Resource Capital Corp.
Form 10-Q
August 07, 2015

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

FORM 10-Q
(Mark One)
þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2015
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _________ to __________

Commission File Number: 1-32733
RESOURCE CAPITAL CORP.
(Exact name of registrant as specified in its charter)

Maryland	20-2287134
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

712 5th Avenue, 12th Floor, New York, New York 10019
(Address of principal executive offices) (Zip code)

(212) 506-3870
(Registrant's telephone number, including area code)
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No ¨
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 definition of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	þ		Accelerated filer	¨
Non-accelerated filer	¨	(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 þ No
The number of outstanding shares of the registrant’s common stock on August 5, 2015 was 134,187,213 shares.

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
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PART I
ITEM 1. FINANCIAL STATEMENTS
RESOURCE CAPITAL CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	June 30, 2015 (unaudited)	December 31, 2014
ASSETS [(1)]		
Cash and cash equivalents	$145,010	$79,905
Restricted cash	45,755	122,138
Investment securities, trading	32,680	20,786
Investment securities available-for-sale, pledged as collateral, at fair value	170,935	197,800
Investment securities available-for-sale, at fair value	82,493	77,920
Linked transactions, net at fair value	—	15,367
Loans held for sale ($105.1 million and $113.4 million at fair value)	111,122	113,675
Property held for sale	180	180
Loans, pledged as collateral and net of allowances of $46.3 million and $4.6 million	2,042,885	1,925,980
Loans receivable–related party	—	558
Investments in unconsolidated entities	56,150	59,827
Derivatives, at fair value	4,289	5,304
Interest receivable	12,046	16,260
Deferred tax asset, net	12,828	12,634
Principal paydown receivable	11,525	40,920
Direct financing leases	1,590	2,109
Intangible assets	24,370	18,610
Prepaid expenses	3,913	4,196
Other assets	16,453	14,510
Total assets	$2,774,224	$2,728,679
LIABILITIES [(2)]		
Borrowings	$1,827,461	$1,716,871
Distribution payable	25,504	30,592
Accrued interest expense	5,467	2,123
Derivatives, at fair value	6,991	8,476
Accrued tax liability	6,383	9,219
Accounts payable and other liabilities	9,769	9,287
Total liabilities	1,881,575	1,776,568
EQUITY		
Preferred stock, par value $0.001: 10,000,000 shares authorized 8.50% Series A cumulative redeemable preferred shares, liquidation preference $25.00 per share,1,069,016 and 1,069,016 shares issued and outstanding	1	1
Preferred stock, par value $0.001: 10,000,000 shares authorized 8.25% Series B cumulative redeemable preferred shares, liquidation preference $25.00 per share 5,740,479 and 5,601,146 shares issued and outstanding	6	6
Preferred stock, par value $0.001: 10,000,000 shares authorized 8.625% Series C cumulative redeemable preferred shares, liquidation preference $25.00 per share 4,800,000 and 4,800,000 shares issued and outstanding	5	5
	134	133

Common stock, par value $0.001: 500,000,000 shares authorized; 134,172,504 and 132,975,177 shares issued and outstanding (including 2,767,809 and 2,023,639 unvested restricted shares)		
Additional paid-in capital	1,252,718	1,245,245
Accumulated other comprehensive income (loss)	1,344	6,043
Distributions in excess of earnings	(380,389)	(315,910)
Total stockholders' equity	873,819	935,523
Non-controlling interests	18,830	16,588
Total equity	892,649	952,111
TOTAL LIABILITIES AND EQUITY	$2,774,224	$2,728,679

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS - (Continued)
(in thousands, except share and per share data)

	June 30, 2015 (unaudited)	December 31, 2014
(1) Assets of consolidated Variable Interest Entities ("VIEs") included in the total assets above:		
Cash and cash equivalents	$189	$25
Restricted cash	43,954	121,247
Investment securities available-for-sale, pledged as collateral, at fair value	84,858	119,203
Loans held for sale	6,027	282
Loans, pledged as collateral and net of allowances of $42.7 million and $3.3 million	1,352,546	1,261,137
Interest receivable	5,468	8,941
Prepaid expenses	182	221
Principal paydown receivable	—	25,767
Other assets	9	(12)
Total assets of consolidated VIEs	$1,493,233	$1,536,811
(2) Liabilities of consolidated VIEs included in the total liabilities above:		
Borrowings	$1,047,172	$1,046,494
Accrued interest expense	852	1,000
Derivatives, at fair value	5,946	8,439
Unsettled loan purchases	(529)	(529)
Accounts payable and other liabilities	190	(386)
Total liabilities of consolidated VIEs	$1,053,631	$1,055,018

The accompanying notes are an integral part of these statements

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share data)
(unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
REVENUES				
Interest income:				
Loans	$29,759	$26,219	$62,422	$46,448
Securities	5,500	3,391	9,552	7,395
Leases	163	—	258	—
Interest income – other	1,119	982	1,951	3,834
Total interest income	36,541	30,592	74,183	57,677
Interest expense	15,803	10,610	30,705	20,238
Net interest income	20,738	19,982	43,478	37,439
Rental income	—	1,507	—	6,659
Dividend income	17	17	33	153
Fee income	3,446	2,322	5,051	4,822
Total revenues	24,201	23,828	48,562	49,073
OPERATING EXPENSES				
Management fees – related party	3,500	3,314	7,060	6,394
Equity compensation – related party	791	2,032	1,786	3,699
Rental operating expense	—	1,077	6	4,473
Lease operating	24	—	47	—
General and administrative - Corporate	4,067	4,750	8,850	7,589
General and administrative - PCM	6,722	4,138	13,801	7,565
Depreciation and amortization	621	760	1,186	1,596
Impairment losses	—	—	59	—
Provision (recovery) for loan losses	38,810	782	42,800	(3,178)
Total operating expenses	54,535	16,853	75,595	28,138
	(30,334)	6,975	(27,033)	20,935
OTHER INCOME (EXPENSE)				
Equity in earnings of unconsolidated subsidiaries	662	1,762	1,368	3,776
Net realized and unrealized gain (loss) on sales of investment securities available-for-sale and loans and derivatives	9,745	1,648	24,168	3,736
Net realized and unrealized gain (loss) on investment securities, trading	279	(650)	2,353	(2,210)
Unrealized gain (loss) and net interest income on linked transactions, net	—	5,012	235	7,317
(Loss) on reissuance/gain on extinguishment of debt	(171)	(533)	(1,071)	(602)
(Loss) gain on sale of real estate	22	3,042	—	3,042
Other income (expense)	—	—	—	(1,262)
Total other income (expense)	10,537	10,281	27,053	13,797

INCOME (LOSS) BEFORE TAXES	(19,797	)	17,256		20		34,732	
Income tax (expense) benefit	(2,918	)	446		(4,765	)	430	
NET INCOME (LOSS)	(22,715	)	17,702		(4,745	)	35,162	

The accompanying notes are an integral part of these statements

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share data)
(unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
Net (income) loss allocated to preferred shares	(6,116)	(3,358)	(12,207)	(5,758)
Net (income) loss allocable to non-controlling interest, net of taxes	(2,180)	333	(4,657)	389
NET INCOME (LOSS) ALLOCABLE TO COMMON SHARES	$(31,011)	$14,677	$(21,609)	$29,793
NET INCOME (LOSS) PER COMMON SHARE – BASIC	$(0.24)	$0.12	$(0.16)	$0.24
NET INCOME (LOSS) PER COMMON SHARE – DILUTED	$(0.24)	$0.11	$(0.16)	$0.23
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – BASIC	131,409,263	126,952,493	131,333,704	126,288,516
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – DILUTED	131,409,263	128,142,637	131,333,704	127,409,127

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands)
(unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
Net income (loss)	$(22,715)	$17,702	$(4,745)	$35,162
Other comprehensive income (loss):				
Reclassification adjustment for realized (gains) losses on available-for-sale securities included in net income	(4,076)	2,722	(10,334)	4,187
Unrealized gains (losses) on available-for-sale securities, net	(1,699)	264	1,424	(1,490)
Reclassification adjustments associated with unrealized gains (losses) from interest rate hedges included in net income	36	72	126	142
Unrealized gains on derivatives, net	1,237	803	2,379	1,190
Foreign currency translation adjustments	—	16	429	(180)
Total other comprehensive income (loss)	(4,502)	3,877	(5,976)	3,849
Comprehensive income (loss) before allocation to non-controlling interests and preferred shares	(27,217)	21,579	(10,721)	39,011
Unrealized (gains) losses on available-for-sale securities allocable to non-controlling interests	470	—	1,277	—
Net (income) loss allocable to non-controlling interests	(2,180)	333	(4,657)	389
Net (income) loss allocated to preferred shares	(6,116)	(3,358)	(12,207)	(5,758)
Comprehensive income (loss) allocable to common shares	$(35,043)	$18,554	$(26,308)	$33,642

The accompanying notes are an integral part of these statements

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2015
(in thousands, except share and per share data)
(unaudited)

	Common Stock		Preferred Shares - Series A	Preferred Shares - Series B	Preferred Shares - Series C	Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Distributions in Excess of Earnings	Total Stockholders' Equity	Non-Controlling Interests	Total Equity
	Shares	Amount										
Balance, January 1, 2015	132,975,177	$133	$1	$6	$5	$1,245,245	$6,043	$—	$(315,910)	$935,523	$16,588	$952,111
Proceeds from dividend reinvestment and stock purchase plan	40,500	—	—	—	—	187	—	—	—	187	—	187
Proceeds from issuance of preferred stock	—	—	—	—	—	3,113	—	—	—	3,113	—	3,113
Offering costs	—	—	—	—	—	(136)	—	—	—	(136)	—	(136)
Discount on 8% convertible senior notes	—	—	—	—	—	2,528	—	—	—	2,528	—	2,528
Stock based compensation	1,172,312	1	—	—	—	—	—	—	—	1	—	1
Amortization of stock based compensation	—	—	—	—	—	1,786	—	—	—	1,786	—	1,786
Purchase and retirement of shares	(1,003)	—	—	—	—	(5)	—	—	—	(5)	—	(5)
Forfeiture of unvested stock	(14,482)	—	—	—	—	—	—	—	—	—	—	—
Contributions from (distributions to), net non-controlling interests	—	—	—	—	—	—	—	—	—	—	(1,138)	(1,138)
Net income (loss)	—	—	—	—	—	—	—	(9,402	—	(9,402)	4,657	(4,745)
Preferred dividends	—	—	—	—	—	—	—	(12,207	—	(12,207)	—	(12,207)
Securities available-for-sale, fair value adjustment, net	—	—	—	—	—	—	(7,633)	—	—	(7,633)	(1,277)	(8,910)
Designated derivatives, fair value adjustment	—	—	—	—	—	—	2,505	—	—	2,505	—	2,505

Foreign currency translation adjustment	—	—	—	—	—	—	429	—	—	429	—	429
Distributions on common stock	—	—	—	—	—	—	—	21,609	(64,479)	(42,870)	—	(42,870)
Balance, June 30, 2015	134,172,504	$134	$1	$6	$5	$1,252,718	$1,344	$—	$(380,389)	$873,819	$18,830	$892,649

The accompanying notes are an integral part of these statements

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	For the Six Months Ended June 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$(4,745)	$35,162
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Provision for (recovery of) loan losses	42,800	(3,178)
Depreciation, amortization, and accretion	5,572	1,922
Amortization of stock-based compensation	1,786	3,699
Amortization (accretion) of terminated derivative instruments	134	142
Amortization (accretion) of interest-only available-for-sales securities	1,868	(339)
Deferred income tax (benefit) expense	(194)	(689)
Sale (purchase) of residential mortgage loans held for sale, net	15,229	(12,162)
Capitalization of residential mortgage servicing rights	(7,848)	—
Sale (purchase) of securities, trading, net	(9,541)	429
Net realized and unrealized loss (gain) on investment securities, trading	(2,353)	2,210
Net realized and unrealized (gain) loss on sales of investment securities available-for-sale and loans	(24,168)	(2,148)
Loss (gain) on the reissuance (extinguishment) of debt	1,071	602
Loss (gain) on sale of real estate	—	(3,042)
Settlement of derivative instruments	12,405	442
Net impairment losses recognized in earnings	59	—
Unrealized gain (loss) and net interest income on linked transactions, net	(235)	(5,923)
Equity in net (earnings) losses of unconsolidated subsidiaries	(1,368)	(3,776)
Changes in operating assets and liabilities, net of acquisitions	12,376	979
Net cash provided by (used in) operating activities	42,848	14,330
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) decrease in restricted cash	57,089	10,543
Acquisition of controlling interest in Moselle CLO S.A.	—	(30,433)
Purchase of securities available-for-sale	(11,320)	(107,339)
Principal payments on securities available-for-sale	49,819	25,774
Proceeds from sale of securities available-for-sale	37,221	99,151
Return of capital from (investment in) unconsolidated entity	5,000	8,911
Proceeds from sale of real estate held-for-sale	44	31,202
Purchase of loans	(436,440)	(489,800)
Principal payments received on loans	209,744	196,973
Improvements of investments in real estate	—	252
Proceeds from sale of loans	93,146	44,024
Purchase of furniture and fixtures	(10)	(69)
Acquisition of property and equipment	(228)	(332)
Investment in loans - related parties	—	(244)

Principal payments received on loans – related parties	558	1,759
Net cash (used in) provided by investing activities	4,623	(209,628)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from issuances of common stock and dividend reinvestment and stock purchase plan (net of offering costs of $58 and $0)	129	14,554
Proceeds from issuance of preferred shares (net of offering costs of $78 and $4,878)	3,035	148,765
Repurchase of common stock	(5)	—
Proceeds from borrowings:		
Repurchase agreements, net of repayments	—	142,019
Securitizations	282,127	43,000
Convertible Senior Notes	99,000	16,502
Senior Secured Revolving Credit Facility	99,500	—
Reissuance of debt	12,229	—
Payments on borrowings:		
Securitizations	(290,190)	(152,556)
Repurchase agreements, net of borrowings	(56,383)	—
Senior Secured Revolving Credit Facility	(62,000)	—
Payment of debt issuance costs	(7,986)	(8)
Distributions to subordinated note holders	(519)	(799)
Proceeds received from non-controlling interests	2,676	—
Distributions paid to non-controlling interests	(3,814)	—
Distributions paid on preferred stock	(12,159)	(4,679)
Distributions paid on common stock	(48,006)	(51,457)
Net cash provided by (used in) financing activities	$17,634	$155,341
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	65,105	(39,957)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	79,905	262,270
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$145,010	$222,313
SUPPLEMENTAL DISCLOSURE:		
Interest expense paid in cash	$21,402	$17,438
Income taxes paid in cash	$9,182	$3,249

The accompanying notes are an integral part of these statements

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015
(unaudited)

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION

Resource Capital Corp. and subsidiaries' (collectively the ''Company'') principal business activity is to purchase and manage a diversified portfolio of commercial real estate-related assets and commercial finance assets. The Company's investment activities are managed by Resource Capital Manager, Inc. (''Manager'') pursuant to a management agreement (the ''Management Agreement''). The Manager is a wholly-owned indirect subsidiary of Resource America, Inc. ("Resource America") (NASDAQ: REXI). In September 2013, it was determined that the Company is a variable interest entity ("VIE") and that Resource America is the primary beneficiary of the Company. Therefore, the Company's financial statements are consolidated into Resource America's financial statements. The following subsidiaries are consolidated in the Company's financial statements:

- RCC Real Estate, Inc. ("RCC Real Estate") holds real estate investments, including commercial real estate loans, commercial real estate-related securities and investments in real estate. RCC Real Estate owns 100% of the equity of the following VIEs:

Resource Real Estate Funding CDO 2006-1, Ltd. ("RREF CDO 2006-1"), a Cayman Islands limited liability company and qualified real estate investment trust ("REIT") subsidiary ("QRS"). RREF CDO 2006-1 was established to complete a collateralized debt obligation ("CDO") issuance secured by a portfolio of commercial real estate ("CRE") loans and commercial mortgage-backed securities ("CMBS").

Resource Real Estate Funding CDO 2007-1, Ltd. ("RREF CDO 2007-1"), a Cayman Islands limited liability company and QRS. RREF CDO 2007-1 was established to complete a CDO issuance secured by a portfolio of CRE loans and CMBS.

Resource Capital Corp. CRE Notes 2013, Ltd. ("RCC CRE Notes 2013"), a Cayman Islands limited liability company and QRS. RCC CRE Notes 2013 was established to complete a CRE securitization issuance secured by a portfolio of CRE loans.

Resource Capital Corp. 2014-CRE2, Ltd. ("RCC 2014-CRE2"), a Cayman Islands limited liability company and QRS. RCC 2014-CRE2 was established to complete a CRE securitization issuance secured by a portfolio of CRE loans.

Resource Capital Corp. 2015-CRE3, Ltd. ("RCC 2015-CRE3"), a Cayman Islands limited liability company and QRS. RCC 2015-CRE3 was established to complete a CRE securitization issuance secured by a portfolio of CRE loans.

- RCC Commercial, Inc. ("RCC Commercial") holds a 29.6% investment in Northport TRS, LLC ("Northport LLC") and owns 100% of the equity of the following VIE:

Apidos CDO III, Ltd. ("Apidos CDO III"), a Cayman Islands limited liability company and taxable REIT subsidiary ("TRS"). Apidos CDO III was established to complete a CDO issuance secured by a portfolio of bank loans and asset-backed securities ("ABS"). On March 31, 2015, the Company issued a notice of redemption to Apidos CDO III's trustee to call the CDO. In June 2015, the Company liquidated Apidos CDO III and substantially all of the assets were sold. The remaining assets have been classified as held for sale as of June 30, 2015.

- RCC Commercial II, Inc. ("Commercial II") holds structured notes, available-for-sale securities and investments in the subordinated notes of foreign, syndicated bank loan collateralized loan obligation ("CLO") vehicles. Commercial II owns 100%, 68.3%, and 88.6% respectively, of the equity of the following VIEs:

Apidos Cinco CDO, Ltd. ("Apidos Cinco CDO"), a Cayman Islands limited liability company and TRS. Apidos Cinco CDO was established to complete a CDO issuance secured by a portfolio of bank loans, ABS and corporate bonds.

Whitney CLO I, Ltd. ("Whitney CLO I"), a Cayman Islands limited liability company and TRS. In September 2013, the Company liquidated Whitney CLO I and, as a result, all of the assets were sold.

Moselle CLO S.A. ("Moselle CLO"), incorporated in Luxembourg, is a CLO issuer whose assets consisted of European senior secured loans, U.S. senior secured loans, U.S. senior unsecured loans, U.S. second lien loans, European mezzanine loans, and a limited amount of synthetic securities and other eligible debt obligations. In December 2014, the Company liquidated Moselle CLO and, as a result, all of the assets were sold.

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
JUNE 30, 2015
(unaudited)

- RCC Commercial III, Inc. (“Commercial III”) holds bank loan investments. Commercial III owns 90% of the equity of the following VIE:
Apidos CDO I, Ltd. (“Apidos CDO I”), a Cayman Islands limited liability company and TRS. Apidos CDO I was established to complete a CDO issuance secured by a portfolio of bank loans and ABS. In October 2014, the Company liquidated Apidos CLO I, and as a result, substantially all of the assets were sold.
- Resource TRS, Inc. (“Resource TRS”), a TRS directly owned by the Company, holds the Company’s equity investment in a leasing company and holds all of its investment securities, trading (through both direct and indirect investments in such securities). Resource TRS also owns equity in the following:
Resource TRS, LLC, a Delaware limited liability company, which holds an 25.8% investment in Northport LLC.
Northport LLC, a Delaware limited liability company, which holds bank loan investments and the Company's self-originated middle market loans. Resource TRS owns 44.6% of the equity in Northport LLC as of June 30, 2015. The remaining 29.6% of the equity is owned by RCC Commercial.
Pelium Capital Partners, L.P., ("Pelium Capital") a Delaware limited partnership, which holds investment securities, trading. Resource TRS owns 69.9% of the equity in Pelium Capital as of June 30, 2015.
- Resource TRS II, Inc. (“Resource TRS II”), a TRS directly owned by the Company, holds the Company’s management rights in bank loan CLOs not originated by the Company. Resource TRS II owns 100% of the equity of the following VIE:
Resource Capital Asset Management (“RCAM”), a domestic limited liability company, which is entitled to collect senior, subordinated, and incentive fees related to three CLO issuers to which it provides management services through CVC Credit Partners, L.P., formerly Apidos Capital Management ("ACM"), a subsidiary of CVC Capital Partners SICAV-FIS, S.A., a private equity firm (“CVC”). Resource America, Inc. owns a 33% interest in CVC Credit Partners, L.P., ("CVC Credit Partners").
- Resource TRS III, Inc. (“Resource TRS III”), a TRS directly owned by the Company, held the Company’s interests in a bank loan CDO originated by the Company. Resource TRS III owned 33% of the equity of the following VIE:
Apidos CLO VIII, Ltd (“Apidos CLO VIII”), a Cayman Islands limited liability company and TRS. In October 2013, the Company liquidated Apidos CLO VIII, and as a result, all of the assets were sold.
- Resource TRS IV, Inc. (“Resource TRS IV”), a TRS directly owned by the Company, held the Company's equity investment in hotel condominium units acquired in conjunction with a loan foreclosure. The hotel condominium units were sold in April 2014.
- Resource TRS V, Inc. (“Resource TRS V”), a TRS directly owned by the Company, held the Company's equity investment in a held for sale condominium complex. All of the condominium units were sold as of December 31, 2013.
- RSO EquityCo, LLC owned 10% of the equity of Apidos CDO I and 10% of the equity of Apidos CLO VIII.
- Long Term Care Conversion, Inc. ("LTCC"), a TRS directly owned by the Company, is a Delaware corporation that owns 100% of the following entities:
Long Term Care Conversion Funding ("LTCC Funding"), a New York limited liability company, which owns a 60.7% equity interest in Life Care Funding, LLC ("LCF") and provides funding through a financing facility to fund the acquisition of life settlement contracts. LCF, a New York limited liability company, is a joint venture between LTCC and Life Care Funding Group Partners and was established for the purpose of originating and acquiring life settlement contracts.
ZWH4, LLC ("ZAIS"), a Delaware limited liability company, owns a beneficial interest in the warehouse of ZAIS CLO 4, Limited, a Cayman Islands exempted limited liability company, in equity form, that will be used to finance the purchase of syndicated bank loans.

- RCC Residential, Inc. ("RCC Residential"), a TRS directly owned by the Company, is a Delaware corporation which owns 100% of the following entities:

Primary Capital Mortgage, LLC ("PCM"), (formerly known as Primary Capital Advisors, LLC), a limited liability company that originates and services residential mortgage loans.

RCM Global Manager, LLC ("RCM Global Manager"), a Delaware limited liability company, owns 45.9% of the following entity:

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RCM Global, LLC ("RCM Global"), a Delaware limited liability company, holds a portfolio of investment securities, available-for-sale.

RCC Residential Portfolio, Inc. ("RCC Resi Portfolio"), a Delaware corporation directly owned by the Company, invests in residential mortgage-backed securities ("RMBS").

RCC Residential Portfolio TRS, Inc. ("RCC Resi TRS"), a TRS directly owned by the Company, is a Delaware corporation which intends to hold strategic residential positions which cannot be held by RCC Resi Portfolio.

RCC Residential Depositor, LLC ("RCC Resi Depositor"), a Delaware limited liability company, owns 100% of the following entity:

RCC Opportunities Trust ("RCC Opp Trust"), a Delaware statutory trust, holds a portfolio of residential mortgage loans, available-for-sale.

RCC Residential Acquisition, LLC ("RCC Resi Acquisition"), a Delaware limited liability company, purchases residential mortgage loans from PCM and transfers the assets to RCC Opp Trust.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The consolidated financial statements include the accounts of the Company.

All inter-company transactions and balances have been eliminated.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and all highly liquid investments with original maturities of three months or less at the time of purchase. At June 30, 2015 and December 31, 2014, the reported cash balances of $145.0 million and $79.9 million exceeded Federal Deposit Insurance Corporation deposit insurance limit of $250,000 per institution, subjecting the Company to risk related to the uninsured balance. All of the Company's cash deposits are held at large, established financial institutions.

Investment in Unconsolidated Entities

The Company's non-controlling investments in unconsolidated entities are included in investments in unconsolidated entities on the balance sheet and may be accounted for under the equity method or the cost method.

Under the equity method, capital contributions, distributions, profits and losses of the entities are allocated in accordance with the terms of the entities' operating agreements. Such allocations may differ from the stated percentage interests, if any, as a result of preferred returned and allocation formulas as described in the entities' operating agreements.

The Company may account for an investment that does not qualify for equity method accounting using the cost method if the Company determines the investment in the unconsolidated investment is insignificant. Under the cost method, the Company records dividend income when declared to the extent it is not considered a return of capital, which is recorded as a reduction of the cost of the investment.

Recent Accounting Standards

In April 2015, the Financial Accounting Standards Board ("FASB") issued guidance that simplifies the presentation of debt issuance costs by requiring that debt issuance costs be presented in the balance sheet as a deduction from the carrying amount of the related debt liability, consistent with debt discounts or premiums. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. It is effective for annual reporting periods beginning after December 15, 2015, but early adoption is permitted. The Company has early adopted the provisions of this guidance. Note 12, Borrowings, reflects the presentation of debt issuance costs as prescribed by this accounting standards update. Adoption did not have a material impact on the Company's consolidated financial statements.

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In February 2015, the FASB issued guidance that requires an entity to evaluate whether they should consolidate certain legal entities. All legal entities are subject to reevaluation under the revised consolidation model. Specifically, the amendments: (1) modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities ("VIEs") or voting interest entities; (2) eliminate the presumption that a general partner should consolidate a limited partnership; (3) affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related-party relationships; and (4) provide a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. This guidance is effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. Early application is permitted. The Company is currently evaluating the effect of adoption.

In November 2014, the FASB issued guidance to eliminate the use of different methods in practice and thereby reduce existing diversity under GAAP in the accounting for hybrid financial instruments issued in the form of shares. An entity that issues or invests in a hybrid financial instrument is required to separate an embedded derivative feature from the host contract (for example, an underlying share) and account for the feature as a derivative according to Accounting Standards Codification ("ASC") Subtopic 815-10 on derivatives and hedging if certain criteria are met. This guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted. The Company is currently evaluating the effect of adoption.

In August 2014, the FASB issued guidance that clarifies the disclosures management must make in its interim and annual financial statement footnotes when management has determined that conditions exist that raise substantial doubt about the entity’s ability to continue as a going concern within one year after the date the financial statements are issued (or within one year after the date the financial statements are available to be issued when applicable). In accordance with this guidance, management’s assessment is required to be made each reporting period and should be based on relevant conditions and events that are known and reasonably knowable at the date the financial statements are issued. In all cases, to the extent that substantial doubt about the entity’s ability to continue as a going concern is determined to be probable, management must disclose the principal conditions or events that gave rise to the substantial doubt about the entity’s ability to continue as a going concern, management’s evaluation of the significance of those conditions or events in relation to the entity’s ability to meet its obligations, and management’s plans that either alleviate or are intended to mitigate the conditions or events that gave rise to the substantial doubt about the entity’s ability to continue as a going concern. Additionally, to the extent substantial doubt about the entity’s ability to continue as a going concern is not alleviated by management’s plans, management must indicate in the footnotes that there is substantial doubt about the entity’s ability to continue as a going concern. This guidance is effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early adoption is permitted. The Company does not expect adoption will have a material impact on its consolidated financial statements.

In August 2014, the FASB issued guidance that provides for the election of a measurement alternative when a reporting entity determines that it is the primary beneficiary of a collateralized financing entity and, hence, is required to consolidate that collateralized financing entity. The measurement alternative allows a qualifying, consolidated collateralized financing entity to use the more observable of the fair value of the financial assets or the fair value of the financial liabilities adjusted by the carrying amount of non-financial assets, the fair value of any beneficial interests retained by the reporting entity (including those beneficial interest that represent compensation for services). Alternatively, if the measurement alternative is not elected for a qualifying, consolidated collateralized financing entity, this guidance requires that the financial assets and financial liabilities be measured in accordance with ASC

Topic 820, and any difference in the fair value of the financial assets and the fair value of the financial liabilities would be reflected in earnings and attributed to the reporting entity in the consolidated statement of operations. This guidance is effective for public business 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. The Company is currently evaluating the effect of adoption.

In June 2014, the FASB issued guidance that changes the accounting for repurchase-to-maturity transactions to secured borrowing accounting and requires separate accounting for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty, which will result in secured borrowing accounting for the repurchase agreement for repurchase arrangements. This amendment also requires additional disclosure for certain transactions comprising a transfer of a financial asset accounted for as a sale and an agreement with the same transferee entered into in contemplation of the initial transfer that results in the transferor retaining substantially all of the exposure to the economic return on the transferred financial asset throughout the term of the transaction. The Company adopted this accounting standards update on January 1, 2015. Upon

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adoption, the Company unlinked its previously linked transactions and disclosed affected asset, liability, income and expense balances at their gross values in its consolidated financial statements.

In April 2014, the FASB issued guidance that changes the requirements for reporting discontinued operations. The amendments in this update require an entity to present, for each comparative period, the assets and liabilities of a disposal group that includes a discontinued operation separately in the asset and liability sections of the statement of financial position. The amendments in this update also require additional disclosures about discontinued operations and new disclosures for disposal transactions of individually significant components of an entity that do not meet the definition of a discontinued operation. Additionally, this guidance both permits and expands the disclosures about an entity’s significant continuing involvement with a discontinued operation. This guidance is effective for all disposals or classifications as held for sale of components of an entity that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years. Early adoption was permitted for disposals that had not been reported in financial statements previously issued or available for issuance. The Company early adopted the provisions of this guidance. Adoption did not have a material impact on the Company's consolidated financial statements.

In January 2014, the FASB issued guidance that clarifies when a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan. Furthermore, the guidance requires interim and annual disclosure of the amount of foreclosed residential real estate property held by the creditor and the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction. This guidance was effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. Adoption did not have a material impact on the Company's consolidated financial statements.

Reclassifications

Certain reclassifications have been made to the 2014 consolidated financial statements to conform to the 2015 presentation.

NOTE 3 - VARIABLE INTEREST ENTITIES

The Company has evaluated its securities, loans, investments in unconsolidated entities, liabilities to subsidiary trusts issuing preferred securities (consisting of unsecured junior subordinated notes) and its securitizations in order to determine if they are variable interests in VIEs. The Company monitors these legal interests and, to the extent it has determined that it has a variable interest, analyzes the entity for potential consolidation. A VIE is required to be consolidated by its primary beneficiary. The Company continuously analyzes entities in which it holds variable interests, including when there is a reconsideration event, to determine whether such entities are VIEs and whether such potential VIEs should be consolidated or deconsolidated. This analysis requires considerable judgment in determining the primary beneficiary of a VIE and could result in the consolidation of an entity that would otherwise not have been consolidated or the non-consolidation of an entity that otherwise would have been consolidated.

Consolidated VIEs (the Company is the primary beneficiary)

Based on management’s analysis, the Company is the primary beneficiary of twelve VIEs at June 30, 2015: Apidos CDO I, Apidos CDO III, Apidos Cinco CDO, Apidos CLO VIII, RREF CDO 2006-1, RREF CDO 2007-1, Whitney CLO I, RCC CRE Notes 2013, RCC 2014-CRE2, RCC 2015-CRE3, Moselle CLO and RCM Global, LLC. In performing the primary beneficiary analysis for Apidos CDO I, Apidos CDO III, Apidos Cinco CDO, Apidos CLO VIII, RREF CDO 2006-1, RREF CDO 2007-1, RCC CRE Notes 2013, RCC 2014-CRE2, RCC 2015-CRE3 and RCM Global, LLC, it was determined that the parties that have the power to direct the activities that are most significant to each of these VIEs and who have the right to receive benefits and the obligation to absorb losses that could potentially be significant to these VIEs, are a related-party group. It was then determined that the Company was the party within that group that is more closely associated with each such VIE considering the design of the VIE, the principal-agency relationship between the Company and other members of the related-party group, and the relationship and significance of the activities of the VIE to the Company compared to the other members of the related-party group.

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Apidos CDO I, Apidos CDO III, Apidos Cinco CDO, Apidos CLO VIII, RREF CDO 2006-1, RREF CDO 2007-1, RCC CRE Notes 2013, RCC 2014-CRE2 and RCC 2015-CRE3 were formed on behalf of the Company to invest in real estate-related securities, CMBS, property available-for-sale, bank loans, corporate bonds and asset-backed securities and were financed by the issuance of debt securities. The Manager manages the commercial real estate-related entities on behalf of the Company, and CVC Credit Partners manages the commercial finance-related entities on behalf of the Company. By financing these assets with long-term borrowings through the issuance of bonds, the Company seeks to generate attractive risk-adjusted equity returns and to match the term of its assets and liabilities. The primary beneficiary determination for each of these VIEs was made at each VIE’s inception and is continually assessed.

Moselle CLO was a European securitization in which the Company purchased a $30.4 million interest in the form of subordinate notes representing 100% of the Class 1 Subordinated Notes and 67.9% of the Class 2 subordinated Notes in February 2014. The CLO was managed by an independent third-party, and such collateral management activities were determined to be the activities that most significantly impacted the economic performance of the CLO. Though neither the Company nor one of its related parties managed the CLO, due to certain unilateral kick-out rights within the collateral management agreement it was determined that the Company had the power to direct the activities that most significantly impacted the economic performance of Moselle CLO. Having both the power to direct the activities that most significantly impact Moselle CLO and a financial interest that was expected to absorb both positive and negative variability in the CLO that could potentially be significant, the Company was determined to be the primary beneficiary of Moselle CLO and, therefore, consolidated the CLO. During the fourth quarter of 2014, the CLO began the liquidation process and all assets were subsequently sold.

Whitney CLO I was a securitization in which the Company acquired rights to manage the collateral assets held by the entity in February 2011. For a discussion on the primary beneficiary analysis for Whitney, see “— Unconsolidated VIEs – Resource Capital Asset Management,” below.

On July 9, 2014, RCC Residential, together with Resource America and certain Resource America employees, acquired through RCM Global a portfolio of securities from JP Morgan for $23.5 million. The portfolio is managed by Resource America. RCC Residential contributed $15.0 million for a 63.8% membership interest. Each of the members of RCM Global is allocated revenues and expenses of RCM Global in accordance with his or her membership interest. RCM Global was determined to be a VIE based on the equity holders' inability to direct the activities that are most significant to the entity. The Company was determined to be the primary beneficiary of RCM Global and, therefore, consolidated the entity. The Company's ownership interest of the portfolio's remaining assets was 45.9% as of June 30, 2015.

For a discussion of the Company’s securitizations, see Note 1, and for a discussion of the debt issued through the securitizations, see Note 12.

For consolidated CLOs in which the Company does not own 100% of the subordinated notes, the Company imputes an interest rate using expected cash flows over the life of the CLO and records the third party's share of the cash flows as interest expense on the consolidated statements of operations.

The Company has exposure to losses on its securitizations to the extent of its subordinated debt and preferred equity interests in them. The Company is entitled to receive payments of principal and interest on the debt securities it holds and, to the extent revenues exceed debt service requirements and other expenses of the securitizations, distributions with respect to its preferred equity interests. As a result of consolidation, debt and equity interests the Company holds in these securitizations have been eliminated, and the Company’s consolidated balance sheets reflects both the assets held and debt issued by the securitizations to third parties and any accrued expense to third parties. The Company's

operating results and cash flows include the gross amounts related to the securitizations' assets and liabilities as opposed to the Company's net economic interests in the securitizations. Assets and liabilities related to the securitizations are disclosed, in the aggregate, on the Company's consolidated balance sheets.
The creditors of the Company’s twelve consolidated VIEs have no recourse to the general credit of the Company. However, in its capacity as manager, the Company has voluntarily supported two credits in one of its commercial real estate CDOs as the credits went through a restructuring in order to maximize future cash flows from the CDO. For the three and six months ended June 30, 2015, the Company has provided no financial support. For the three and six months ended June 30, 2014, the Company provided financial support of $10,000 and $549,000, respectively. The Company has provided no other financial support to any other of its VIEs nor does it have any requirement to do so, although it may choose to do so in the future to maximize future cash flows on such investments by the Company. There are no explicit arrangements that obligate the Company to provide financial support to any of its consolidated VIEs.

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The following table shows the classification and carrying value of assets and liabilities of the Company's consolidated VIEs as of June 30, 2015 (in thousands):

	Apidos I	Apidos III	Apidos Cinco	Whitney CLO I	RREF 2006-1	RREF 2007-1	RCC CRE Notes 2013	RCC 2014-CRE	RCC 2015-CRE3	Moselle	RCM Global, LLC	Total
ASSETS [3]												
Cash and cash equivalents	$—	$—	$—	$—	$—	$—	$—	$—	$—	$—	$189	$189
Restricted cash [1]	347	3,613	37,231	116	20	250	1,815	—	5	557	$—	43,954
Investment securities available-for-sale, pledged as collateral, at fair value	—	—	10,268	—	5,854	56,448	—	—	—	—	12,288	84,858
Loans, pledged as collateral	—	—	180,758	—	94,504	190,911	192,480	351,301	342,592	—	—	1,352,
Loans held for sale	153	1,358	4,516	—	—	—	—	—	—	—	—	6,027
Interest receivable	—	—	734	—	374	1,302	792	1,324	1,240	—	(298)	5,468
Prepaid assets	—	10	24	—	15	95	28	10	—	—	—	182
Principal paydown receivable	—	—	—	—	—	—	—	—	—	—	—	—
Other Assets	—	—	—	—	—	—	—	9	—	—	—	9
Total assets [2]	$500	$4,981	$233,531	$116	$100,767	$249,006	$195,115	$352,644	$343,837	$557	$12,179	$1,493
LIABILITIES												
Borrowings	$—	$—	$208,893	$—	$57,205	$125,055	$145,786	$231,846	$278,228	$159	$—	$1,047
Accrued interest expense	—	—	253	—	33	97	132	125	212	—	—	852
Derivatives, at fair value	—	—	—	—	346	5,600	—	—	—	—	—	5,946
Unsettled loan purchases	—	—	—	—	—	—	—	—	—	—	(529)	(529
Accounts payable and other liabilities	—	3	14	—	9	1	—	—	—	161	2	190
Total liabilities	$—	$3	$209,160	$—	$57,593	$130,753	$145,918	$231,971	$278,440	$320	$(527)	$1,053

(1) Includes $2.1 million designated to fund future commitments on specific commercial real estate loans in certain of the securitizations.
(2) Assets of each of the consolidated VIEs may only be used to settle the obligations of each respective VIE.

(3) In October 2013, the Company liquidated Apidos CLO VIII and all of the assets were sold. However, the Company still owns its share of beneficial interests that caused it to consolidate it.

Unconsolidated VIEs (the Company is not the primary beneficiary, but has a variable interest)

Based on management’s analysis, the Company is not the primary beneficiary of the VIEs discussed below since it does not have both (i) the power to direct the activities that most significantly impact the VIE’s economic performance and (ii) the obligation to absorb the losses of the VIE or the right to receive the benefits from the VIE, which could be significant to the VIE. Accordingly, the following VIEs are not consolidated in the Company’s financial statements as of June 30, 2015. The Company’s maximum exposure to risk for each of these unconsolidated VIEs is set forth in the “Maximum Exposure to Loss” column in the table below.

LEAF Commercial Capital, Inc.

On November 16, 2011, the Company together with LEAF Financial, Inc. ("LEAF Financial"), a subsidiary of Resource America, and LEAF Commercial Capital, Inc. (“LCC”), another subsidiary of Resource America, entered into a stock purchase agreement and related agreements (collectively the “SPA”) with Eos Partners, L.P., a private investment firm, and its affiliates (“Eos”). In exchange for its prior interests in its lease related investments, the Company received 31,341 shares of Series A Preferred Stock (the "Series A Preferred Stock"), 4,872 shares of newly issued 8% Series B Redeemable Preferred Stock (the "Series B Preferred Stock") and 2,364 shares of newly issued Series D Redeemable Preferred Stock (the "Series D Preferred Stock"), collectively representing, on a fully-diluted basis, assuming conversion, a 26.7% interest in LCC. At the time of investment, the Company’s investment in LCC was valued at $36.3 million based on a third-party valuation at that time. During 2013, the Company entered into a third stock purchase agreement with LCC to purchase 3,682 shares of newly issued Series A-1 Preferred Stock (the "Series A-1 Preferred Stock") for $3.7 million and 4,445 shares of newly issued Series E Preferred Stock (the "Series E Preferred Stock") for $4.4 million. The Series E Preferred Stock has priority over all other classes of preferred stock. The Company's fully-diluted interest in LCC, assuming conversion, was 28.4% at June 30, 2015. The Company’s investment in LCC was recorded at $39.8 million and $39.4 million as of June 30, 2015 and December 31,

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2014, respectively. The Company determined that it is not the primary beneficiary of LCC because it does not participate in any management or portfolio decisions, holds only two of six board positions, and only controls 28.4% of the voting rights in the entity. Furthermore, Eos holds consent rights with respect to significant LCC actions, including the incurrence of indebtedness, consummation of a sale of the entity, liquidation or initiating a public offering.

Unsecured Junior Subordinated Debentures

The Company has a 100% interest in the common shares of Resource Capital Trust I ("RCT I") and RCC Trust II ("RCT II"), valued at $1.5 million in the aggregate (or 3% of each trust). RCT I and RCT II were formed for the purposes of providing debt financing to the Company, as described below. The Company completed a qualitative analysis to determine whether or not it is the primary beneficiary of each of the trusts and determined that it was not the primary beneficiary of either trust because it does not have the power to direct the activities most significant to the trusts, which include the collection of principal and interest and protection of collateral through servicing rights. Accordingly, neither trust is consolidated into the Company's consolidated financial statements.

The Company records its investments in RCT I and RCT II's common shares as investments in unconsolidated trusts using the cost method and records dividend income when declared by RCT I and RCT II. The trusts each hold subordinated debentures for which the Company is the obligor in the amount of $25.8 million for RCT I and $25.8 million for RCT II. The debentures were funded by the issuance of trust preferred securities of RCT I and RCT II. The Company will continuously reassess whether it should be deemed to be the primary beneficiary of the trusts.

Resource Capital Asset Management CLOs

In February 2011, the Company purchased a company that managed bank loan assets through five CLOs. As a result, the Company became entitled to collect senior, subordinated and incentive management fees from these CLOs. The purchase price of $22.5 million resulted in an intangible asset that was allocated to each of the five CLOs and is amortized over the expected life of each CLO. The unamortized balance of the intangible asset was $8.5 million and $9.4 million at June 30, 2015 and December 31, 2014, respectively. The Company recognized fee income of $896,000 and $1.9 million for the three and six months ended June 30, 2015, respectively and $1.1 million and $2.8 million for the three and six months ended June 30, 2014, respectively. With respect to four of these CLOs, the Company determined that it does not hold a controlling financial interest and, therefore, is not the primary beneficiary. One of the CLOs was liquidated in February 2013. With respect to the fifth CLO, Whitney CLO I, in October 2012, the Company purchased 66.6% of its preferred equity, which resulted in consolidation. Based upon that purchase, the Company determined that it had an obligation to absorb losses and/or the right to receive benefits that could potentially be significant to Whitney CLO I and that a related party had the power to direct the activities that are most significant to the VIE. As a result, together with the related party, the Company had both the power to direct and the right to receive benefits and the obligation to absorb losses. It was then determined that, between the Company and the related party, the Company was the party within that group that was more closely associated with Whitney CLO I because of its preferred equity interest in Whitney CLO I. The Company, therefore, consolidated Whitney CLO I. In May 2013, the Company purchased additional equity in this CLO which increased its equity ownership to 68.3% of the outstanding preferred equity of Whitney CLO I. In September 2013, the Company liquidated Whitney CLO I, and, as a result, all of the assets were sold.

Investment in ZAIS

In February 2015, the Company made an investment in ZAIS CLO 4 Limited, an offshore financing vehicle created to acquire and warehouse syndicated bank loans, through its wholly-owned, indirect subsidiary ZAIS and through its consolidated subsidiary Pelium Capital together with a certain Resource America employee. The Company, through ZAIS and Pelium Capital, committed to invest $10.0 million and $3.0 million, respectively, during the vehicles warehousing period. The vehicle is managed by ZAIS Leveraged Loan Manager 4, LLC (the “Collateral Manager”), an unrelated entity to the Company or to Pelium Capital, and such collateral management activities were determined to be the activities that most significantly impacted the economic performance of the entity. The Collateral Manager can be replaced either by cause by the entity’s administrative agent in an event of default or by a unanimous vote of the entity’s equity investors, excluding any preference shares held by the collateral managers or its affiliates. Although the Company has an investment in the entity that is potentially significant, because it was determined that the Company did not have the ability to kick out the collateral manager, the Company was not determined to be the primary beneficiary and, hence, not required to consolidate ZAIS CLO 4, Limited. As of June 30, 2015, the Company had invested $8.3 million and $1.8 million through ZAIS and Pelium Capital, respectively.

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The following table shows the classification, carrying value and maximum exposure to loss with respect to the Company's unconsolidated VIEs as of June 30, 2015 (in thousands):

	Unconsolidated Variable Interest Entities					
	LCC	Unsecured Junior Subordinated Debentures	Resource Capital Asset Management CDOs	Investment in ZAIS	Total	Maximum Exposure to Loss
Investment in unconsolidated entities	$39,818	$1,548	$—	$10,228	$51,594	$51,594
Intangible assets	—	—	8,542	—	8,542	$8,542
Total assets	39,818	1,548	8,542	10,228	60,136	
Borrowings	—	51,308	—	—	51,308	N/A
Total liabilities	—	51,308	—	—	51,308	N/A
Net asset (liability)	$39,818	$(49,760)	$8,542	$10,228	$8,828	N/A

As of June 30, 2015, there were no explicit arrangements or implicit variable interests that could require the Company to provide financial support to any of its unconsolidated VIEs.

NOTE 4 - SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental disclosure of cash flow information is summarized for the periods indicated (in thousands):

	For the Six Months Ended June 30,	
	2015	2014
Non-cash investing activities include the following:		
Conversion of linked transaction assets to CMBS (1)	$48,605	$—
Non-cash financing activities include the following:		
Distributions on common stock declared but not paid	$21,426	$26,179
Distributions on preferred stock declared but not paid	$4,078	$4,353
Issuance of restricted stock	$1,158	$646
Conversion of linked transaction liabilities to repurchase agreement borrowings (1)	$33,377	$—

(1) As a result of an accounting standards update adopted on January 1, 2015 (see Note 2), the Company unlinked its previously linked transactions, resulting in non-cash increases in both its CMBS and related repurchase borrowings balances.

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NOTE 5 - INVESTMENT SECURITIES, TRADING

The following table summarizes the Company's structured notes and RMBS that are classified as investment securities, trading and carried at fair value (in thousands). Structured notes are CLO debt securities collateralized by syndicated bank loans, and RMBS is a type of mortgage-backed debt obligation whose cash flows come from residential debt.

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
As of June 30, 2015:				
Structured notes	$32,519	$3,027	$(2,866)	$32,680
RMBS	1,896	—	(1,896)	—
Total	$34,415	$3,027	$(4,762)	$32,680
As of December 31, 2014:				
Structured notes	$22,876	$1,098	$(3,188)	$20,786
RMBS	1,896	—	(1,896)	—
Total	$24,772	$1,098	$(5,084)	$20,786

The Company sold ten and one securities during the six months ended June 30, 2015 and 2014, for a net realized gain of approximately $621,000 and $379,000, respectively. The Company held 47 and 37 investment securities, trading as of June 30, 2015 and December 31, 2014, respectively.

NOTE 6 - INVESTMENT SECURITIES AVAILABLE-FOR-SALE

The following table summarizes the Company's investment securities, including those pledged as collateral and classified as available-for-sale, which are carried at fair value (in thousands):

	Amortized Cost (1)	Unrealized Gains	Unrealized Losses	Fair Value
As of June 30, 2015:				
CMBS	$181,399	$5,114	$(1,191)	$185,322
RMBS	2,422	112	(60)	2,474
ABS	55,039	8,755	(553)	63,241
Corporate bonds	2,419	5	(33)	2,391
Total	$241,279	$13,986	$(1,837)	$253,428
As of December 31, 2014:				
CMBS	$168,669	$4,938	$(3,202)	$170,405
RMBS	29,814	937	—	30,751
ABS	55,617	16,876	(336)	72,157
Corporate bonds	2,415	10	(18)	2,407
Total	$256,515	$22,761	$(3,556)	$275,720

(1) As of June 30, 2015 and December 31, 2014, $170.9 million and $197.8 million, respectively, of investment securities available-for-sale were pledged as collateral under related financings.

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The following table summarizes the estimated maturities of the Company's CMBS, RMBS, ABS and corporate bonds according to their estimated weighted average life classifications (in thousands, except percentages):

Weighted Average Life	Fair Value		Amortized Cost	Weighted Average Coupon
As of June 30, 2015:				
Less than one year	$108,353	(1)	$ 107,588	6.72%
Greater than one year and less than five years	95,677		88,814	6.94%
Greater than five years and less than ten years	17,522		16,245	13.43%
Greater than ten years	31,876		28,632	9.05%
Total	$253,428		$ 241,279	7.56%
As of December 31, 2014:				
Less than one year	$78,095	(1)	$ 79,649	4.13%
Greater than one year and less than five years	115,302		100,909	4.64%
Greater than five years and less than ten years	20,177		17,516	16.45%
Greater than ten years	62,146		58,441	7.86%
Total	$275,720		$ 256,515	6.08%

(1) The Company expects that the maturity dates of these CMBS and ABS will either be extended or that they will be paid in full.

At June 30, 2015, the contractual maturities of the CMBS investment securities available-for-sale range from July 2015 to December 2022. The contractual maturity date of RMBS investment securities available-for-sale is September 2026. The contractual maturities of the ABS investment securities available-for-sale range from October 2015 to October 2050. The contractual maturities of the corporate bond investment securities available-for-sale range from May 2016 to December 2019.

The following table shows the fair value, gross unrealized losses and number of securities aggregated by investment category and length of time, that individual investment securities available-for-sale have been in a continuous unrealized loss position during the periods specified (in thousands, except number of securities):

	Less than 12 Months			More than 12 Months			Total		
	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses	Number of Securities
As of June 30, 2015:									
CMBS	$31,158	$(246)	24	$18,989	$(945)	10	$50,147	$(1,191)	34
ABS	3,258	(524)	11	691	(29)	2	3,949	(553)	13
Corporate bonds	—	—	—	1,435	(33)	1	1,435	(33)	1
RMBS	1,132	(60)	2	—	—	—	1,132	(60)	2
Total temporarily impaired securities	$35,548	$(830)	37	$21,115	$(1,007)	13	$56,663	$(1,837)	50
As of December 31, 2014:									

CMBS	$35,860	$(555	) 22	$25,583	$(2,647	) 13	$61,443	$(3,202	) 35
ABS	1,000	(278	) 8	958	(58	) 3	1,958	(336	) 11
Corporate bonds	1,447	(18	) 1	—	—	—	1,447	(18	) 1
Total temporarily impaired securities	$38,307	$(851	) 31	$26,541	$(2,705	) 16	$64,848	$(3,556	) 47

The unrealized losses in the above table are considered to be temporary impairments due to market factors and are not reflective of credit deterioration.

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During the six months ended June 30, 2015 and 2014, the Company did not recognize any other-than-temporary impairment on its investment securities available-for-sale.
The following table summarizes the Company's sales of investment securities available-for-sale (in thousands, except number of securities):

	For the Three Months Ended		
	Positions Sold	Par Amount Sold	Realized Gain (Loss)
June 30, 2015:			
ABS	3	$3,626	$1,838
RMBS	6	$28,305	$984
June 30, 2014:			
CMBS	3	$15,970	$480

The amounts above do not include redemptions. During the three and six months ended June 30, 2015, the Company did not redeem any corporate bond positions. During the three and six months ended June 30, 2014, the Company had one corporate bond position redeemed with a total par value of $630,000, and recognized a loss of approximately $1,000. In addition, during the three and six months ended June 30, 2015, the Company redeemed one ABS position with a total par value of $400,000, and recognized a gain of $2,900. During the three and six months ended June 30, 2014, the Company had one ABS position redeemed with a total par of $2.5 million, and recognized a gain of $25,500.

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NOTE 7 - LOANS
The following is a summary of the Company's loans (in thousands):

Loan Description	Principal	Unamortized (Discount) Premium, net (1)	Carrying Value (2)
As of June 30, 2015:			
Commercial real estate loans:			
Whole loans	$1,510,814	$(8,211)	$1,502,603
B notes	16,026	(29)	15,997
Mezzanine loans	54,821	1	54,822
Total commercial real estate loans	1,581,661	(8,239)	1,573,422
Bank loans	182,338	(581)	181,757
Middle market loans	331,822	(827)	330,995
Residential mortgage loans, held for investment	3,030	—	3,030
Subtotal loans before allowances	2,098,851	(9,647)	2,089,204
Allowance for loan loss	(46,319)	—	(46,319)
Total loans held for investment, net of allowances	2,052,532	(9,647)	2,042,885
Bank loans held for sale	6,028	—	6,028
Residential mortgage loans held for sale, at fair value (3)	105,094	—	105,094
Total loans held for sale	111,122	—	111,122
Total loans, net	$2,163,654	$(9,647)	$2,154,007
As of December 31, 2014:			
Commercial real estate loans:			
Whole loans	$1,271,121	$(7,529)	$1,263,592
B notes	16,120	(48)	16,072
Mezzanine loans	67,446	(80)	67,366
Total commercial real estate loans	1,354,687	(7,657)	1,347,030
Bank loans	332,058	(1,410)	330,648
Middle market loans	250,859	(746)	250,113
Residential mortgage loans, held for investment	2,802	—	2,802
Subtotal loans before allowances	1,940,406	(9,813)	1,930,593
Allowance for loan loss	(4,613)	—	(4,613)
Total loans held for investment, net of allowances	1,935,793	(9,813)	1,925,980
Bank loans held for sale	282	—	282
Residential mortgage loans held for sale, at fair value (3)	111,454	—	111,454
Total loans held for sale	111,736	—	111,736
Total loans, net	$2,047,529	$(9,813)	$2,037,716

(1) Amounts include deferred amendment fees of $53,000 and $88,000 and deferred upfront fees of $27,000 and $82,000 being amortized over the life of the bank loans as of June 30, 2015 and December 31, 2014, respectively. Amounts also include loan origination fees of $8.2 million and $7.6 million as of June 30, 2015 and December 31, 2014, respectively.

(2) Substantially all loans are pledged as collateral under various borrowings at June 30, 2015 and December 31, 2014, respectively.

(3) Residential mortgage loans held for sale, at fair value, consisted of $64.8 million and $40.3 million of agency-conforming and jumbo mortgage loans, respectively, as of June 30, 2015. Residential mortgage loans held for sale, at fair value, consisted of $28.9 million and $82.6 million of agency-conforming and jumbo mortgage loans, respectively, as of December 31, 2014.

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Commercial Real Estate Loans
The following is a summary of the Company's commercial real estate loans held for investment (in thousands):

Description	Quantity	Amortized Cost	Contracted Interest Rates	Maturity Dates[3]
As of June 30, 2015:				
Whole loans, floating rate [1] [4] [6]	83	$ 1,502,603	LIBOR plus 1.75% to LIBOR plus 15.00%	July 2015 to February 2019
B notes, fixed rate	1	15,997	8.68%	April 2016
Mezzanine loans, fixed rate [7]	3	54,822	9.01% to 16.00%	January 2016 to September 2016
Total [2]	87	$ 1,573,422		
As of December 31, 2014:				
Whole loans, floating rate[1] [5] [6]	73	$ 1,263,592	LIBOR plus 1.75% to LIBOR plus 15.00%	May 2015 to February 2019
B notes, fixed rate	1	16,072	8.68%	April 2016
Mezzanine loans, floating rate	1	12,558	LIBOR plus 15.32%	April 2016
Mezzanine loans, fixed rate	3	54,808	0.50% to 18.71%	January 2016 to September 2019
Total [2]	78	$ 1,347,030		

(1) Whole loans had $104.5 million and $105.1 million in unfunded loan commitments as of June 30, 2015 and December 31, 2014, respectively. These unfunded commitments are advanced as the borrowers formally request additional funding as permitted under the loan agreement and any necessary approvals have been obtained.

(2) Totals do not include allowance for loan losses of $42.1 million and $4.0 million as of June 30, 2015 and December 31, 2014, respectively.

(3) Maturity dates do not include possible extension options that may be available to the borrowers. Additionally, the whole loan set to mature in July 2015 paid off in full in July 2015.

(4) Includes two whole loans with a combined $12.3 million mezzanine component that have fixed rates of 12.0%, and two whole loans with a combined $4.2 million mezzanine component that have fixed rates of 15.0%, as of June 30, 2015.

(5) Includes two whole loans with a combined $12.0 million mezzanine component that have fixed rates of 12.0%, and two whole loans with a combined $4.2 million mezzanine component that have fixed rates of 15.0%, as of December 31, 2014.

(6) Includes a $799,000 junior mezzanine tranche of a whole loan that has a fixed rate of 10.0% as of June 30, 2015 and December 31, 2014.

(7) Contracted interest rates and maturity dates do not include rates or maturity dates associated with one loan with an amortized cost of $38.1 million that was fully reserved as of June 30, 2015. The Company does not accrue interest on this loan as June 30, 2015.

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The following is a summary of the weighted average maturity of the Company's commercial real estate loans, at amortized cost (in thousands):

Description	2015	2016	2017 and Thereafter	Total
As of June 30, 2015				
B notes	$—	$15,997	$—	$15,997
Mezzanine loans	—	16,750	38,072	54,822
Whole loans	3,250	27,691	1,471,662	1,502,603
Total (1)	$3,250	$60,438	$1,509,734	$1,573,422

As of December 31, 2014:	2015	2016	2017 and Thereafter	Total
B notes	$—	$16,072	$—	$16,072
Mezzanine loans	—	16,736	50,630	67,366
Whole loans	—	27,665	1,235,927	1,263,592
Total (1)	$—	$60,473	$1,286,557	$1,347,030

(1) Weighted average maturity of commercial real estate loans assumes full exercise of extension options available to borrowers.

At June 30, 2015 and December 31, 2014, approximately 22.7% and 27.4%, respectively, of the Company's commercial real estate loan portfolio was concentrated in California; approximately 6.2% and 7.3%, respectively, in Arizona, and approximately 28.8% and 27.3%, respectively, in Texas.

Bank Loans

At June 30, 2015, the Company's bank loan portfolio, including loans held for sale, consisted of $186.8 million (net of allowance of $997,000) of floating rate loans, which bear interest ranging between the three month London Interbank Offered Rate ("LIBOR") plus 1.50% and the three month LIBOR plus 8.50% with maturity dates ranging from July 2015 to February 2024.

At December 31, 2014, the Company's bank loan portfolio, including loans held for sale, consisted of $330.4 million (net of allowance of $570,000) of floating rate loans, which bear interest ranging between the three month LIBOR plus 1.25% and the three month LIBOR plus 8.75% with maturity dates ranging from January 2015 to February 2024.

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The following table provides information as to the lien position and status of the Company's bank loans, at amortized cost (in thousands):

	Apidos I	Apidos III	Apidos Cinco	Total
As of June 30, 2015:				
Loans held for investment:				
First lien loans	$—	$—	$179,219	$179,219
Second lien loans	—	—	2,064	2,064
Third lien loans	—	—	—	—
Defaulted first lien loans	—	—	215	215
Defaulted second lien loans	—	—	259	259
Total	—	—	181,757	181,757
First lien loans held for sale at fair value	154	1,358	4,516	6,028
Total	$154	$1,358	$186,273	$187,785
As of December 31, 2014:				
Loans held for investment:				
First lien loans	$153	$80,196	$245,377	$325,726
Second lien loans	—	—	3,572	3,572
Third lien loans	—	—	—	—
Defaulted first lien loans	—	—	—	—
Defaulted second lien loans	—	971	379	1,350
Total	153	81,167	249,328	330,648
First lien loans held for sale at fair value	—	—	282	$282
Total	$153	$81,167	$249,610	$330,930

The following is a summary of the weighted average maturity of the Company’s bank loans, at amortized cost and loans held-for-sale, at the lower of cost or market (in thousands):

	June 30, 2015	December 31, 2014
Less than one year	$6,580	$7,829
Greater than one year and less than five years	175,208	274,332
Five years or greater	5,997	48,769
	$187,785	$330,930

At June 30, 2015 approximately 11.8%, 10.9% and 10.3%, of the Company’s bank loan portfolio was concentrated in the collective industry grouping of diversified/conglomerate service, automobile and healthcare, education and childcare, respectively. At December 31, 2014, approximately 11.7%, 8.5% and 17.5% of the Company’s bank loan portfolio was concentrated in the collective industry grouping of diversified/conglomerate service, automobile and healthcare, education and childcare, respectively.

Middle Market Loans

At June 30, 2015, the Company’s middle market loan portfolio consisted of $327.8 million (net of allowance of $3.2 million) of floating rate loans, which bear interest ranging between the one or three month LIBOR plus 5.50% and one or three month LIBOR plus 11.75% with maturity dates ranging from December 2016 to May 2023.

At December 31, 2014, the Company’s middle market loan portfolio consisted of $250.1 million of floating rate loans, which bore interest ranging between the three month LIBOR plus 5.50% and the three month LIBOR plus 9.25% with maturity dates ranging from December 2016 to November 2022.

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The following table provides information as to the lien position and status of middle market loans, at amortized cost (in thousands):

	June 30, 2015	December 31, 2014
First Lien	$218,013	$149,287
Second Lien	108,026	100,826
First Lien Defaulted	—	—
Second Lien Defaulted	4,956	—
	$330,995	$250,113

The following is a summary of the weighted average maturity of the Company’s middle market loans, at amortized cost (in thousands):

	June 30, 2015	December 31, 2014
Less than one year	$—	$—
Greater than one year and less than five years	191,670	132,353
Five years or greater	139,325	117,760
	$330,995	$250,113

At June 30, 2015 and December 31, 2014, approximately 12.3% and 2.8%, respectively, of the Company's middle market loan portfolio was concentrated in the collective industry grouping of diversified and conglomerate service and 11.2% and 13.7%, respectively, of the Company's middle market loan portfolio was concentrated in the collective industry grouping of personal, food and miscellaneous service.

The following is a summary of the allocation of the allowance for loan loss with respect to the Company's loans (in thousands, except percentages) by asset class:

Description	Allowance for Loan Loss	Percentage of Total Allowance
As of June 30, 2015:		
B notes	$20	0.04%
Mezzanine loans	38,145	82.36%
Whole loans	3,950	8.53%
Bank loans	997	2.15%
Middle market loans	3,207	6.92%
Total	$46,319	
As of December 31, 2014:		
B notes	$55	1.19%
Mezzanine loans	230	4.99%
Whole loans	3,758	81.46%
Bank loans	570	12.36%
Total	$4,613	

Principal paydown receivables represent the portion of the Company's loan portfolio for which indication has been provided through its various servicers, trustees, or its asset management group that a payoff or paydown of a loan has been received but which, as of period end, the Company has not received and applied to the outstanding loan balance. At June 30, 2015, principal paydown receivables relating to the Company's commercial real estate loan portfolio totaled $11.5 million, the entirety of which the Company received in cash in July 2015. At December 31, 2014, principal paydown receivables relating to the Company's commercial real estate loan portfolio totaled $40.9 million, the entirety of which the Company received in cash during January 2015.

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During the quarter ended June 30, 2015, approximately 43.8% of the Company's residential mortgage loans were originated in Georgia, 10.7% in Virgina, 9.8% in Utah, 5.0% in Florida, and 4.8% in North Carolina. During the year ended December 31, 2014, approximately 56.0% of the Company's residential mortgage loans were originated in Georgia, 8.0% in Utah, 7.0% in Virginia, 5.0% in Alabama, and 4.0% in Tennessee.

NOTE 8 - INVESTMENTS IN UNCONSOLIDATED ENTITIES

The following table shows the Company's investments in unconsolidated entities as of June 30, 2015 and December 31, 2014 and equity in earnings of unconsolidated subsidiaries for the three and six months ended June 30, 2015 and 2014 (in thousands):

				Equity in Earnings of Unconsolidated subsidiaries			
	Ownership %	Balance as of June 30, 2015	Balance as of December 31, 2014	For the three months ended June 30, 2015	For the six months ended June 30, 2015	For the three months ended June 30, 2014	For the six months ended June 30, 2014
Varde Investment Partners, L.P	7.5%	$654	$654	$—	$—	$(19)	$(20)
RRE VIP Borrower, LLC (1)	3% to 5%	—	—	—	46	870	1,736
Investment in LCC Preferred Stock	28.4%	39,819	39,416	350	402	(278)	(872)
Investment in CVC Global Credit Opportunities Fund (2)	17.4%	14,129	18,209	312	920	1,124	1,958
Investment in Life Care Funding (3)	60.7%	—	—	—	—	—	(75)
Investment in School Lane House (1)		—	—	—	—	65	1,049
Subtotal		54,602	58,279	662	1,368	1,762	3,776
Investment in RCT I and II (4)	3.0%	1,548	1,548	(602)	(1,195)	(594)	(1,184)
Investment in Preferred Equity (1) (5)		—	—	—	—	167	244
Total		$56,150	$59,827	$60	$173	$1,335	$2,836

(1) Investment in School Lane House, Investment in RRE VIP Borrower and the Investment in Preferred Equity were sold or repaid as of December 31, 2014.
(2) In March 2015, the Company elected a partial redemption of $5.0 million from the fund.

(3) In January 2013, LTCC invested $2.0 million into LCF for the purpose of originating and acquiring life settlement contracts. In February 2014, the Company invested an additional $1.4 million which resulted in the consolidation of LCF during the first quarter of 2014. Ownership percentage represents ownership after consolidation.

(4) For the three and six months ended June 30, 2015 and 2014, these amounts are recorded in interest expense on the Company's consolidated statements of operations.

(5) For the three and six months ended June 30, 2014, these amounts are recorded in interest income on loans on the Company's consolidated statements of operations.

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NOTE 9 - FINANCING RECEIVABLES

The following tables show the allowance for loan losses and recorded investments in loans for the years indicated (in thousands):

	Commercial Real Estate Loans	Bank Loans	Middle Market Loans	Residential Mortgage Loans	Loans Receivable-Related Party	Total
As of June 30, 2015:						
Allowance for Loan Losses:						
Allowance for losses at January 1, 2015	$4,043	$570	$—	$—	$ —	$4,613
Provision (recovery) for loan losses	38,072	1,734	3,320	(110)	(216)	42,800
Loans charged-off	—	(1,307)	(113)	110	216	(1,094)
Recoveries	—	—	—	—	—	—
Allowance for losses at June 30, 2015	$42,115	$997	$3,207	$—	$ —	$46,319
Ending balance:						
Individually evaluated for impairment	$40,275	$257	$3,207	$—	$ —	$43,739
Collectively evaluated for impairment	$1,840	$740	$—	$—	$ —	$2,580
Loans acquired with deteriorated credit quality	$—	$—	$—	$—	$ —	$—
Loans:						
Ending balance:						
Individually evaluated for impairment	$128,927	$474	$330,995	$—	$ —	$460,396
Collectively evaluated for impairment	$1,444,495	$181,283	$—	$3,030	$ —	$1,628,808
Loans acquired with deteriorated credit quality	$—	$—	$—	$—	$ —	$—
As of December 31, 2014:						
Allowance for Loan Losses:						
Allowance for losses at January 1, 2014	$10,416	$3,391	$—	$—	$ —	$13,807
Provision for loan losses	(3,758)	4,173	92	—	1,297	1,804
Loans charged-off	(2,615)	(6,994)	(92)	—	(1,297)	(10,998)
Allowance for losses at December 31, 2014	$4,043	$570	$—	$—	$ —	$4,613
Ending balance:						
Individually evaluated for impairment	$—	$570	$—	$—	$ —	$570

Collectively evaluated for impairment	$4,043	$—	$—	$—	$ —	$4,043
Loans acquired with deteriorated credit quality	$—	$—	$—	$—	$ —	$—
Loans:						
Ending balance:						
Individually evaluated for impairment	$166,180	$1,350	$250,113	$—	$ 1,277	$418,920
Collectively evaluated for impairment	$1,180,850	$329,580	$—	$2,802	$ —	$1,513,232
Loans acquired with deteriorated credit quality	$—	$—	$—	$—	$ —	$—

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Credit quality indicators
Bank Loans
The Company uses a risk grading matrix to assign grades to bank loans. Loans are graded at inception and updates to assigned grades are made continually as new information is received. Loans are graded on a scale of 1-5 with 1 representing the Company's highest rating and 5 representing its lowest rating. A loan with a rating of a 1 is considered performing within expectations, a loan with a rating of a 2 is considered watching closely with limited liquidity concerns, a loan with a rating of a 3 is considered to have possible future liquidity concerns, a loan with a rating of a 4 is considered to have nearer term liquidity concerns, and a loan with a rating of a 5 has defaulted. The Company also designates loans that are sold after the period end as held for sale at the lower of their fair market value or cost, net of any allowances and costs associated with the loan sales. The Company considers metrics such as performance of the underlying company, liquidity, collectability of interest, enterprise valuation, default probability, ratings from rating agencies and industry dynamics in grading its bank loans.
Credit risk profiles of bank loans were as follows (in thousands):

	Rating 1	Rating 2	Rating 3	Rating 4	Rating 5	Held for Sale	Total
As of June 30, 2015:							
Bank loans	$162,007	$12,577	$4,249	$2,450	$474	$6,028	$187,785
As of December 31, 2014:							
Bank loans	$291,214	$32,660	$5,424	$—	$1,350	$282	$330,930

All of the Company's bank loans were current with respect to debt service with the exception of two loans with an aggregate amortized cost of $474,000 as of June 30, 2015. As of December 31, 2014, all of the Company's bank loans were current with respect to debt service with the exception of two loans with an amortized aggregate cost of $1.4 million, one of which defaulted as of March 31, 2014 and the other of which defaulted as of September 30, 2014.
Middle Market Loans
The Company uses a risk grading matrix to assign grades to middle market loans. At inception, all middle market loans are graded at a 2 and updates to assigned grades are made continually as new information is received. Loans are graded on a scale of 1-5 with 1 representing the Company's highest rating and 5 representing its lowest rating. A loan with a rating of a 1 is considered performing above expectations, a loan with a rating of a 2 is considered performing within expectations, a loan with a rating of a 3 is considered performing below expectations and requires close monitoring but no loss of interest or principal is expected, a loan with a rating of a 4 is considered to performing below expectations and some loss of interest or dividend is expected but no loss of principal, and a loan with a rating of a 5 is considered performing substantially below expectations, in default and some loss of principal is expected. The Company considers metrics such as performance of the underlying company, liquidity, collectability of interest and principal payments, enterprise valuation, default probability, and industry dynamics in grading its middle market loans.
Credit risk profiles of middle market loans were as follows (in thousands):

	Rating 1	Rating 2	Rating 3	Rating 4	Rating 5	Held for Sale	Total
As of June 30, 2015:							
Middle market loans	$19,225	$292,983	$13,831	$—	$4,956	$—	$330,995
As of December 31, 2014:							

Middle market loans	$—	$240,245	$9,868	$—	$—	$—	$250,113

As of June 30, 2015, one loan was in default with a risk rating of a 5. The rest of the Company's portfolio is current with respect to debt service. All of the Company’s middle market loans were current with respect to debt service as of December 31, 2014.

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Commercial Real Estate Loans

The Company uses a risk grading matrix to assign grades to commercial real estate loans. Loans are graded at inception and updates to assigned grades are made continually as new information is received. Loans are graded on a scale of 1-4 with 1 representing the Company’s highest rating and 4 representing its lowest rating. A loan with a rating of a 1 is considered to have satisfactory performance with no issues noted. A loan is graded with a rating of a 2 if a surveillance trigger event has occurred without mitigating circumstance to support such event. These loans are closely monitored and evaluated for possible migration to rating 3. A loan with a rating of 3 has experienced an extended decline in operating performance, a significant deviation from its origination plan or the occurrence of one or more surveillance trigger events which create an increased risk for potential default. A loan with a rating of a 4 is considered to be in default or that default is imminent and full recovery of the unpaid principal balance is improbable. The Company also designates loans that are sold after the period end at the lower of their fair market value or cost, net of any allowances and costs associated with the loan sales. In addition to the underlying performance of the loan collateral, the Company considers metrics such as the strength of underlying sponsorship, payment history, collectability of interest, structural credit enhancements, market trends and loan terms in grading its commercial real estate loans.

During the quarter ended June 30, 2015, the Company recorded an allowance for loan loss on a subordinated mezzanine loan position that was acquired in 2007. The outstanding loan balance of $38.1 million was fully reserved and associated accrued interest of $3.0 million was reversed against interest income, for a total charge to operations of $41.1 million. The loan was originally supported by a portfolio of 13 hotel properties, most of which were luxury brand hotels. An impairment analysis showed that the fair value of the underlying collateral declined from that as of March 31, 2015. Contributing to this decline was a modification of the senior mortgage that accelerated the time horizon for disposing of the three remaining properties collateralizing the loan. Compounding this fact, the remaining three luxury brand hotel properties securing the loan are located in or near San Juan, Puerto Rico, and recent economic and credit disruptions in Puerto Rico resulted in events that caused the Company to determine that realizable values had declined rapidly and that the troubled debt restructuring should be fully reserved as of June 30, 2015.

Credit risk profiles of commercial real estate loans were as follows (in thousands):

	Rating 1	Rating 2	Rating 3	Rating 4	Held for Sale	Total
As of June 30, 2015						
Whole loans	$1,467,901	$32,500	$—	$2,202	$—	$1,502,603
B notes	15,997	—	—	—	—	15,997
Mezzanine loans	16,750	—	—	38,072	—	54,822
	$1,500,648	$32,500	$—	$40,274	$—	$1,573,422
As of December 31, 2014:						
Whole loans	$1,231,092	$32,500	$—	$—	$—	$1,263,592
B notes	16,072	—	—	—	—	16,072
Mezzanine loans	45,432	21,934	—	—	—	67,366
	$1,292,596	$54,434	$—	$—	$—	$1,347,030

The Company had no delinquent commercial real estate loans as of June 30, 2015 and December 31, 2014.

Residential Mortgage Loans

Residential mortgage loans are reviewed periodically for collectability in light of historical experience, the nature and amount of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing underlying conditions. The Company also designates loans that are sold after the period end as held for sale at the lower of their fair market value or cost.

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Loans Receivable - Related Party
The Company recorded a recovery on loan losses of $216,000 during the six months ended June 30, 2015 for provisions recorded during the year ended December 31, 2014. During the year ended December 31, 2014, the Company recorded a provision for loan losses on one related-party loan of $1.3 million before extinguishing the loan and bringing direct financing leases in the amount of $2.1 million onto the Company's books in lieu of cash settlement of the loan receivable.
Loan Portfolios Aging Analysis
The following table shows the loan portfolio aging analysis as of the dates indicated at amortized cost (in thousands):

	30-59 Days	60-89 Days	Greater than 90 Days	Total Past Due	Current (3)	Total Loans Receivable	Total Loans > 90 Days and Accruing
As of June 30, 2015:							
Whole loans	$—	$—	$—	$—	$1,502,603	$1,502,603	$—
B notes	—	—	—	—	15,997	15,997	—
Mezzanine loans	—	—	—	—	54,822	54,822	—
Bank loans (1)	—	—	474	474	187,311	187,785	—
Middle market loans	—	4,956	—	4,956	326,039	330,995	—
Residential mortgage loans (2)	—	80	116	196	107,928	108,124	—
Total loans	$—	$5,036	$590	$5,626	$2,194,700	$2,200,326	$—
As of December 31, 2014:							
Whole loans	$—	$—	$—	$—	$1,263,592	$1,263,592	$—
B notes	—	—	—	—	16,072	16,072	—
Mezzanine loans	—	—	—	—	67,366	67,366	—
Bank loans (1)	—	—	1,350	1,350	329,580	330,930	—
Middle market loans	—	—	—	—	250,113	250,113	—
Residential mortgage loans (2)	443	82	119	644	113,612	114,256	—
Loans receivable- related party	—	—	—	—	1,277	1,277	—
Total loans	$443	$82	$1,469	$1,994	$2,041,612	$2,043,606	$—

(1) Contains $6.0 million and $282,000 of bank loans held for sale at June 30, 2015 and December 31, 2014, respectively.
(2) Contains $105.1 million and $111.5 million of residential mortgage loans held for sale at June 30, 2015 and December 31, 2014, respectively.
(3) Current loans include one impaired mezzanine loan and one impaired whole loan with amortized costs of $38.1 million and $2.2 million, respectively, that were both fully reserved as of June 30, 2015.

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Impaired Loans

The following tables show impaired loans as of the dates indicated (in thousands):

	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment in Impaired Loans	Interest Income Recognized
As of June 30, 2015:					
Loans without a specific valuation allowance:					
Whole loans	$128,927	$128,927	$—	$128,520	$14,606
B notes	$—	$—	$—	$—	$—
Mezzanine loans	$—	$—	$—	$—	$—
Bank loans	$—	$—	$—	$—	$—
Middle market loans	$—	$—	$—	$—	$—
Residential mortgage loans	$3,030	$3,030	$—	$2,818	$81
Loans receivable - related party	$—	$—	$—	$—	$—
Loans with a specific valuation allowance:					
Whole loans	$2,202	$2,202	$(2,202)	$2,202	$26
B notes	$—	$—	$—	$—	$—
Mezzanine loans	$38,072	$38,072	$(38,072)	$38,072	$—
Bank loans	$474	$474	$(257)	$237	$—
Middle market loans	$4,956	$4,956	$(3,207)	$4,956	$—
Residential mortgage loans	$—	$—	$—	$—	$—
Loans receivable - related party	$—	$—	$—	$—	$—
Total:					
Whole loans	$131,129	$131,129	$(2,202)	$130,722	$14,632
B notes	—	—	—	—	—
Mezzanine loans	38,072	38,072	(38,072)	38,072	—
Bank loans	474	474	(257)	237	—
Middle market loans	4,956	4,956	(3,207)	4,956	—
Residential mortgage loans	3,030	3,030	—	2,818	81
Loans receivable - related party	—	—	—	—	—
	$177,661	$177,661	$(43,738)	$176,805	$14,713
As of December 31, 2014:					
Loans without a specific valuation allowance:					
Whole loans	$128,108	$128,108	$—	$130,445	$12,679
B notes	$—	$—	$—	$—	$—
Mezzanine loans	$38,072	$38,072	$—	$38,072	$2,859
Bank loans	$—	$—	$—	$—	$—
Middle market loans	$—	$—	$—	$—	$—
Residential mortgage loans	$2,082	$2,082	$—	$2,082	$148

Loans receivable - related party	$—	$—	$—	$—	$—
Loans with a specific valuation allowance:					

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Whole loans	$—	$—	$—	$—	$—
B notes	$—	$—	$—	$—	$—
Mezzanine loans	$—	$—	$—	$—	$—
Bank loans	$1,350	$1,350	$(570)	$—	$—
Middle market loans	$—	$—	$—	$—	$—
Residential mortgage loans	$—	$—	$—	$—	$—
Loans receivable - related party	$—	$—	$—	$—	$—
Total:					
Whole loans	$128,108	$128,108	$—	$130,445	$12,679
B notes	—	—	—	—	—
Mezzanine loans	38,072	38,072	—	38,072	2,859
Bank loans	1,350	1,350	(570)	—	—
Middle market loans	—	—	—	—	—
Residential mortgage loans	2,082	2,082	—	2,082	148
Loans receivable - related party	—	—	—	—	—
	$169,612	$169,612	$(570)	$170,599	$15,686

Troubled-Debt Restructurings

The following tables show troubled-debt restructurings in the Company's loan portfolio (in thousands):

	Number of Loans	Pre-Modification Outstanding Recorded Balance	Post-Modification Outstanding Recorded Balance
Six Months Ended June 30, 2015			
Whole loans	2	$67,459	$67,459
B notes	—	—	—
Mezzanine loans	1	38,072	0
Bank loans	—	—	—
Middle market loans	—	—	—
Residential mortgage loans	—	—	—
Loans receivable - related party	—	—	—
Total loans	3	$105,531	$67,459

The Company had no troubled-debt restructurings during the six months ended June 30, 2014. As of June 30, 2015 and 2014, there were no commercial real estate loan troubled-debt restructurings that subsequently defaulted.

NOTE 10 - BUSINESS COMBINATIONS

On February 26, 2014, the Company made an additional capital contribution to LCF which gave the Company majority ownership at 50.2%. As a result, the Company began consolidating the LCF joint venture. The joint venture was established for the purpose of originating and acquiring life settlement contracts through a financing facility. On April 30, 2015, the Company committed to another capital contribution in the amount of $750,000 increasing its ownership of LCF to 60.7%. The first installment of $375,000 was funded on April 30, 2015 and the second installment of $375,000 was funded on July 30, 2015.

The Company engaged a third party expert to assist in determining the fair values of the assets and liabilities assumed on this investment. Based on the final valuation, which determined an enterprise value of LCF of approximately $4.1 million, and in accordance with FASB ASC Topic 805, the Company confirmed that no further adjustments are necessary.

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NOTE 11 - INTANGIBLE ASSETS

The following table summarizes the activity of intangible assets for the period indicated (in thousands):

	Management Contracts	Wholesale/Correspondent Relationships	Mortgage Servicing Rights	Total
Balance, January 1, 2015	$9,434	$ 302	$8,874	$18,610
Additions	—	—	8,360	8,360
Sales	—	—	—	—
Amortization	(892)	(127)	(1,831)	(2,850)
Total before impairment adjustment	8,542	175	15,403	24,120
Temporary impairment adjustment	—	—	250	250
Balance, June 30, 2015	$8,542	$ 175	$15,653	$24,370

For the three and six months ended June 30, 2015, the Company recorded amortization expense of $513,000 and $1.0 million, respectively, in relation to the Company's management contracts and wholesale/correspondent relationships. For the three and six months ended June 30, 2014, the Company recorded amortization expense of $512,000 and $1.0 million, respectively. The Company expects to record amortization expense on its management contracts and wholesale/correspondent relationships of approximately $2.0 million for the year ending December 31, 2015, $1.8 million for the year ending December 31, 2016, $1.8 million for the year ending December 31, 2017, $1.6 million for the year ending 2018, and $1.0 million for the year ending December 31, 2019. The weighted average amortization period was 6.2 years and 6.6 years at June 30, 2015 and December 31, 2014, respectively.

Management Contracts and Wholesale/Correspondent Relationships

The Company recognized fee income on management contracts and wholesale/correspondent relationships of $896,000 and $1.9 million for the three and six months ended June 30, 2015, respectively, and $1.1 million and $2.8 million for the three and six months ended June 30, 2014, respectively.

For the three and six months ended June 30, 2015, the Company recognized $1.0 million and $1.8 million, respectively, of amortization expense related to mortgage servicing rights. For the three and six months ended June 30, 2014, the Company recognized $396,000 and $652,000, respectively. The Company expects to recognize amortization related to its mortgage servicing rights portfolio in the amount of $3.5 million for the year ending December 31, 2015, $3.4 million for the year ending December 31, 2016, $3.3 million for the year ending December 31, 2017, $3.1 million for the year ending December 31, 2018, and $2.5 million for the year ending December 31, 2019. The weighted average amortization period was 1.2 years and 1.4 years at June 30, 2015 and December 31, 2014, respectively.

Mortgage Servicing Rights

Through the Company's wholly-owned residential mortgage originator PCM, residential mortgage loans are sold through one of the following methods: (i) sales to or pursuant to programs sponsored by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and Government National Mortgage Association, or (ii) sales to private investors. The Company may have continuing involvement in mortgage loans sold by retaining servicing rights and servicing obligations.

The total servicing portfolio consists of loans associated with capitalized mortgage servicing rights (“MSRs”) and loans held for sale. The total servicing portfolio was $1.4 billion and $894.8 million as of June 30, 2015 and December 31, 2014. MSRs recorded in the Company's consolidated balance sheets are related to the capitalized servicing portfolio and are created through the sale of originated loans.

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The activity in the loan servicing portfolio associated with capitalized servicing rights consisted of the following (in thousands):

	June 30, 2015	December 31, 2014
Balance, beginning of period	$894,767	$433,153
Additions	633,511	519,915
Payoffs, sales and curtailments	(79,666)	(58,301)
Balance, end of period	$1,448,612	$894,767

The value of MSRs is driven by the net positive, or in some cases net negative, cash flows associated with servicing activities. These cash flows include contractually specified servicing fees, late fees and other ancillary servicing revenue and were recorded within fee income as follows (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
Servicing fees from capitalized portfolio	$911	$336	$1,462	$644
Late fees	$18	$16	$41	$39
Other ancillary servicing revenue	$3	$(1)	$7	$3

NOTE 12 - BORROWINGS

The Company historically has financed the acquisition of its investments, including investment securities and loans, through the use of secured and unsecured borrowings in the form of securitized notes, repurchase agreements, secured term facilities, warehouse facilities, convertible senior notes, senior secured revolving credit agreements and trust preferred securities issuances. Certain information with respect to the Company's borrowings is summarized in the following table (in thousands, except percentages):

	Principal Outstanding	Unamortized Issuance Costs and Discounts	Outstanding Borrowings	Weighted Average Borrowing Rate	Weighted Average Remaining Maturity	Value of Collateral
As of June 30, 2015:						
RREF CDO 2006-1 Senior Notes	$57,205	$—	$57,205	2.28%	31.1 years	$100,062
RREF CDO 2007-1 Senior Notes	125,055	—	125,055	1.19%	31.3 years	247,292
RCC CRE Notes 2013 Senior Notes	148,115	2,329	145,786	2.28%	13.5 years	192,666
RCC 2014-CRE2 Senior Notes	235,344	3,498	231,846	1.48%	16.8 years	348,194
RCC 2015-CRE3 Senior Notes	282,127	3,899	278,228	2.08%	16.7 years	340,076
Apidos Cinco CDO Senior Notes	208,893	—	208,893	0.93%	4.9 years	229,238
Moselle CLO S.A. Securitized Borrowings, at fair value (1)	159	—	159	N/A	N/A	557
Unsecured Junior Subordinated Debentures (2)	51,548	240	51,308	4.20%	21.3 years	—
6.0% Convertible Senior Notes	115,000	5,762	109,238	6.00%	3.4 years	—
8.0% Convertible Senior Notes	100,000	5,170	94,830	8.00%	4.5 years	—
	174,928	1,204	173,724	2.24%	18 days	273,686

CRE - Term Repurchase Facilities (3)						
CMBS - Term Repurchase Facility (4)	29,929	—	29,929	1.38%	18 days	34,330
Residential Mortgage Financing Agreements	96,580	—	96,580	2.74%	62 days	128,465
CMBS - Short Term Repurchase Agreements (5)	77,171	—	77,171	1.71%	20 days	113,381
Senior Secured Revolving Credit Agreement	151,000	3,491	147,509	3.05%	2.2 years	327,681
Total	$1,853,054	$25,593	$1,827,461	2.56%	10.6 years	$2,335,628

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	Principal Outstanding	Unamortized Issuance Costs and Discounts	Outstanding Borrowings	Weighted Average Borrowing Rate	Weighted Average Remaining Maturity	Value of Collateral
As of December 31, 2014:						
RREF CDO 2006-1 Senior Notes	$61,423	$—	$61,423	2.12%	31.6 years	$139,242
RREF CDO 2007-1 Senior Notes	130,340	133	130,207	1.19%	31.8 years	271,423
RCC CRE Notes 2013 Senior Notes	226,840	2,683	224,157	2.11%	14.0 years	249,983
RCC 2014-CRE2 Senior Notes	235,344	3,687	231,657	1.45%	17.3 years	346,585
Apidos CDO III Senior Notes	74,646	—	74,646	1.18%	5.7 years	85,553
Apidos Cinco CDO Senior Notes	255,664	201	255,463	0.81%	5.4 years	272,512
Moselle CLO S.A. Senior Notes, at fair value (6)	63,321	—	63,321	1.49%	5.0 years	93,576
Moselle CLO S.A. Securitized Borrowings, at fair value (1)	5,619	—	5,619	1.49%	5.0 years	—
Unsecured Junior Subordinated Debentures (2)	51,548	343	51,205	4.19%	21.8 years	—
6.0% Convertible Senior Notes	115,000	6,626	108,374	6.00%	3.9 years	—
CRE - Term Repurchase Facilities (3)	207,640	1,958	205,682	2.43%	20 days	297,571
CMBS - Term Repurchase Facility (4)	24,967	—	24,967	1.35%	20 days	30,180
Residential Investments - Term Repurchase Facility (6)	22,248	36	22,212	1.16%	1 day	27,885
Residential Mortgage Financing Agreements (7)	102,576	—	102,576	2.78%	207 days	147,472
CMBS - Short Term Repurchase Agreements (5)	44,225	—	44,225	1.63%	17 days	62,446
Senior Secured Revolving Credit Agreement	113,500	2,363	111,137	2.66%	2.7 years	262,687
Total	$1,734,901	$18,030	$1,716,871	2.09%	10.0 years	$2,287,115

(1) The securitized borrowings were collateralized by the same assets as the Moselle CLO Senior Notes.
(2) Amount represents junior subordinated debentures issued to RCT I and RCT II in May 2006 and September 2006, respectively.
(3) Amounts also include accrued interest expense of $187,000 and $198,000 related to CRE repurchase facilities as of June 30, 2015 and December 31, 2014, respectively.
(4) Amounts also include accrued interest expense of $13,000 and $12,000 related to CMBS repurchase facilities as of June 30, 2015 and December 31, 2014, respectively. Amounts do not reflect CMBS repurchase agreement borrowings that are components of linked transactions as of December 31, 2014.

(5) Amounts also includes accrued interest expense of $39,000 and $31,000 related to CMBS short term repurchase facilities as of June 30, 2015 and December 31, 2014.

(6) The fair value option was elected for the borrowings associated with Moselle CLO. As such, the outstanding borrowings and principal outstanding amounts are stated at fair value. The unpaid principal amounts of these borrowings were $63.3 million at December 31, 2014.

(7) Amount also includes interest expenses of $20,000 related to residential investment repurchase facilities as of December 31, 2014,

Securitizations

The following table sets forth certain information with respect to the Company's securitizations:

Securitization	Closing Date	Maturity Dates	Reinvestment Period End	Total Note Paydowns as of June 30, 2015 (in millions)
RREF CDO 2006-1 Senior Notes	August 2006	August 2046	September 2011	$194.2
RREF CDO 2007-1 Senior Notes	June 2007	September 2046	June 2012	$215.9
RCC CRE Notes 2013 Senior Notes	December 2013	December 2028	N/A	$112.7
RCC 2014-CRE2 Senior Notes	July 2014	April 2032	N/A	$—
RCC 2015-CRE3 Senior Notes	February 2015	March 2032	N/A	$—
Apidos CDO III Senior Notes	May 2006	September 2020	June 2012	$262.5
Apidos Cinco CDO Senior Notes	May 2007	May 2020	May 2014	$113.1
Moselle CLO S.A. Securitized Borrowings	October 2005	January 2020	January 2012	$5.0

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In November 2014, the Company called Moselle CLO S.A, substantially liquidating the securitization's assets. Proceeds from the sale of these assets, plus proceeds from previous sales and paydowns in the CLO, were used to pay down $167.2 million of Senior Notes in full, and $5.0 million of the securitized borrowings as of June 30, 2015.

In June 2015, the Company called Apidos CDO III, substantially liquidating the securitization's assets. Proceeds from the sale of these assets, plus proceeds from previous sales and paydowns in the CDO, were used to pay down the securitization's $262.5 million of Senior Notes in full as of June 30, 2015.

The investments held by the Company's securitizations collateralize the securitization's borrowings and, as a result, are not available to the Company, its creditors, or stockholders. All senior notes retained at closing or subsequently repurchased by the Company as of June 30, 2015 eliminate in consolidation.

RCC 2015-CRE3

In February 2015, the Company closed RCC 2015-CRE3, a $346.2 million CRE securitization transaction that provided financing for transitional commercial real estate loans. RCC 2015-CRE3 issued a total of $282.1 million of senior notes at par to unrelated investors. RCC Real Estate purchased 100% of the Class E and Class F senior notes for $20.8 million and $15.6 million, respectively. In addition, Resource Real Estate Funding 2015-CRE3 Investor, LLC, a subsidiary of RCC Real Estate, purchased a $27.7 million equity interest representing 100% of the outstanding preference shares. The senior notes purchased by RCC Real Estate are subordinated in right of payment to all other senior notes issued by RCC 2015-CRE3, but are senior in right of payment to the preference shares. The equity interest is subordinated in right of payment to all other securities issued by RCC 2015-CRE3.

At closing, the senior notes issued to investors by RCC 2015-CRE3 consisted of the following classes: (i) $193.9 million of Class A notes bearing interest at one-month LIBOR plus 1.40%; (ii) $17.3 million of Class A-S notes bearing interest at one-month LIBOR plus 1.65%; (iii) $19.5 million of Class B notes bearing interest at one-month LIBOR plus 2.40%; (iv) $20.8 million of Class C notes bearing interest at one-month LIBOR plus 3.15%; (v) $30.7 million of Class D notes bearing interest at one-month LIBOR plus 4.00%; (vi) $20.8 million of Class E notes bearing interest at one-month LIBOR plus 4.75%; (vii) and $15.6 million of Class F notes bearing interest at one-month LIBOR plus 5.50%. All of the notes issued mature in March 2032, although the Company has the right to call the notes anytime after March 2017 until maturity. There is no reinvestment period in RCC 2015-CRE3; however, principal repayments, for a period ending in February 2017, may be used to purchase funding participations with respect to existing collateral held outside of the securitization.

8.0% Convertible Senior Notes

In January 2015, the Company issued and sold in a public offering $100.0 million aggregate principal amount of its 8.0% Convertible Senior Notes due 2020, ("8.0% Convertible Senior Notes"). The 8.0% Convertible Senior Notes are convertible at the option of the holder at a current conversion rate of 187.4414 common shares per $1,000 principal amount of 8.0% Convertible Senior Notes (equivalent to an initial conversion price of $5.34 per common share). Upon conversion of 8.0% Convertible Senior Notes by a holder, the holder will receive cash, the Company's common shares or a combination of cash and the Company's common shares, at the Company's election.

After deducting a $1.0 million underwriting discount and deferred debt issuance costs totaling $2.1 million, the Company received approximately $97.0 million of net proceeds. In addition, the Company recorded a discount of $2.5 million on the 8.0% Convertible Senior Notes that reflects the difference between the stated value of the debt and the fair value of the notes as if they were issued without a conversion feature.

The aforementioned market discounts and the deferred debt issuance costs will be amortized on a straight-line basis as additional interest expense through maturity on January 15, 2020. Interest on the 8.0% Convertible Senior Notes is paid semi-annually.

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Repurchase and Credit Facilities
Borrowings under the Company's repurchase agreements were guaranteed by the Company or one of its subsidiaries. The following table sets forth certain information with respect to the Company's borrowings (dollars in thousands):

	As of June 30, 2015				As of December 31, 2014			
	Outstanding Borrowings	Value of Collateral	Number of Positions as Collateral	Weighted Average Interest Rate	Outstanding Borrowings	Value of Collateral	Number of Positions as Collateral	Weighted Average Interest Rate
CMBS Term Repurchase Facility								
Wells Fargo Bank	$29,929	$34,330	35	1.38%	$24,967	$30,180	33	1.35%
CRE Term Repurchase Facilities								
Wells Fargo Bank (1)	173,745	273,686	13	2.24%	179,762	258,223	15	2.38%
Deutsche Bank AG (2)	(21)	—	—	—%	25,920	39,348	2	2.78%
Short-Term Repurchase Agreements - CMBS								
Deutsche Bank Securities, LLC	24,114	37,707	4	1.64%	33,783	44,751	8	1.62%
Wells Fargo Securities, LLC	53,057	75,674	20	1.72%	10,442	17,695	1	1.66%
Residential Investments Term Repurchase Facility								
Wells Fargo Bank (3)	—	—	—	—%	22,212	27,885	6	1.16%
Residential Mortgage Financing Agreements								
New Century Bank	40,313	46,849	195	2.73%	41,387	51,961	158	2.82%
Wells Fargo Bank	56,267	81,616	170	2.75%	61,189	95,511	104	2.75%
Totals	$377,404	$549,862			$399,662	$565,554		

(1) The Wells Fargo CRE term repurchase facility borrowing includes $1.2 million and $1.7 million of deferred debt issuance costs as of June 30, 2015 and December 31, 2014, respectively.

(2) The Deutsche Bank term repurchase facility includes $21,000 and $268,000 of deferred debt issuance costs as of June 30, 2015 and December 31, 2014, respectively.

(3)

The Wells Fargo residential investments term repurchase facility includes $36,000 of deferred debt issuance costs as of December 31, 2014.

As the result of an accounting standards update adopted on January 1, 2015 (see Note 2), the Company unlinked its previously linked transactions and disclosed affected asset, liability, income and expense balances at their gross values in its consolidated financial statements. Accordingly, the Company had no repurchase agreements being accounted for as linked transactions as of June 30, 2015.

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The assets in the following table were accounted for as linked transactions as of December 31, 2014. These linked repurchase agreements are not included in borrowings on the Company's consolidated balance sheets (see Note 20).

	As of December 31, 2014			
	Borrowings Under Linked Transactions [1]	Value of Collateral Under Linked Transactions	Number of Positions as Collateral Under Linked Transactions	Weighted Average Interest Rate of Linked Transactions
CMBS Term Repurchase Facility				
Wells Fargo Bank	$4,941	$6,371	7	1.67%
Short-Term Repurchase Agreements - CMBS				
JP Morgan Securities, LLC	—	—	—	—%
Wells Fargo Securities, LLC	4,108	6,233	2	1.37%
Deutsche Bank Securities, LLC	24,348	36,001	10	1.57%
Totals	$33,397	$48,605		

The following table shows information about the amount at risk under the repurchase facilities (dollars in thousands):

	Amount at Risk [1]	Weighted Average Maturity in Days	Weighted Average Interest Rate
As of June 30, 2015:			
CMBS Term Repurchase Facility			
Wells Fargo Bank, National Association	$4,024	18	1.38%
CRE Term Repurchase Facilities			
Wells Fargo Bank, National Association	$99,791	18	2.24%
Short-Term Repurchase Agreements - CMBS			
Wells Fargo Securities, LLC	$13,236	11	1.64%
Deutsche Bank Securities, LLC	$22,784	24	1.72%
Residential Mortgage Financing Agreements			
Wells Fargo Bank	$25,349	62	2.75%
New Century Bank	$6,537	61	2.73%

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As of December 31, 2014:			
CMBS Term Repurchase Facility			
Wells Fargo Bank, National Association	$6,486	20	1.35%
Residential Investments Term Repurchase Facility			
Wells Fargo Bank, National Association	$5,017	1	1.16%
CRE Term Repurchase Facilities			
Wells Fargo Bank, National Association	$76,148	20	2.38%
Deutsche Bank Securities, LLC	$13,017	19	2.78%
Short-Term Repurchase Agreements - CMBS			
Wells Fargo Securities, LLC	$2,127	9	1.66%
Deutsche Bank Securities, LLC	$11,810	20	1.62%
Residential Mortgage Financing Agreements			
New Century Bank	$853	242	2.82%
Wells Fargo Bank	$6,902	183	2.75%

(1) Equal to the estimated fair value of securities or loans sold, plus accrued interest income, minus the sum of repurchase agreement liabilities plus accrued interest expense.

The Company is in compliance with all financial covenants as defined in the respective agreements as of June 30, 2015.

Residential Investments – Term Repurchase Facility

In June 2014, the Company's wholly-owned subsidiaries, RCC Resi Portfolio and RCC Resi TRS (the "Sellers") entered into a master repurchase and securities contract (the "2014 Facility") with Wells Fargo. Under the 2014 Facility, from time to time, the parties may enter into transactions in which the Sellers and Wells Fargo agree to transfer from the Sellers to Wells Fargo all of their right, title and interest to certain residential mortgage-backed securities and other assets against the transfer of funds by Wells Fargo to the Sellers, with a simultaneous agreement by Wells Fargo to transfer back to the Sellers such assets at a date certain or on demand, against the transfer of funds from the Sellers to Wells Fargo.

In January 2015, the Sellers amended the agreement with Wells Fargo to classify trust certificates as assets eligible for sale and repurchase under the 2014 Facility. The maximum borrowing amounts of the 2014 Facility under the amended agreement are $110.0 million with respect to purchased residential mortgage-backed securities, and $165.0 million with respect to trust certificates collateralized by jumbo mortgage loans. The 2014 Facility's maximum pricing margins are 1.45% and 3.00% on residential mortgage- backed securities and jumbo mortgage loans, respectively. In June 2015, the Company amended the agreement with Wells Fargo to extend the facility's termination date to August 21, 2015, with no other material changes made to the facility's terms.

Residential Mortgage Financing Agreements

PCM has master repurchase agreements with New Century Bank d/b/a Customer's Bank ("New Century") and Wells Fargo Bank, NA ("Wells Fargo") to finance the acquisition of residential mortgage loans. In June 2015, PCM amended its agreement with Wells Fargo to extend the facility's termination date to August 31, 2015, with no other material changes made to the facility's terms.

PCM was in compliance with all financial covenant requirements under the New Century and Wells Fargo agreements as of June 30, 2015.

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Senior Secured Revolving Credit Agreement

On September 18, 2014, the Company's wholly-owned subsidiary, Northport LLC closed a $110.0 million syndicated senior secured revolving credit facility ("Northport Credit Facility") with JP Morgan as agent bank to finance the origination of middle market and syndicated loans. The availability under the Northport Credit Facility was increased to $125.0 million as of September 30, 2014 and again to $140.0 million with an additional commitment from ING Bank early in March 2015. During the second quarter 2015, the Company entered into the first and second amendments of the Northport Credit Facility which increased the original commitment from $225.0 million to $300.0 million and secured $85.0 million of additional availability, bringing the total available under the Northport Credit Facility to $225.0 million as of June 30, 2015. As of June 30, 2015, $151.0 million was outstanding on the Northport Credit Facility. Under the first amendment both the ability to access to draws on the Northport Credit Facility and maturity have been extended six months until March 31, 2018 and March 31, 2019 respectively.

Under the terms of the amendment the Northport Credit Facility applicable margins increased 25 basis points. The Northport Credit Facility bears interest rates, at the Company's election, on a per annum basis equal to (i) the applicable LIBOR rate plus 2.75% or (ii) the applicable base rate (prime rate of 3.25% as of June 30, 2015) plus 1.75%. During the six month period following September 18, 2014, the Company was charged a commitment fee on any unused balance of 0.375% per annum if the unused balance was greater than 35% of the total commitment or 0.50% per annum if it was less than 35% of the total commitment. Following that period, the commitment fee on any unused balance became 0.375% per annum if the outstanding balance is greater than 35% of the total commitment or 1.00% per annum if the outstanding balance is 35% or less of the total commitment. At June 30, 2015, there was an unused balance of $74.0 million on the facility.

Amounts available to borrow under the Credit Facility are subject to compliance with a borrowing base computation that applies different advance rates to different types of assets held by Northport LLC that are pledged as collateral. Under the Northport Credit Facility, the Company has made certain customary representations and warranties and is required to comply with various covenants, including leverage restrictions, reporting requirements and other customary requirements for similar credit facilities. At June 30, 2015, the Company is in compliance with all covenants under the agreement. The Company guarantees Northport LLC's performance of its obligations under the Northport Credit Facility.

Contractual maturity dates of the Company's borrowings by category and year are present in the table below:

	Total	2015	2016	2017	2018	2019 and Thereafter
CDOs	$391,312	$159	$—	$—	$—	$391,153
CRE Securitizations	655,860	—	—	—	—	655,860
Repurchase Agreements	377,404	377,404	—	—	—	—
Unsecured Junior Subordinated Debentures	51,308	—	—	—	—	51,308
6.0 % Convertible Notes	109,238	—	—	—	109,238	—
8.0 % Convertible Notes	94,830	—	—	—	—	94,830
Senior Secured Revolving Credit Facility	147,509	—	—	—	147,509	—
Total	$1,827,461	$377,563	$—	$—	$256,747	$1,193,151

NOTE 13 - SHARE ISSUANCE AND REPURCHASE

Six Months Ended June 30, 2015		Total Outstanding	
Number of Shares	Weighted Average Offering Price	Number of Shares	Weighted Average Offering Price

8.50% Series A Preferred Stock	—	$—	1,069,016	$24.05
8.25% Series B Preferred Stock	139,333	$22.34	5,740,479	$23.81
8.625% Series C Preferred Stock	—	$—	4,800,000	$25.00

On or after June 14, 2017 the Company may, at its option, redeem the Series A preferred stock, in whole or part, at any time and from time to time, for cash at $25.00 per share, plus accrued and unpaid dividends, if any, to the redemption date.

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On or after October 2, 2017 the Company may, at its option, redeem the Series B preferred stock, in whole or part, at any time and from time to time, for cash at $25.00 per share, plus accrued and unpaid dividends, if any, to the redemption date.

On or after July 30, 2024, the Company may, at its option, redeem the Series C preferred stock, in whole or part, at any time and from time to time, for cash at $25.00 per share, plus accrued and unpaid dividends, if any, to the redemption date.

Under a dividend reinvestment plan authorized by the board of directors on March 21, 2013, the Company is authorized to issue up to 20,000,000 shares of common stock. During the three and six months ended June 30, 2015, the Company sold approximately 18,000 and 41,000 shares of common stock through this program, resulting in proceeds of approximately $81,000 and $187,000, respectively.

NOTE 14 - SHARE-BASED COMPENSATION

The following table summarizes restricted common stock transactions:

	Non-Employee Directors	Non-Employees	Employees	Total
Unvested shares as of January 1, 2015	49,203	1,812,853	161,583	2,023,639
Issued	55,582	1,001,459	115,271	1,172,312
Vested	(43,718)	(362,503)	(7,439)	(413,660)
Forfeited	—	(13,211)	(1,271)	(14,482)
Unvested shares as of June 30, 2015	61,067	2,438,598	268,144	2,767,809

The Company is required to value any unvested shares of restricted common stock granted to non-employees at the current market price. The estimated fair value of the unvested shares of restricted stock granted during the six months ended June 30, 2015 and 2014, including the grant date fair value of shares issued to the Company's seven non-employee directors, was $5.7 million, and $3.7 million, respectively.

The Company reports any unvested shares of restricted common stock granted to non-employee directors at the fair value on the grant date amortized over the service period. The amortization recognized during the three and six months ended June 30, 2015 and 2014 was $64,000 and $129,000 and $64,000 and $128,000, respectively.

As of June 30, 2015 the total unrecognized restricted common stock expense was $4.9 million, with a weighted average amortization period remaining of 2.2 years.

The following table summarizes the restricted common stock grants during the six months ended June 30, 2015:

Date	Shares [(2)]	Vesting/Year	Date(s)
February 3, 2015	7,276	100%	2/3/16
February 5, 2015	966,095	33.3%	2/5/16, 2/5/17, 2/5/18
February 5, 2015	115,271	33.3%	2/5/16, 2/5/17, 2/5/18
March 9, 2015	32,186	100%	3/9/16
March 12, 2015	7,625	100%	3/12/16
March 31, 2015	35,364	100%	5/15/16 [(1)]
June 8, 2015	8,495	100%	6/8/16

(1) In connection with a grant of restricted common stock made on September 24, 2014, the Company agreed to issue up to 70,728 additional shares of common stock if certain loan origination performance thresholds were achieved by personnel from the Company's loan origination team. The performance criteria is measured at the end of two annual measurement periods beginning April 1, 2014. The agreement also provided dividend equivalent rights pursuant to which the dividends that would have been paid on the shares had they been issued on the date of grant

were paid at the end of each annual measurement period if the performance criteria were met. If the performance criteria is not met, the accrued dividends will be forfeited. As a consequence, the Company does not record the dividend equivalent rights until earned. On March 31, 2015, the first annual measurement period ended and 35,364 shares were earned. These shares will vest over the subsequent 12 months at a rate of one-fourth per quarter. In addition, approximately $21,000 of accrued dividend equivalent rights were earned and paid.

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(2) All shares were issued from the 2007 Plan with the exception of these shares which were issued from unregistered shares as part of the consideration for the purchase of PCM.

The following table summarizes the status of the Company’s vested stock options as of June 30, 2015:

Vested Options	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Vested as of January 1, 2015	640,666	$14.45		
Vested	—	—		
Exercised	—	—		
Forfeited	—	—		
Vested as of June 30, 2015	640,666	$14.45	0.8	$—

There were no options granted during the six months ended June 30, 2015 or 2014. The outstanding stock options have a weighted average remaining contractual term of three years.

The components of equity compensation expense for the periods presented as follows (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2015	2014	2015	2014
Options granted to Manager and non-employees	$—	$—		