2) Counterparties domiciled in Europe and Asia, or their U.S. subsidiaries.

Repurchase Agreement Counterparties	December 31, 2013		Weighted average days to maturity	Company RMBS held as collateral
	Amount Outstanding	Percent of total amount outstanding		
North America	\$261,289,000	63.39	% 20	\$277,808,885
Asia ⁽²⁾	97,491,000	23.65	% 12	106,949,627
Europe ⁽²⁾	53,392,000	12.96	% 21	60,226,443

Total	\$412,172,000	100.00	%	18	\$444,984,955
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(1) At December 31, 2013, the Company had repurchase agreements of \$61,181,000 that were linked to Non-Agency RMBS purchases and were accounted for as Linked Transactions, and as such, the linked repurchase agreements are not included in the above table. (See Note 3).

(2) Counterparties domiciled in Europe and Asia, or their U.S. subsidiaries.

NOTE 11 – DERIVATIVE INSTRUMENTS HEDGING AND NON-HEDGING ACTIVITIES

The Company enters into a variety of derivative instruments in connection with its risk management activities. The Company's primary objective for executing these derivatives and non-derivative instruments is to mitigate the Company's economic exposure to future events that are outside its control. The Company's derivative financial instruments are utilized principally to manage market risk and cash flow volatility associated with interest rate risk (including associated prepayment risk) related to certain assets and liabilities. As part of its risk management activities, the Company may, at times, enter into various forward contracts, including short securities, Agency to-be-announced securities, or TBAs, options, futures, swaps, swaption and caps. In executing on the Company's current risk management strategy, the Company has entered into interest rate swap, swaption agreements, TBA's and futures contracts. Amounts receivable and payable under interest rate swap agreements are accounted for as unrealized gain (loss) on derivative contracts, net in the consolidated statement of operations. Premiums on swaptions are amortized on a straight line basis between trade date and expiration date and are recognized in the consolidated statement of operations as a realized loss on derivative contracts. In addition, as set out in Note 3, the Company records Linked Transactions as a forward purchase (derivative) contract at fair value on the consolidated balance sheet. Although Linked Transactions are accounted for as derivative instruments, they are not entered into as part of the Company's risk management activities and are not designated as hedging instruments.

FIVE OAKS INVESTMENT CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2014

NOTE 11 – DERIVATIVE INSTRUMENTS HEDGING AND NON-HEDGING ACTIVITIES (Continued)

The following summarizes the Company's significant asset and liability derivatives, the risk exposure for these derivatives and the Company's risk management activities used to mitigate certain of these risks. While the Company uses derivative instruments to achieve the Company's risk management activities, it is possible that these instruments will not effectively mitigate all or a substantial portion of the Company's market rate risk. In addition, the Company might elect, at times, not to enter into certain hedging arrangements in order to maintain compliance with REIT requirements.

Balance Sheet Presentation

The following tables present the gross fair value and notional amounts of the Company's derivative financial instruments as of December 31, 2014 and December 31, 2013. The Company's Linked Transactions are evaluated on a combined basis.

	December 31, 2014			
	Derivative Assets		Derivative Liabilities	
	Fair value	Notional	Fair value	Notional
Interest rate swaps	\$-	-	\$(1,755,107)	226,000,000
Swaptions	21,550	25,000,000	-	-
Futures	-	-	(533,951)	98,000,000
Linked transactions	60,818,111	-	-	-
Total	\$60,839,661	25,000,000	\$(2,289,058)	324,000,000

	December 31, 2013			
	Derivative Assets		Derivative Liabilities	
	Fair value	Notional	Fair value	Notional
Interest rate swaps	\$237,989	57,000,000	\$(1,231,667)	281,000,000
Swaptions	1,770,795	25,000,000	-	-

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Futures	154,265	10,000,000	-	-
TBAs	68,359	25,000,000	-	-
Linked transactions	33,352,562	-	-	-
Total	\$35,583,970	117,000,000	\$(1,231,667)	281,000,000

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FIVE OAKS INVESTMENT CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2014

NOTE 11 – DERIVATIVE INSTRUMENTS HEDGING AND NON-HEDGING ACTIVITIES (Continued)

The following tables present the average fixed pay rate and average maturity for the Company's interest rate swaps (excludes interest rate swaptions) as of December 31, 2014 and December 31, 2013:

	December 31, 2014					
Current Maturity Date	Notional Amount	Fair Value	Fixed Pay Rate	Maturity Years	Forward Starting	
3 years or less	\$35,000,000	\$(124,591)	0.66	% 1.1	0.0	%
Greater than 3 years and less than 5 years	191,000,000	(1,630,516)	1.66	% 3.7	0.0	%
Total	\$226,000,000	\$(1,755,107)	1.51	% 3.3	0.0	%

	December 31, 2013					
Current Maturity Date	Notional Amount	Fair Value	Fixed Pay Rate	Maturity Years	Forward Starting	
3 years or less	\$35,000,000	\$(166,619)	0.66	% 2.1	0.0	%
Greater than 3 years and less than 5 years	151,000,000	(764,807)	1.66	% 4.6	0.0	%
Greater than 7 years and less than 10 years	95,000,000	(300,242)	2.85	% 7.6	100.0	%
Greater than 10 years	57,000,000	237,990	3.29	% 10.7	100.0	%
Total	\$338,000,000	\$(993,678)	2.17	% 6.2	45.0	%

Offsetting of Financial Assets and Liabilities

The Company's repurchase agreements are governed by underlying agreements that provide for a right of setoff in the event of default of either counterparty to the agreement. The Company also has in place with its counterparties ISDA Master Agreements ("Master Agreements") for its derivative contracts. In accordance with the Master Agreements to each counterparty, if on any date amounts would otherwise be payable in the same currency and in respect of the same transaction by each party to the other, then, on such date, each party's obligation to make payment of any such amount will be automatically satisfied and discharged and, if the aggregate amount that would otherwise have been payable by one party exceeds the aggregate amount that would otherwise have been payable by the other party, replaced by an

obligation upon the party by whom the larger aggregate amount would have been payable to pay to the other party the excess of the larger aggregate amount over the smaller aggregate amount. The Company has pledged financial collateral as restricted cash to its counterparties for its derivative contracts and repurchase agreements. See Note 2 for specific details on the terms of restricted cash with counterparties and Note 9 for the amounts of restricted cash outstanding.

Under GAAP, if the Company has a valid right of setoff, it may offset the related asset and liability and report the net amount. The Company presents repurchase agreements subject to Master Agreements or similar agreements on a gross basis, and derivative assets and liabilities subject to such arrangements on a net basis, based on derivative type and counterparty, in its consolidated balance sheets. Separately, the company presents cash collateral subject to such arrangements on a net basis, based on counterparty, in its consolidated balance sheets. However, the Company does not offset financial assets and liabilities with the associated cash collateral on its consolidated balance sheets.

FIVE OAKS INVESTMENT CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2014

NOTE 11 – DERIVATIVE INSTRUMENTS HEDGING AND NON-HEDGING ACTIVITIES (Continued)

The below tables provide a reconciliation of these assets and liabilities that are subject to Master Agreements or similar agreements and can be potentially offset on the Company's consolidated balance sheets as of December 31, 2014 and December 31, 2013:

Description	December 31, 2014			Gross amounts not offset in the Balance Sheet ⁽¹⁾			Net amount
	Gross amounts of recognized assets	Gross amounts offset in the Balance Sheet	Net amounts of assets presented in the Balance Sheet	Financial instruments	Cash collateral (Received)/ Pledged		
	Linked transactions (2)	\$210,402,629	\$(149,584,518)	\$60,818,111	\$ (60,818,111)	\$ -	
Swaptions	21,550	-	21,550	-	-	21,550	
Total	\$210,424,179	\$(149,584,518)	\$60,839,661	\$ (60,818,111)	\$ -	\$21,550	

Description	December 31, 2014			Gross amounts not offset in the Balance Sheet ⁽¹⁾			Net amount
	Gross amounts of recognized liabilities	Gross amounts offset in the Balance Sheet	Net amounts of liabilities presented in the Balance Sheet	Financial instruments	Cash collateral (Received)/ Pledged		
	Repurchase agreements	\$594,877,852	\$-	\$594,877,852	\$ -	\$ -	
Linked transactions ⁽²⁾	(149,584,518)	149,584,518	-	-	-	-	
Interest rate swaps	(1,755,107)	-	(1,755,107)	-	1,755,107	-	
Futures	(533,951)	-	(533,951)	-	533,951	-	
Total	\$443,004,276	\$149,584,518	\$592,588,794	\$ -	\$2,289,058	\$594,877,852	

FIVE OAKS INVESTMENT CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2014

NOTE 11 – DERIVATIVE INSTRUMENTS HEDGING AND NON-HEDGING ACTIVITIES (Continued)

Description	December 31, 2013		Net amounts of assets presented in the Balance Sheet	Gross amounts not offset in the Balance Sheet ⁽¹⁾		Net amount
	Gross amounts of recognized assets	Gross amounts offset in the Balance Sheet		Financial instruments	Cash collateral (Received)/ Pledged	
Linked transactions (2)	\$94,645,860	\$(61,293,298)	\$ 33,352,562	\$ (33,352,562)	\$ -	\$-
TBAs	68,359	-	68,359	-	-	68,359
Swaptions	1,770,795	-	1,770,795	-	-	1,770,795
Interest rate swaps	237,989	(237,989)	-	-	-	-
Futures	154,265	(154,265)	-	-	-	-
Total	\$96,877,268	\$(61,685,552)	\$ 35,191,716	\$ (33,352,562)	\$ -	\$1,839,154

Description	December 31, 2013		Net amounts of liabilities presented in the Balance Sheet	Gross amounts not offset in the Balance Sheet ⁽¹⁾		Net amount
	Gross amounts of recognized liabilities	Gross amounts offset in the Balance Sheet		Financial instruments	Cash collateral (Received)/ Pledged	
Repurchase agreements	\$(412,172,000)	\$ -	\$(412,172,000)	\$412,172,000	\$ -	\$ -
Linked transactions ⁽²⁾	(61,293,298)	61,293,298	-	-	-	-
Interest rate swaps	(1,231,667)	237,989	(993,678)	-	993,678	-
Futures	-	154,265	154,265	-	(154,265)	-
Total	\$(474,696,965)	\$ 61,685,552	\$(413,011,413)	\$412,172,000	\$ 839,413	\$ -

(1) Amounts presented are limited in total to the net amount of assets or liabilities presented in the consolidated balance sheets by instrument. Excess cash collateral or financial assets that are pledged to counterparties may exceed the financial liabilities subject to Master Agreements or similar agreements, or counterparties may have pledged excess cash collateral to the Company that exceed the corresponding financial assets. These excess amounts are

excluded from the tables above.

(2) Non-Agency RMBS and Multi-Family MBS securities within a linked transaction serve as collateral for the linked transaction. See Note 3 “Non-Hedging Activity – Linked Transactions” for information on linked transaction arrangements.

Linked Transactions

The Company’s Linked Transactions are accounted for on a net basis and recorded as forward purchase (derivative) contracts at fair value on the Company’s consolidated balance sheets. The fair value of Linked Transactions reflects the value of the underlying Non-Agency RMBS, Multi-Family MBS, the linked repurchase borrowings and accrued interest receivable/payable on such instruments. The Company’s Linked Transactions are not designated as hedging instruments and, as a result, the change in fair value and net interest income is reported as “Unrealized gain (loss) and net interest income from Linked Transactions” in other income on the Company’s consolidated statement of operations.

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FIVE OAKS INVESTMENT CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2014

NOTE 11 – DERIVATIVE INSTRUMENTS HEDGING AND NON-HEDGING ACTIVITIES (Continued)

The following tables present certain information concerning the Non-Agency RMBS, Multi-Family MBS and repurchase financings underlying the Company's Linked Transactions as of December 31, 2014 and December 31, 2013:

	December 31, 2014		
	Non-Agency	Multi-Family	Total
Face Value	\$ 186,532,050	\$ 102,968,560	\$ 289,500,610
Unamortized premium	-	-	-
Unamortized discount			
Designated credit reserve	(36,627,428)	-	(36,627,428)
Net, unamortized	(28,768,448)	(18,323,619)	(47,092,067)
Amortized Cost	121,136,174	84,644,941	205,781,115
Gross unrealized gain	5,733,793	1,770,361	7,504,154
Gross unrealized loss	(2,441,655)	(604,957)	(3,046,612)
Fair Value	\$ 124,428,312	\$ 85,810,345	\$ 210,238,657

	December 31, 2013		
	Non-Agency	Multi-Family	Total
Face Value	\$ 148,864,823	\$ -	\$ 148,864,823
Unamortized premium	-	-	-
Unamortized discount			
Designated credit reserve	(29,857,597)	-	(29,857,597)
Net, unamortized	(30,770,386)	-	(30,770,386)
Amortized Cost	88,236,840	-	88,236,840
Gross unrealized gain	6,859,625	-	6,859,625
Gross unrealized loss	(473,672)	-	(473,672)
Fair Value	\$ 94,622,793	\$ -	\$ 94,622,793

The following tables present the changes for the years ended December 31, 2014 and December 31, 2013, and the period May 16, 2012 (commencement of operations) to December 31, 2012 of the unamortized net discount and

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designated credit reserves on Non-Agency RMBS and Multi-Family MBS underlying Linked Transactions:

	December 31, 2014		
	Designated credit reserve	Unamortized net discount	Total
Beginning Balance as at January 1, 2014	\$(29,857,597)	\$(30,770,386)	\$(60,627,983)
Acquisitions	(19,384,939)	(47,651,628)	(67,036,567)
Dispositions	9,468,964	15,465,093	24,934,057
Accretion of net discount	-	12,122,919	12,122,919
Realized credit losses	3,146,144	-	3,146,144
Release of credit reserves	-	3,741,935	3,741,935
Ending balance at December 31, 2014	\$(36,627,428)	\$(47,092,067)	\$(83,719,495)

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FIVE OAKS INVESTMENT CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2014

NOTE 11 – DERIVATIVE INSTRUMENTS HEDGING AND NON-HEDGING ACTIVITIES (Continued)

	December 31, 2013		
	Designated credit reserve	Unamortized net discount	Total
Acquisitions	\$(37,793,143)	\$(29,569,939)	\$(67,363,082)
Accretion of net discount	-	3,647,915	3,647,915
Realized credit losses	3,087,184	-	3,087,184
Release of credit reserves	4,848,362	(4,848,362)	-
Ending balance at December 31, 2013	\$(29,857,597)	\$(30,770,386)	\$(60,627,983)

	December 31, 2012		
	Designated credit reserve	Unamortized net discount	Total
Acquisitions	\$(13,934,657)	\$(7,592,017)	\$(21,526,674)
Accretion of net discount	-	870,268	870,268
Realized credit losses	1,005,426	-	1,005,426
Ending balance at December 31, 2012	\$(12,929,231)	\$(6,721,749)	\$(19,650,980)

Linked Repurchase Agreements

	December 31, 2014			
Repurchase Agreement Counterparties	Amount Outstanding	Percent of total amount outstanding	Weighted average days to maturity	Company RMBS held as collateral
North America	86,985,000	58.26	% 33	124,620,916
Europe ⁽¹⁾	46,381,000	31.07	% 15	62,487,229
Asia ⁽¹⁾	15,927,000	10.67	% 9	23,130,512
Total	\$149,293,000	100.00	% 25	\$210,238,657

(1) Counterparties domiciled in Europe and Asia, or their U.S. subsidiaries.

Repurchase Agreement Counterparties	December 31, 2013				Company RMBS held as collateral
	Amount Outstanding	Percent of total amount outstanding	Weighted average days to maturity		
North America	52,871,000	86.42	% 21		79,528,540
Asia ⁽¹⁾	4,987,000	8.15	% 7		8,790,416
Europe ⁽¹⁾	3,323,000	5.43	% 43		6,303,837
Total	\$61,181,000	100.00	% 21		\$94,622,793

(1) Counterparties domiciled in Europe and Asia, or their U.S. subsidiaries.

At December 31, 2014, Linked Transactions also included \$163,972 of associated accrued interest receivable and \$291,518 of accrued interest payable.

Income Statement Presentation

The Company has not applied hedge accounting to its current derivative portfolio held to mitigate the interest rate risk associated with its debt portfolio. As a result, the Company is subject to volatility in its earnings due to movement in the unrealized gains and losses associated with its interest rate swaps, swaptions and any other derivative instruments.

The following table summarizes the underlying hedged risks and the amount of gains and losses on derivative instruments reported net in the consolidated statement of operations as realized gain (loss) on derivative contracts, net and unrealized gain (loss) on derivative contracts, net for the years ended December 31, 2014 and December 31, 2013, and for the period May 16, 2012 (commencement of operations) to December 31, 2012:

FIVE OAKS INVESTMENT CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2014

NOTE 11 – DERIVATIVE INSTRUMENTS HEDGING AND NON-HEDGING ACTIVITIES (Continued)

Primary underlying risk	Year Ended December 31, 2014		
	Amount of realized gain (loss)	Amount of unrealized appreciation (depreciation)(1)	Total
Interest rate:			
Interest rate swaps	\$ (9,705,847)	\$ (761,429)	\$ (10,467,276)
Swaptions	(336,000)	(1,413,244)	(1,749,244)
Futures	(8,621,211)	(688,217)	(9,309,428)
TBAs	448,598	(68,359)	380,239
Total	\$ (18,214,460)	\$ (2,931,249)	\$ (21,145,709)

Primary underlying risk	Year Ended December 31, 2013		
	Amount of realized gain (loss)	Amount of unrealized appreciation (depreciation)(1)	Total
Interest rate:			
Interest rate swaps	\$ 19,283,710	\$ (709,923)	\$ 18,573,787
Swaptions	(278,667)	1,365,399	1,086,732
Futures	(8,595)	154,265	145,670
TBAs	(183,594)	68,359	(115,235)
Total	\$ 18,812,854	\$ 878,100	\$ 19,690,954

Primary underlying risk	Period May 16, 2012 to December 31, 2012		
	Amount of realized gain (loss)	Amount of unrealized appreciation (depreciation)	Total

Interest rate:

Interest rate swaps	\$ (38,218)	\$ (283,754)	\$ (321,972)
Swaptions	(37,333)	(14,605)	(51,938)
Total	\$ (75,551)	\$ (298,159)	\$ (373,910)

(1) In the year ended December 31, 2014, net swap interest expense totaled \$3,495,232 comprised of \$3,329,219 in interest expense paid (included in realized gain (loss)) and \$166,013 in accrued interest expense (included in unrealized appreciation (depreciation)). In the year ended December 31, 2013 net swap interest expense totaled \$1,724,725 comprised of \$1,414,578 in interest expense paid (included in realized gain (loss)) and \$310,147 in accrued interest expense (included in unrealized appreciation (depreciation)). For the period May 16, 2012 (commencement of operations) to December 31, 2012, net swap interest expense totaled \$68,358 comprised of \$38,218 in interest expense paid (included in realized gain (loss)) and \$30,140 in accrued interest expense (included in unrealized appreciation (depreciation)).

The following table presents certain information about the components of the unrealized net gain (loss) and net interest income from Linked Transactions included in the Company's consolidated statement of operations for the years ended December 31, 2014 and December 31, 2013, and the period May 16, 2012 (commencement of operations) to December 31, 2012:

	Year Ended December 31, 2014	Year Ended December 31, 2013	Period May 16, 2012 to December 31, 2012
Interest income attributable to AFS underlying Linked Transactions	\$ 15,427,632	\$ 4,025,456	\$ 1,020,437
Interest expense attributable to linked repurchase agreement borrowings underlying Linked Transactions	(2,893,375)	(622,942)	(147,867)
Change in fair value of Linked Transactions included in earnings	(1,928,409)	2,435,795	3,950,157
Unrealized gain (loss) and net interest income from Linked Transactions	\$ 10,605,848	\$ 5,838,309	\$ 4,822,727

FIVE OAKS INVESTMENT CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2014

NOTE 12 - MSR_s

During the year ended December 31, 2014, the Company retained the servicing rights associated with an aggregate principal balance of \$370,425,602 of residential mortgage loans that the Company transferred to two residential mortgage loan securitization trusts. The Company's MSR_s are held and managed at the Company's TRS, and the Company employs one or more licensed sub-servicers to perform the related servicing activities. To the extent that the Company determines it is the primary beneficiary of a residential mortgage loan securitization trust into which it has sold loans, any associated MSR_s are eliminated on the consolidation of the trust. The trust is contractually obligated to pay a portion of the interest payments from the associated residential mortgage loans for the direct servicing of the loans, and after deduction of sub-servicing fees payable to contracted sub-servicers, the net amount, excess servicing rights, represents a liability of the trust. Upon consolidation of the trust, the fair value of the excess servicing rights is equal to the related MSR_s held at the Company's TRS.

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FIVE OAKS INVESTMENT CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2014

NOTE 13 – FINANCIAL INSTRUMENTS

U.S. GAAP defines fair value and provides a consistent framework for measuring fair value under U.S. GAAP. ASC 820 “Fair Value Measurement” expands fair value financial statement disclosure requirements. ASC 820 does not require any new fair value measurements and only applies to accounting pronouncements that already require or permit fair value measures, except for standards that relate to share-based payments.

Valuation techniques are based on observable and unobservable inputs. Observable inputs reflect readily obtainable data from independent sources, while unobservable inputs reflect the Company’s market assumptions. The three levels are defined as follows:

- **Level 1 Inputs** – Quoted prices for identical instruments in active markets.

- **Level 2 Inputs** – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

- **Level 3 Inputs** – Instruments with primarily unobservable value drivers.

The following tables summarize the valuation of the Company’s assets and liabilities at fair value within the fair value hierarchy levels as of December 31, 2014 and December 31, 2013:

Quoted prices in active markets for identical	Significant other observable inputs Level 2	Unobservable inputs Level 3	Balance as of December 31, 2014
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	assets			
	Level 1			
Assets:				
Residential mortgage-backed securities (a)	\$ -	\$368,315,738	\$ -	\$ 368,315,738
Residential mortgage loans	-	54,678,382	-	54,678,382
Multi-Family mortgage loans held in securitization trusts	-	1,750,294,430	-	1,750,294,430
Residential mortgage loans held in securitization trusts	-	631,446,984	-	631,446,984
Linked transactions (b)	-	60,818,111	-	60,818,111
Swaptions	-	21,550	-	21,550
Total	\$ -	\$2,865,575,195	\$ -	\$ 2,865,575,195
Liabilities:				
Interest rate swaps	\$ -	\$(1,755,107)	\$ -	\$(1,755,107)
Multi-family securitized debt obligations	-	(1,670,573,456)	-	(1,670,573,456)
Residential securitized debt obligations	-	(432,035,976)	-	(432,035,976)
Futures	(533,951)	-	-	(533,951)
Total	\$(533,951)	\$(2,104,365,061)	\$ -	\$(2,104,899,012)

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FIVE OAKS INVESTMENT CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2014

NOTE 13 – FINANCIAL INSTRUMENTS (Continued)

	Quoted prices in active markets for identical assets Level 1	Significant other observable inputs Level 2	Unobservable inputs Level 3	Balance as of December 31, 2013
Assets:				
Residential mortgage-backed securities (a)	\$ -	\$444,984,955	\$ -	\$444,984,955
Linked transactions (b)	-	33,352,562	-	33,352,562
TBAs	-	68,359	-	68,359
Interest rate swaps	-	237,989	-	237,989
Swaptions	-	1,770,795	-	1,770,795
Futures	154,265	-	-	154,265
Total	\$ 154,265	\$480,414,660	\$ -	\$480,568,925
Liabilities:				
Interest rate swaps	\$ -	\$(1,231,667)	\$ -	\$(1,231,667)
Total	\$ -	\$(1,231,667)	\$ -	\$(1,231,667)

(a) For more detail about the fair value of the Company's MBS and type of securities, see Note 3 and Note 4.

(b) For more detail about the fair value of the Company's Linked Transactions, see Note 3 and Note 8.

During the years ended December 31, 2014 and December 31, 2013, the Company did not have any transfers between any of the levels of the fair value hierarchy. Transfers between levels are deemed to take place on the last day of the reporting period in which the transfer takes place.

NOTE 14 – RELATED PARTY TRANSACTIONS

Management Fee

The Company is externally managed and advised by Oak Circle Capital Partners LLC. Pursuant to the terms of the management agreement, the Company pays the Manager a management fee equal to 1.5% per annum, calculated and payable monthly in arrears. For purposes of calculating the management fee, the Company's shareholders' equity means the sum of the net proceeds from all issuances of the Company's equity securities since inception (allocated on a pro rata daily basis for such issuances during the fiscal quarter of any such issuance), plus the Company's retained earnings at the end of the most recently completed calendar quarter (without taking into account any non-cash equity compensation expense incurred in current or prior periods), less any amount that the Company pays for repurchases of the Company's common stock since inception, and excluding any unrealized gains, losses or other items that do not affect realized net income (regardless of whether such items are included in other comprehensive income or loss, or in net income). This amount will be adjusted to exclude one-time events pursuant to changes in GAAP and certain non-cash items after discussions between the Manager and the Company's independent directors and approval by a majority of the Company's independent directors. To the extent asset impairment reduces the Company's retained earnings at the end of any completed calendar quarter, it will reduce the management fee for such quarter. The Company's shareholders' equity for the purposes of calculating the management fee could be greater than the amount of shareholders' equity shown on the financial statements. The management agreement is automatically renewed each year for a twelve month period.

FIVE OAKS INVESTMENT CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2014

NOTE 14 – RELATED PARTY TRANSACTIONS (Continued)

For the year ended December 31, 2014, the Company incurred management fees of \$2,627,592, (2013: \$1,287,077; 2012: \$244,882) included in Management Fee in the consolidated statement of operations, of which \$510,000 (2013: \$130,000; 2012: \$32,721) was accrued but had not been paid, included in fees and expenses payable to Manager in the consolidated balance sheets.

Expense Reimbursement

Pursuant to the management agreement, the Company is required to reimburse the Manager for operating expenses related to the Company incurred by the Manager, including accounting services, auditing and tax services, technology and office facilities, operations, compliance, legal and filing fees, and miscellaneous general and administrative costs, including the cost of non-investment management personnel of the Manager who spend all or a portion of their time managing the Company's affairs.

For the year ended December 31, 2014, the Company incurred reimbursable expenses of \$3,247,683 (2013: \$2,103,223; 2012: \$563,806), included in operating expenses reimbursable to Manager in the consolidated statement of operations, of which \$280,000 (2013: \$200,000; 2012: \$0) was accrued but had not yet been paid, included in fees and expenses payable to Manager in the consolidated balance sheets.

Fulfillment and Securitization Fees

During 2014, The Company's Manager accrued fees pursuant to Section 8(b) of our Management Agreement in addition to the Management Fee for services rendered in connection with FOAC's aggregation of loans and the subsequent contribution of these and certain other loans into the JPMMT 2014-OAK4 Trust and the CSMC 2014-OAK1 Trust. All of the invoices for such fees were approved by the Company's Audit Committee pursuant to the

Company's related party transaction policies. Fees accrued during 2014 totaled \$1,017,627 (2013: \$0; 2012: \$0), of which \$272,000 (2013: \$0; 2012: \$0) was still payable at December 31, 2014. The Company's Manager invoiced the Company for mortgage banking services provided in connection with loans contributed by other originators into the securitizations. The Company's Manager invoiced FOAC for fulfillment services in connection with the loans sold by FOAC into the residential mortgage loan securitizations. A significant portion of the fee payments were utilized by the Company's Manager to pay incentive compensation to employees of the Company's Manager deemed essential to the success of the Company's loan aggregation and securitization business.

Manager Equity Plan

The Company has adopted a Manager Equity Plan under which the Company may compensate the Manager and the Company's independent directors or consultants, or officers whom it may employ in the future, if any. In turn, the Manager, in its sole discretion, grants such awards to its directors, officers, employees or consultants. The Company will be able to issue under the Manager Equity Plan up to 3.0% of the total number of issued and outstanding shares of common stock (on a fully diluted basis) at the time of each award.

Stock based compensation arrangements may include incentive stock options and non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units, unrestricted stock awards and other awards based on the Company's common stock.

FIVE OAKS INVESTMENT CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2014

NOTE 14 – RELATED PARTY TRANSACTIONS (Continued)

Under the Manager Equity Plan, the Company's independent directors, as part of their compensation for serving as independent directors, are eligible to receive 1,500 shares of restricted stock annually after the Company's Annual General Meeting vesting in full one year later. As of the closing of the Company's initial public offering (the "IPO"), the Company's board of directors granted to each of the three independent directors 1,500 shares of restricted common stock (4,500 shares in total), each of which vested in full on the first anniversary of the grant date. The grant date fair value of these restricted shares was \$65,250 based on the closing price of the Company's common stock on March 27, 2013 of \$14.50. On March 27, 2014, the 4,500 shares of restricted stock granted to the independent directors fully vested. On August 19, 2014 the Company's board of directors granted each of the three independent directors 1,500 shares of restricted common stock (4,500 shares in total), each of which vest in full one year after the Company's 2014 Annual General Meeting. The grant date fair value of these restricted shares was \$50,715 based on the closing price of the Company's common stock on August 19, 2014 of \$11.27.

As of the closing of the IPO on March 27, 2013, the Company's board of directors granted the Manager 28,500 shares of restricted common stock. One-third of these restricted common stock shares vest on each of the first, second and third anniversaries of the grant date. The fair value of these restricted shares was \$199,500 based on the closing price of the Company's common stock on September 30, 2014 of \$10.50. The Company accounts for the restricted common stock shares based on their aggregate fair value at the measurement dates and as this value subsequently changes, a cumulative adjustment is made in the current period for prior compensation cost expenses recorded to date. On March 27, 2014, 9,500 shares of restricted stock granted to the Manager fully vested for net proceeds of \$34,928.

For the year ended December 31, 2014, the Company recognized compensation expense related to restricted common stock of \$113,635, included in compensation expense in the consolidated statement of operations. The Company has unrecognized compensation expense of \$28,375 as of December 31, 2014 (2013: \$236,297; 2012: \$0) for unvested shares of restricted common stock. As of December 31, 2014, the weighted average period for which the unrecognized compensation expense will be recognized is 8.7 months.

NOTE 15 – STOCKHOLDERS' EQUITY

Ownership and Warrants

As a result of the May 2012 and March 2013 private offerings of common stock to XL Investments Ltd, an indirectly wholly owned subsidiary of XL Group plc, owns a significant minority investment in the Company. Pursuant to the terms of the May 2012 private offering, the Company agreed to issue to XL Investments Ltd warrants to purchase the Company's common stock. The warrants were subsequently issued, effective as of September 29, 2012, and entitle XL Investments Ltd, commencing on July 25, 2013 (120 days following the closing of our IPO) to purchase an aggregate of 3,125,000 shares of our common stock at a per share exercise price equal to 105% of the \$15.00 IPO price, or \$15.75. XL Global, Inc., a subsidiary of XL Group plc, holds a minority stake in the Manager.

Common Stock

The Company has 450,000,000 authorized shares of common stock, par value \$0.01 per share, with 14,718,750 and 7,389,250 shares issued and outstanding as of December 31, 2014 and December 31, 2013 respectively.

On February 19, 2014, the Company issued 3,000,000 shares of common stock for \$11.30 per share. Net proceeds to the Company were \$31,927,377.

The Company granted the underwriters the right to purchase up to an additional 450,000 shares of common stock from the Company at the offering price of \$11.30 per share within 30 days after the issuance date of the common stock. The underwriters exercised their right and purchased 300,000 shares of common stock at the offering price of \$11.30 per share on March 7, 2014, resulting in additional net proceeds of \$3,214,325.

FIVE OAKS INVESTMENT CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2014

NOTE 15 – STOCKHOLDERS’ EQUITY (Continued)

On June 19, 2014, the Company issued 3,500,000 shares of common stock for \$11.00 per share. Net proceeds to the Company were \$38,442,925.

The Company granted the underwriters the right to purchase up to an additional 525,000 shares of common stock from the Company at the offering price of \$11.00 per share within 30 days after the issuance date of the common stock. The underwriters exercised their right and purchased 525,000 shares of common stock at the offering price of \$11.00 per share on July 14, 2014, resulting in additional net proceeds of \$5,769,750.

Preferred Stock

The Company has 50,000,000 authorized shares of preferred stock, par value \$0.01 per share, with 1,610,000 and 800,000 shares of 8.75% Series A Cumulative Redeemable Preferred Stock (“Series A Preferred Stock”), par value of \$0.01 per share and liquidation preference of \$25.00 per share, issued and outstanding as of December 31, 2014 and December 31, 2013. The Series A Preferred Stock is entitled to receive a dividend rate of 8.75% per year on the \$25 liquidation preference and is senior to the common stock with respect to distributions upon liquidation, dissolution or winding up. The Company declares quarterly and pays monthly dividends on the shares of the Series A Preferred Stock, in arrears, on the 27th day of each month to holders of record at the close of business on the 15th day of each month.

The Company in connection with a December 2013 public offering of our Series A Preferred Stock granted the underwriters the right to purchase up to an additional 120,000 shares of Series A Preferred Stock from the Company at the offering price of \$25.00 per share within 30 days after the issuance date of Series A Preferred Stock. The underwriters fully exercised their right and purchased 120,000 shares of Series A Preferred Stock at \$25.00 per share on January 24, 2014, resulting in additional net proceeds of \$2,778,201.

On May 27, 2014, the Company closed an offering of 690,000 additional shares of Series A Preferred Stock, including the concurrent exercise of the underwriters' overallotment option. The net proceeds to the Company from this issuance were \$16,325,373.

Deferred Offering Costs

Pursuant to the April 25, 2014 S-3 registration statement, the Company incurred \$1,133,117 during the year ended December 31, 2014 in deferred offering expenses. These expenses are being amortized on a straight-line basis over the three year period that the statement is valid. To date the Company has amortized \$187,457 in deferred offering cost, of which \$187,457 was expensed during the year, resulting in a balance of \$945,660.

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Notes to Consolidated Financial Statements

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NOTE 15 – STOCKHOLDERS' EQUITY (Continued)*Distributions to stockholders*

For the 2014 taxable year, the Company has declared dividends to common stockholders totaling \$18,229,875, or \$1.47 per share. The following table presents cash dividends declared by the Company on its common stock for the year ended December 31, 2014:

Declaration Date	Record Date	Payment Date	Dividend Amount	Cash Dividend Per Share
December 30, 2013	January 15, 2014	January 30, 2014	\$ 923,656	\$ 0.09235
December 30, 2013	February 14, 2014	February 27, 2014	\$ 923,656	\$ 0.09235
December 30, 2013	March 17, 2014	March 28, 2014	\$ 1,336,156	\$ 0.13359
March 25, 2014	April 15, 2014	April 29, 2014	\$ 1,336,156	\$ 0.13359
March 25, 2014	May 15, 2014	May 29, 2014	\$ 1,336,157	\$ 0.13359
March 25, 2014	June 16, 2014	June 27, 2014	\$ 1,336,156	\$ 0.13359
June 17, 2014	July 15, 2014	July 30, 2014	\$ 1,839,281	\$ 0.15904
June 17, 2014	August 15, 2014	August 27, 2014	\$ 1,839,281	\$ 0.15904
June 17, 2014	September 15, 2014	September 29, 2014	\$ 1,839,844	\$ 0.15909
September 15, 2014	October 15, 2014	October 30, 2014	\$ 1,839,844	\$ 0.14887
September 15, 2014	November 14, 2014	November 26, 2014	\$ 1,839,844	\$ 0.14887
September 15, 2014	December 15, 2014	December 30, 2014	\$ 1,839,844	\$ 0.14887

The following table presents cash dividends declared by the Company on its Series A Preferred Stock for the year ended December 31, 2014:

Declaration Date	Record Date	Payment Date	Dividend Amount	Cash Dividend Per Share
December 23, 2013	January 15, 2014	January 27, 2014	\$ 165,280	\$ 0.20660

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December 23, 2013	February 14, 2014	February 27, 2014	\$ 167,716	\$ 0.18230
December 23, 2013	March 17, 2014	March 27, 2014	\$ 167,716	\$ 0.18230
March 25, 2014	April 15, 2014	April 28, 2014	\$ 167,716	\$ 0.18230
March 25, 2014	May 15, 2014	May 27, 2014	\$ 167,716	\$ 0.18230
March 25, 2014	June 16, 2014	June 27, 2014	\$ 293,503	\$ 0.18230
June 17, 2014	July 15, 2014	July 28, 2014	\$ 293,503	\$ 0.18230
June 17, 2014	August 15, 2014	August 27, 2014	\$ 293,503	\$ 0.18230
June 17, 2014	September 15, 2014	September 29, 2014	\$ 293,503	\$ 0.18230
September 15, 2014	October 15, 2014	October 20, 2014	\$ 293,503	\$ 0.18230
September 15, 2014	November 14, 2014	November 26, 2014	\$ 293,503	\$ 0.18230
September 15, 2014	December 15, 2014	December 30, 2014	\$ 293,503	\$ 0.18230

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FIVE OAKS INVESTMENT CORP. AND SUBSIDIARIES

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December 31, 2014

NOTE 16 – EARNINGS PER SHARE

In accordance with ASC 260, outstanding instruments that contain rights to nonforfeitable dividends are considered participating securities. The Company is required to apply the two-class method or the treasury stock method of computing basic and diluted earnings per share when there are participating securities outstanding. The Company has determined that outstanding unvested restricted shares issued under the Manager Equity Plan are participating securities, and they are therefore included in the computation of basic and diluted earnings per share. The following tables provide additional disclosure regarding the computation for the years ended December 31, 2014 and December 31, 2013, and the period May 16, 2012 (commencement of operations) to December 31, 2012:

	Year Ended December 31, 2014	Years Ended December 31, 2013	Period May 16, 2012 to December 31, 2012
Net income	\$ 3,313,785	\$ 3,226,430	\$ 4,819,306
Less dividends paid:			
Common stock	\$ 18,229,875	\$ 10,082,871	\$ -
Unvested share-based payment awards	2,887,296	44,827	-
	21,117,171	10,127,698	
Undistributed earnings	\$ (17,803,386)	\$ (6,901,268)	\$ 4,819,306

	Unvested Share-Based Payment Awards	Common Stock	Unvested Share-Based Payment Awards	Common Stock	Unvested Share-Based Payment Awards	Common Stock
Distributed earnings	\$ 1.47	\$ 1.47	\$ -	\$ 1.64	\$ -	\$ -
Undistributed earnings (deficit)	(1.44)	(1.44)	(1.12)	(1.12)	-	2.91
Total	\$ 0.03	\$ 0.03	\$ (1.12)	\$ 0.52	\$ -	\$ 2.91

No adjustment was required for the calculation of diluted earnings per share for the warrants described in Note 9 because the warrants' exercise price is greater than the average market price of the common shares for the period, and thereby anti-dilutive.

NOTE 17 – SEGMENT REPORTING

The Company invests in a portfolio comprised of mortgage-backed securities, residential mortgage loans, and other mortgage-related investments, and operates as a single reporting segment.

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FIVE OAKS INVESTMENT CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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NOTE 18 – INCOME TAXES

Certain activities of the Company are conducted through a TRS, FOAC, and FOAC therefore will be subject to tax as a corporation. Pursuant to ASC 740, deferred tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not (a likelihood of more than 50%) that some portion or all of the deferred tax assets will not be realized. The tax loss for December 31, 2013, the Company's initial year, was (\$64,204) and the book loss through December 31, 2014 was (\$4,006,540). Due to the start-up nature of the FOAC business, future income or loss is difficult to project. This is negative evidence that supports the need for a valuation allowance against the Company's net deferred tax assets.

As of December 31, 2014, management is not aware of any uncertain tax positions.

The following table summarized the Company's deferred tax assets and valuation allowance as of December 31, 2014

	As of December 31, 2014
Non-current Deferred Tax Asset (Liability)	
Unrealized Gain (Security)	(1,393,014)
Net Operating Losses	1,545,254
	152,240
Valuation Allowance	(152,240)
Net Non-current Deferred Tax Asset (Liability)	-

NOTE 19 - QUARTERLY FINANCIAL DATA (UNAUDITED)

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The following table presents a comparative breakdown of our unaudited summary quarterly financial data for the immediately preceding eight quarters.

\$ in thousands, except per share data	2014 Quarter Ended		September 30	December 31
	March 31	June 30		
Total interest income	\$3,908	\$4,499	\$8,267	\$29,139
Total interest expense	(560)	(608)	(3,596)	(23,077)
Net interest income	3,348	3,891	4,671	6,062
Other-than-temporary impairment	-	-	-	-
Other income (loss)	(4,291)	2,838	3,395	(5,065)
Total expenses	1,598	2,304	2,853	4,779
Net income (loss)	(2,541)	4,425	5,213	(3,782)
Net income (loss) attributable to common stockholders (basic and diluted)	(3,022)	3,789	4,154	(4,494)
Earnings (loss) per share:				
Net income (loss) attributable to common stockholders (basic and diluted)	(3,022)	3,789	4,154	(4,494)
Weighted average number of shares of common stock outstanding:				
Basic and diluted income (loss) per share	(0.34)	0.34	0.28	(0.31)

\$ in thousands, except per share data	2013 Quarter Ended		September 30	December 31
	March 31	June 30		
Total interest income	\$1,027	\$7,356	\$4,103	\$3,937
Total interest expense	(127)	(992)	(554)	(570)
Net interest income	900	6,364	3,549	3,367
Other-than-temporary impairment	-	-	-	-
Other income (loss)	1,056	3,098	(19,108)	8,902
Total expenses	428	1,492	1,455	1,527
Net income (loss)	1,528	7,970	(17,014)	10,742
Net income (loss) attributable to common stockholders (basic and diluted)	1,526	7,970	(17,014)	10,700
Earnings (loss) per share:				
Net income (loss) attributable to common stockholders (basic and diluted)	1,526	7,970	(17,104)	10,700
Weighted average number of shares of common stock outstanding:				
Basic and diluted income (loss) per share	0.67	1.08	(2.31)	1.45

Schedule IV – Mortgage Loans on Real Estate⁽¹⁾

Asset Type	Description	Number of Loans	Interest Rate	Final Maturity Date	Periodic Payment Terms	Face Amount	Carrying Amount
Residential whole loan at fair value	Loan Balance \$0-\$999,999	69	Fixed 3.625% to 5.000%	03/01/2040 to 12/01/2044	P&I	\$ 43,319,003	\$ 44,337,239
Residential whole loan at fair value	Loan Balance \$1,000,000-\$1,999,999	6	Fixed 3.750% to 4.500%	05/01/2043 to 11/01/2044	P&I	7,260,535	7,391,718
Residential whole loan at fair value	Loan Balance \$0-\$999,999	2	Hybrid ARM 3.500% to 3.875%	12/01/2043 to 08/01/2044	P&I	1,378,874	1,412,567
Residential whole loan at fair value	Loan Balance \$1,000,000-\$1,999,999	1	Hybrid ARM 4.250%	12/01/2043	P&I	1,476,860	1,536,858
						\$ 53,435,272	\$ 54,678,382

(1) No loans subject to delinquent principal or interest

Reconciliation

Beginning Balance	0
Additions during period	
Mortgage loans purchased	440,715,591
Other	2,600,559

Deductions during period

Mortgage loans sold	(378,850,187)
Amortization	(11,029,345)
<i>Other</i>	(1,346)
Ending Balance	53,435,272