

Resource Capital Corp.
Form 10-Q
May 11, 2015

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

FORM 10-Q
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2015

OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 1-32733

RESOURCE CAPITAL CORP.

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of
incorporation or organization)

20-2287134

(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 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 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 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 No

The number of outstanding shares of the registrant's common stock on May 6, 2015 was 134,169,500 shares.

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
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ON FORM 10-Q

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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)

	March 31, 2015 (unaudited)	December 31, 2014
ASSETS ⁽¹⁾		
Cash and cash equivalents	\$217,361	\$79,905
Restricted cash	26,768	122,138
Investment securities, trading	29,770	20,786
Investment securities available-for-sale, pledged as collateral, at fair value	161,971	197,800
Investment securities available-for-sale, at fair value	122,099	77,920
Linked transactions, net at fair value	—	15,367
Loans held for sale	248,254	111,736
Property held for sale	180	180
Loans, pledged as collateral and net of allowances of \$7.4 million and \$4.6 million	1,960,250	1,925,980
Loans receivable—related party	1,229	1,277
Investments in unconsolidated entities	55,488	59,827
Derivatives, at fair value	14,036	5,304
Interest receivable	18,111	16,260
Deferred tax asset, net	12,579	12,634
Principal paydown receivable	26,906	40,920
Direct financing leases	1,951	2,109
Intangible assets	9,229	9,736
Prepaid expenses	4,263	4,196
Other assets	22,761	24,604
Total assets	\$2,933,206	\$2,728,679
LIABILITIES ⁽²⁾		
Borrowings	\$1,924,598	\$1,716,871
Distribution payable	25,521	30,592
Accrued interest expense	5,437	2,123
Derivatives, at fair value	8,860	8,476
Accrued tax liability	6,982	9,219
Accounts payable and other liabilities	13,091	9,287
Total liabilities	1,984,489	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
Common stock, par value \$0.001: 500,000,000 shares authorized; 134,158,805 and 134,132,975,177 shares issued and outstanding (including 2,800,324 and 2,023,639		133

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unvested restricted shares)		
Additional paid-in capital	1,253,556	1,245,245
Accumulated other comprehensive income (loss)	5,376	6,043
Distributions in excess of earnings	(327,952	) (315,910)
Total stockholders' equity	931,126	935,523
Non-controlling interests	17,591	16,588
Total equity	948,717	952,111
TOTAL LIABILITIES AND EQUITY	\$2,933,206	\$2,728,679

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

	March 31, 2015 (unaudited)	December 31, 2014
(1) Assets of consolidated Variable Interest Entities ("VIEs") included in the total assets above:		
Cash and cash equivalents	\$133	\$25
Restricted cash	25,262	121,247
Investment securities available-for-sale, pledged as collateral, at fair value	94,658	119,203
Loans held for sale	73,892	282
Loans, pledged as collateral and net of allowances of \$4.2 million and \$3.3 million	1,445,136	1,261,137
Interest receivable	9,895	8,941
Prepaid expenses	193	221
Principal paydown receivable	26,700	25,767
Other assets	(742	) (12
Total assets of consolidated VIEs	\$1,675,127	\$1,536,811
(2) Liabilities of consolidated VIEs included in the total liabilities above:		
Borrowings	\$1,170,687	\$1,046,494
Accrued interest expense	1,329	1,000
Derivatives, at fair value	7,305	8,439
Unsettled loan purchases	—	(529
Accounts payable and other liabilities	56	) (386
Total liabilities of consolidated VIEs	\$1,179,377	\$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 INCOME
(in thousands, except share and per share data)
(unaudited)

	For the Three Months Ended March 31,	
	2015	2014
REVENUES		
Interest income:		
Loans	\$32,663	\$20,229
Securities	4,052	4,004
Leases	95	—
Interest income – other	832	2,852
Total interest income	37,642	27,085
Interest expense	14,902	9,628
Net interest income	22,740	17,457
Rental income	—	5,152
Dividend income	16	136
Fee income	1,605	2,500
Total revenues	24,361	25,245
OPERATING EXPENSES		
Management fees – related party	3,560	3,080
Equity compensation – related party	995	1,667
Rental operating expense	6	3,396
Lease operating	23	—
General and administrative - Corporate	4,783	2,840
General and administrative - PCM	7,079	3,426
Depreciation and amortization	565	836
Impairment losses	59	—
Provision (recovery) for loan losses	3,990	(3,960)
Total operating expenses	21,060	11,285
	3,301	13,960
OTHER INCOME (EXPENSE)		
Equity in earnings of unconsolidated subsidiaries	706	2,014
Net realized gain (loss) on sales of investment securities available-for-sale and loans and derivatives	14,423	2,088
Net realized and unrealized gain (loss) on investment securities, trading	2,074	(1,560)
Unrealized gain (loss) and net interest income on linked transactions, net	235	2,305
(Loss) on reissuance/gain on extinguishment of debt	(900)	(69)
(Loss) gain on sale of real estate	(22)	—
Other income (expense)	—	(1,262)
Total other income (expense)	16,516	3,516
INCOME (LOSS) BEFORE TAXES	19,817	17,476
Income tax (expense) benefit	(1,847)	(16)
NET INCOME (LOSS)	17,970	17,460

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Net (income) loss allocated to preferred shares (6,091) (2,400)

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

Net (income) loss allocable to non-controlling interest, net of taxes	(2,477	) 56
NET INCOME (LOSS) ALLOCABLE TO COMMON SHARES	\$9,402	\$15,116
NET INCOME (LOSS) PER COMMON SHARE – BASIC	\$0.07	\$0.12
NET INCOME (LOSS) PER COMMON SHARE – DILUTED	\$0.07	\$0.12
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – BASIC	131,256,909	125,616,537
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – DILUTED	132,304,417	126,667,614

The accompanying notes are an integral part of these statements

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

(unaudited)

	For the Three Months Ended March 31,	
	2015	2014
Net income	\$17,970	\$17,460
Other comprehensive income (loss):		
Reclassification adjustment for (gains) losses on available-for-sale securities included in net income	(6,258	) 1,465
Unrealized gains (losses) on available-for-sale securities, net	3,123	(1,754)
Reclassification adjustments associated with unrealized gains (losses) from interest rate hedges included in net income	90	70
Unrealized gains on derivatives, net	1,142	387
Foreign currency translation adjustments	429	(196)
Total other comprehensive income (loss)	(1,474	) (28)
Comprehensive income (loss) before allocation to non-controlling interests and preferred shares	16,496	17,432
Unrealized (gains) losses on available-for-sale securities allocable to non-controlling interests	807	—
Net (income) loss allocable to non-controlling interests	(2,477	) 56
Net (income) loss allocated to preferred shares	(6,091) 2,400
Comprehensive income allocable to common shares	\$8,735	\$19,888

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2015
(in thousands, except share and per share data)
(unaudited)

	Common Stock Shares	Preferred Shares Amount	Preferred Shares			Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Distributions in Excess of Earnings	Total Stockholders Equity	Non-Controlling Interests	Total Equity
			Series A	Series B	Series C							
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	22,085	—	—	—	—	106	—	—	—	106	—	106
Proceeds from issuance of preferred stock	—	—	—	—	—	3,113	—	—	—	3,113	—	3,113
Offering costs	—	—	—	—	—	(111)	—	—	—	(111)	—	(111)
Discount on 8% convertible senior notes	—	—	—	—	—	4,213	—	—	—	4,213	—	4,213
Stock based compensation	1,163,817	1	—	—	—	—	—	—	—	1	—	1
Amortization of stock based compensation	—	—	—	—	—	995	—	—	—	995	—	995
Purchase and retirement of shares	(1,003)	) —	—	—	—	(5)	) —	—	—	(5)	) —	(5)
Forfeiture of unvested stock	(1,271)) —	—	—	—	—	—	—	—	—	—	—
Contributions, net of distributions from non-controlling interests	—	—	—	—	—	—	—	—	—	—	(667)	(667)
Net income	—	—	—	—	—	—	—	15,493	—	15,493	2,477	17,970
Preferred dividends	—	—	—	—	—	—	—	(6,091)	—	(6,091)	) —	(6,091)
Securities available-for-sale, fair value adjustment, net	—	—	—	—	—	—	(2,328)) —	—	(2,328)) (807)	(3,135)
Designated derivatives, fair value adjustment	—	—	—	—	—	—	1,232	—	—	1,232	—	1,232

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Foreign currency translation adjustment	—	—	—	—	—	—	429	—	—	429	—	429
Distributions on common stock	—	—	—	—	—	—	—	(9,402,042)	(21,444)	—	—	(21,444)
Balance, March 31, 2015	134,158,805	\$134	\$1	\$6	\$5	\$1,253,556	\$5,376	\$—	\$(327,952)	\$931,126	\$17,591	\$948,717

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)

	Three Months Ended	
	March 31,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$17,970	\$17,460
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Provision for (recovery of) loan losses	3,990	(3,960)
Depreciation	139	392
Amortization of intangible assets	507	444
Amortization of term facilities	115	534
Accretion (amortization) of net discounts (premiums) on loans held for investment	(338)	(574)
Accretion (amortization) of net discounts (premiums) on securities available-for-sale	837	(769)
Amortization (accretion) of discount (premium) on notes of securitization	463	434
Amortization of debt issuance costs on notes of securitizations	1,066	796
Amortization of stock-based compensation	995	1,667
Amortization (accretion) of terminated derivative instruments	67	70
Accretion (amortization) of interest-only available-for-sales securities	873	(137)
Deferred income tax (benefit) expense	(48)	(89)
Purchase of residential mortgage loans held for sale, net	(58,136)	(877)
Purchase of securities, trading	(16,268)	—
Principal payments on securities, trading	—	42
Proceeds from sales of securities, trading	8,095	—
Net realized and unrealized loss (gain) on investment securities, trading	(2,074)	1,560
Net realized (gain) loss on sales of investment securities available-for-sale and loans	(14,423)	(3,680)
Loss (gain) on the reissuance (extinguishment) of debt	900	69
Loss (gain) on sale of real estate	22	—
Settlement of derivative instruments	82	—
Net impairment losses recognized in earnings	59	—
Unrealized gain (loss) and net interest income on linked transactions, net	(235)	(1,763)
Equity in net (earnings) losses of unconsolidated subsidiaries	(706)	(2,014)
Changes in operating assets and liabilities, net of acquisitions	65,786	9,563
Net cash provided by (used in) operating activities	9,738	19,168
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) decrease in restricted cash	33,230	(12,849)
Acquisition of controlling interest in Moselle CLO S.A.	—	(30,433)
Purchase of securities available-for-sale	(4,000)	(48,321)
Principal payments on securities available-for-sale	37,860	17,325
Proceeds from sale of securities available-for-sale	7,113	12,314
Return of capital from (investment in) unconsolidated entity	4,391	5,650

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Purchase of loans	(207,983) (169,380)
Principal payments received on loans	91,294	90,948	
Proceeds from sale of loans	16,922	15,974	
Purchase of furniture and fixtures	—	(38)
Acquisition of property and equipment	(171	) (269)
Investment in loans - related parties	(903	) (285)
Principal payments received on loans – related parties	—	753	
Net cash (used in) provided by investing activities	(22,247	) (118,611)

CASH FLOWS FROM FINANCING ACTIVITIES:

Net proceeds from issuances of common stock (net of offering costs of \$0 and \$0)	—	245	
Net proceeds from dividend reinvestment and stock purchase plan (net of offering costs of \$0 and \$0)	106	—	
Proceeds from issuance of 8.5% Series A redeemable preferred shares (net of offering costs of \$0 and \$0)	—	4,440	
Proceeds from issuance of 8.25% Series B redeemable preferred shares (net of offering costs of \$111 and \$565)	3,002	10,975	
Repurchase of common stock	(5) —	
Proceeds from borrowings:			
Repurchase agreements, net of repayments	—	75,877	
CRE Securitization	282,127	—	
Convertible Senior Notes	99,000	—	
Senior Secured Revolving Credit Facility, net of repayments	21,500	—	
Reissuance of debt	8,100	—	
Payments on borrowings:			
CRE Securitization	(161,713	) (59,668)
Repurchase agreements, net of borrowings	(64,812) —	
Payment of debt issuance costs	(6,639	) (8)
Settlement of derivative instruments	3,091	—	
Distributions to subordinated note holders	—	(307)
Proceeds received from non-controlling interests	1,802	—	
Distributions paid to non-controlling interests	(2,987) —	
Distributions paid on preferred stock	(6,044	) (2,159)
Distributions paid on common stock	(26,563	) (25,536)
Net cash provided by (used in) financing activities	\$149,965	\$3,859	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	137,456	(95,584)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	79,905	262,270	
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$217,361	\$166,686	
SUPPLEMENTAL DISCLOSURE:			
Interest expense paid in cash	\$9,378	\$8,576	
Income taxes paid in cash	\$1,739	\$1,774	

The accompanying notes are an integral part of these statements

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 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 32.8% 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 deal. As a result, all assets of Apidos CDO III have been classified as held for sale as of March 31, 2015.

RCC Commercial II, Inc. ("Commercial II") holds structured notes, available-for-sale 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 consist 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.

RCC Commercial III, Inc. ("Commercial III") holds bank loan investments. Commercial III owns 90% of the equity of the following VIE:

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

MARCH 31, 2015

(unaudited)

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, 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 17.8% 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 49.4% of the equity in Northport LLC as of March 31, 2015.

The remaining 32.8% 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 71.8% of the equity in Pelium Capital as of March 31, 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, LLC, 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, LLC, (“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 substantially 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 condominiums were sold as of December 31, 2013.

RSO EquityCo, LLC owns 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 50.2% 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 an equity investment in the warehouse of ZAIS CLO 4, Limited, a Cayman Islands exempted limited liability company, 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 53.2% of the following entity:

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").

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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.

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.

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 a share. 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 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

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that either alleviated 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 income (loss). 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 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 is permitted for disposals that have 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 is 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.

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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 will continually analyze 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 March 31, 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.

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 and CVC Credit Partners manage these 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 sold as of March 31, 2015.

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 will be allocated the revenue/expenses of RCM Global in accordance with its or his 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 was 53.2% as of March 31, 2015.

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In September 2014, the Company contributed \$17.5 million of capital to Pelium Capital for an 80.4% interest. Pelium Capital is a specialized credit opportunity fund managed by Resource America. The Company will receive 10% of the carried interest in the partnership for the first five years, which can increase to 20% if the Company's capital contributions aggregate \$40.0 million. Pelium Capital was determined not to be a VIE as there was sufficient equity at risk, the Company does not have disproportionate voting rights and Pelium Capital's partners have all of the following characteristics (1) the power to direct the activities (2) the obligation to absorb losses and (3) the right to receive residual returns. However, Pelium Capital was consolidated as a result of the Company's majority ownership and the Company's unilateral kick-out rights. The non-controlling interest in Pelium Capital is owned by Resource America and outside investors. In February 2015, the Company made an additional capital contribution of \$2.5 million. The Company's ownership interest in Pelium decreased to 71.8% as of March 31, 2015 as a result of additional outside investors investing in the fund.

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 income.

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 months ended March 31, 2015 and 2014, the Company has provided financial support of \$0 and \$539,000, 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.

The following table shows the classification and carrying value of assets and liabilities of the Company's consolidated VIEs as of March 31, 2015 (in thousands):

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	Apidos I	Apidos III	Apidos Cinco	Whitney CLO I	RREF 2006-1	RREF 2007-1	RCC CRE Notes 2013	RCC 2014-CRE	RCC 2015-CRE	Mosell 3	RCM Global, LLC	Total
ASSETS												
Cash and cash equivalents	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$133	\$133
Restricted cash ⁽¹⁾	76	4,519	17,227	116	18	250	2,514	—	5	537	\$—	25,200
Investment securities available-for-sale, pledged as collateral, at fair value	—	2,856	10,891	—	5,777	57,930	—	—	—	—	17,204	94,600
Loans, pledged as collateral	153	(79)	223,524	—	125,373	199,987	204,181	350,362	341,635	—	—	1,440,000
Loans held for sale	—	71,611	2,281	—	—	—	—	—	—	—	—	73,892
Interest receivable	—	433	744	—	2,485	2,081	1,081	1,377	1,285	—	409	9,890
Prepaid assets	—	15	40	—	47	48	43	—	—	—	—	193
Principal paydown receivable	—	—	—	—	—	5,775	20,925	—	—	—	—	26,700
Other Assets	—	—	—	—	—	—	—	9	—	—	(751)	(742)
Total assets ⁽²⁾	\$229	\$79,355	\$254,707	\$116	\$133,700	\$266,071	\$228,744	\$351,748	\$342,925	\$537	\$16,995	\$1,600,000
LIABILITIES												
Borrowings	\$—	\$67,028	\$229,644	\$—	\$52,958	\$131,717	\$179,547	\$231,662	\$278,011	\$120	\$—	\$1,100,000
Accrued interest expense	—	45	234	—	42	148	289	195	376	—	—	1,320
Derivatives, at fair value	—	—	—	—	608	6,697	—	—	—	—	—	7,300
Unsettled loan purchases	—	—	—	—	—	—	—	—	—	—	—	—
Accounts payable and other liabilities	—	33	13	—	4	1	—	—	3	—	2	56
Total liabilities	\$—	\$67,106	\$229,891	\$—	\$53,612	\$138,563	\$179,836	\$231,857	\$278,390	\$120	\$2	\$1,100,000

(1) Includes \$2.8 million available for reinvestment 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 March 31, 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 March 31, 2015. The Company's investment in LCC was recorded at \$39.5 million and \$39.4 million as of March 31, 2015 and December 31, 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

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entity. Furthermore, Eos holds consent rights with respect to significant LCC actions, including 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 \$9.0 million and \$9.4 million at March 31, 2015 and December 31, 2014, respectively. The Company recognized fee income of \$965,000 and \$1.7 million for the three months ended March 31, 2015 and 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.

The following table shows the classification, carrying value and maximum exposure to loss with respect to the Company’s unconsolidated VIEs as of March 31, 2015 (in thousands):

	Unconsolidated Variable Interest Entities			Total	Maximum Exposure to Loss
	LCC	Unsecured Junior Subordinated Debentures	Resource Capital Asset Management CDOs		
Investment in unconsolidated entities	\$39,469	\$1,548	\$—	\$41,017	\$41,017

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Intangible assets	—	—	8,990	8,990	\$8,990
Total assets	39,469	1,548	8,990	50,007	
Borrowings	—	51,256	—	51,256	N/A
Total liabilities	—	51,256	—	51,256	N/A
Net asset (liability)	\$39,469	\$(49,708)	) \$8,990	\$(1,249)	) N/A

As of March 31, 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.

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NOTE 4 - SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three Months Ended	
	March 31,	
	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	\$21,423	\$25,663
Distributions on preferred stock declared but not paid	\$6,116	\$2,520
Issuance of restricted stock	\$1,163	\$640
Conversion of linked transaction liabilities to repurchase agreement borrowings ⁽¹⁾	\$33,377	\$—

As a result of an accounting standards update adopted on January 1, 2015 (see Note 2), the Company unlinked its (1) previously linked transactions, resulting in non-cash increases in both its CMBS and related purchase 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 March 31, 2015:				
Structured notes	\$30,308	\$2,063	\$(2,601)	) \$29,770
RMBS	1,896	—	(1,896)) —
Total	\$32,204	\$2,063	\$(4,497)	) \$29,770
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 twelve securities during the three months ended March 31, 2015, for a net realized gain of approximately \$432,000. The Company held 45 and 37 investment securities, trading as of March 31, 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 March 31, 2015:				
CMBS	\$188,052	\$6,450	\$(734)	) \$193,768
RMBS	28,964	1,192	—	) 30,156
ABS	45,889	12,233	(387)	) 57,735
Corporate bonds	2,417	14	(20)	) 2,411
Total	\$265,322	\$19,889	\$(1,141)	) \$284,070
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 March 31, 2015 and December 31, 2014, \$162.0 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 March 31, 2015:			
Less than one year	\$84,119	(1) \$ 82,983	4.97%
Greater than one year and less than five years	125,176	113,882	8.34%
Greater than five years and less than ten years	16,808	14,358	10.86%
Greater than ten years	57,967	54,099	6.50%
Total	\$284,070	\$ 265,322	7.12%
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 March 31, 2015, the contractual maturities of the CMBS investment securities available-for-sale range from May 2015 to December 2022. The contractual maturity date of RMBS investment securities available-for-sale is June 2029. The contractual maturities of the ABS investment securities available-for-sale range from May 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 March 31, 2015:									
CMBS	\$25,380	\$(220)	19	\$16,396	\$(514)	12	\$41,776	\$(734)	31
ABS	197	(1)	1	1,388	(386)	9	1,585	(387)	10
Corporate bonds	1,447	(20)	1	—	—	—	1,447	(20)	1
Total temporarily impaired securities	\$27,024	\$(241)	21	\$17,784	\$(900)	21	\$44,808	\$(1,141)	42

As of December 31, 2014:

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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 three months ended March 31, 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		Realized Gain (Loss)
	Positions Sold	Par Amount Sold	
March 31, 2015			
ABS	4	\$9,411	\$2,669
March 31, 2014			
CMBS	3	\$12,500	\$(298)

The amounts above do not include redemptions. During the three months ended March 31, 2015, the Company did not redeem any corporate bond positions. During the three months ended March 31, 2014, the Company had one corporate bond position redeemed with a total par of \$630,000, and recognized a loss of approximately \$1,000. In addition, during the three months ended March 31, 2015, the Company redeemed two ABS positions with a total par value of \$2.5 million, and recognized a gain of \$3.6 million. During the three months ended March 31, 2014, the Company had one ABS position redeemed with a total par of \$2.5 million, and recognized a gain of \$26,000.

NOTE 7 - LOANS

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

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Loan Description	Principal	Unamortized (Discount) Premium, net (1)	Carrying Value (2)
As of March 31, 2015:			
Commercial real estate loans:			
Whole loans	\$1,370,303	\$(7,921)	) \$1,362,382
B notes	16,070	(39)	) 16,031
Mezzanine loans	67,535	(64)	) 67,471
Total commercial real estate loans	1,453,908	(8,024)	) 1,445,884
Bank loans	225,216	(899)	) 224,317
Middle market loans	295,478	(685)	) 294,793
Residential mortgage loans, held for investment	2,641	—	2,641
Subtotal loans before allowances	1,977,243	(9,608)	) 1,967,635
Allowance for loan loss	(7,385)	) —	(7,385)
Total loans held for investment, net of allowances	1,969,858	(9,608)	) 1,960,250
Bank loans held for sale	73,892	—	73,892
Residential mortgage loans held for sale, at fair value (3)	174,559	(197)	) 174,362
Total loans held for sale	248,451	(197)	) 248,254
Total loans, net	\$2,218,309	\$(9,805)	) \$2,208,504
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

Amounts include deferred amendment fees of \$110,000 and \$88,000 and deferred upfront fees of \$68,000 and \$82,000 being amortized over the life of the bank loans as of March 31, 2015 and December 31, 2014, respectively. Amounts also include loan origination fees of \$8.0 million and \$7.6 million as of March 31, 2015 and December 31, 2014, respectively.

(2)

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Substantially all loans are pledged as collateral under various borrowings at March 31, 2015 and December 31, 2014, respectively.

Residential mortgage loans held for sale, at fair value, consisted of \$58.3 million and \$116.1 million of agency-conforming and jumbo mortgage loans, respectively, as of March 31, 2015. Residential mortgage loans (3) 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. Unamortized discount includes an unrealized mark to market loss of \$197,000 as of March 31, 2015.

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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 March 31, 2015:				
Whole loans, floating rate ^{(1) (4) (5)}	74	\$1,362,382	LIBOR plus 1.75% to LIBOR plus 15.00%	May 2015 to February 2019
B notes, fixed rate	1	16,031	8.68%	April 2016
Mezzanine loans, floating rate	1	12,659	LIBOR plus 15.32%	April 2016
Mezzanine loans, fixed rate ⁽⁶⁾	3	54,812	0.50% to 18.71%	January 2016 to September 2019
Total ⁽²⁾	79	\$1,445,884		
As of December 31, 2014:				
Whole loans, floating rate ^{(1) (4) (5)}	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 ⁽⁶⁾	3	54,808	0.50% to 18.71%	January 2016 to September 2019
Total ⁽²⁾	78	\$1,347,030		

Whole loans had \$96.8 million and \$105.1 million in unfunded loan commitments as of March 31, 2015 and (1) 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) The total does not include an allowance for loan loss of \$4.0 million and \$4.0 million as of March 31, 2015 and December 31, 2014, respectively.

(3) Maturity dates do not include possible extension options that may be available to the borrowers.

Floating rate loans include two whole loans with a combined \$12.0 million mezzanine component that have fixed (4) 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 March 31, 2015 and December 31, 2014.

(5) Floating rate whole loans include a \$799,000 junior mezzanine tranche of a whole loan that has a fixed rate of 10.0% as of March 31, 2015 and December 31, 2014.

Fixed rate mezzanine loans include a mezzanine loan that was modified into two tranches, which both currently (6) pay interest at 0.50%. In addition, the subordinate tranche accrues interest at LIBOR plus 18.50% which is deferred until maturity.

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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 March 31, 2015				
B notes	\$—	\$16,031	\$—	\$16,031
Mezzanine loans	—	16,739	50,732	67,471
Whole loans	—	27,678	1,334,704	1,362,382
Total ⁽¹⁾	\$—	\$60,448	\$1,385,436	\$1,445,884
As of December 31, 2014:				
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 March 31, 2015, the Company's bank loan portfolio consisted of \$298.2 million (net of allowance of \$720,000) 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 8.75% with maturity dates ranging from April 2015 to February 2024.

At December 31, 2014, the Company's bank loan portfolio 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.

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):

	March 31, 2015	December 31, 2014
Less than one year	\$1,625	\$7,829
Greater than one year and less than five years	282,658	274,332
Five years or greater	13,926	48,769
	\$298,209	\$330,930

At March 31, 2015, the Company's middle market loan portfolio consisted of \$292.3 million (net of allowance of \$2.5 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 November 2022.

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

	March 31, 2015	December 31, 2014
Less than one year	\$—	\$—
Greater than one year and less than five years	158,183	132,353
Five years or greater	136,610	117,760
	\$294,793	\$250,113

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 March 31, 2015:		
B notes	\$22	0.30%
Mezzanine loans	98	1.33%
Whole loans	3,923	53.12%
Bank loans	720	9.75%
Middle market loans	2,512	34.01%
Residential mortgage loans	110	1.49%
Total	\$7,385	
As of December 31, 2014:		
B notes	\$55	1.19%
Mezzanine loans	230	4.99%
Whole loans	3,758	81.47%
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 such cash to the outstanding loan balance. At March 31, 2015, principal paydown receivables relating to the Company's commercial real estate loan portfolio totaled \$26.9 million, the entirety of which the Company received in cash during April 2015.

At March 31, 2015 and December 31, 2014, approximately 26.9% and 27.4%, respectively, of the Company's commercial real estate loan portfolio was concentrated in California; approximately 6.8% and 7.3%, respectively, in Arizona, and approximately 26.5% and 27.3%, respectively, in Texas. At March 31, 2015 and December 31, 2014, approximately 16.7% and 17.5%, respectively, of the Company's bank loan portfolio was concentrated in the collective industry grouping of healthcare, education and childcare. At March 31, 2015 and December 31, 2014, approximately 11.5% and 13.1%, respectively, of the Company's middle market loan portfolio was concentrated in the collective industry grouping of hotels, motels, inns, and gaming and 10.3% 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. During the quarter ended March 31, 2015, approximately 44.0% of the Company's residential mortgage loans were originated in Georgia, 12.0% in Utah, 9.0% in Virginia, 5.0% in Maryland, and 5.0% in North Carolina. At

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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.

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NOTE 8 - INVESTMENTS IN UNCONSOLIDATED ENTITIES

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

		Balance as of	Balance as of	Equity in Net Earnings (Losses) of Unconsolidated subsidiaries	
	Ownership	March 31,	December 31,	For the	For the
	%	2015	2014	three months ended March 31, 2015	three months ended March 31, 2014
Varde Investment Partners, L.P	7.5%	\$654	\$654	\$—	\$(1)
RRE VIP Borrower, LLC ⁽¹⁾	3% to 5%	—	—	46	866
Investment in LCC Preferred Stock	28.4%	39,469	39,416	52	(594)
Investment in CVC Global Credit Opportunities Fund	20.6%	13,817	18,209	608	834
Investment in Life Care Funding ⁽²⁾	50.2%	—	—	—	(75)
Investment in School Lane House ⁽¹⁾		—	—	—	984
Subtotal		53,940	58,279	706	2,014
Investment in RCT I and II ⁽³⁾	3%	1,548	1,548	593	589
Investment in Preferred Equity ⁽¹⁾⁽⁴⁾		—	—	—	1,228
Total		\$55,488	\$59,827	\$1,299	\$3,831

(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.

In January 2013, LTCC invested \$2.0 million into LCF for the purpose of originating and acquiring life settlement (2) 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.

(3) For the three months ended March 31, 2015 and 2014, these amounts are recorded in interest expense on the Company's consolidated statements of income.

(4) For the three months ended March 31, 2014, these amounts are recorded in interest income on loans on the Company's consolidated statements of income.

NOTE 9 - FINANCING RECEIVABLES

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

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	Commercial Real Estate Loans	Bank Loans	Middle Market Loans	Residential Mortgage Loans	Loans Receivable-Related Party	Total
As of March 31, 2015:						
Allowance for Loan Losses:						
Allowance for losses at January 1, 2015	\$4,043	\$570	\$—	\$—	\$ —	\$4,613
Provision (recovery) for loan losses	—	1,415	2,566	197	(188)	3,990
Loans charged-off	—	(1,265)	(54)	(197)	188	(1,328)
Recoveries	—	—	—	110	—	110
Allowance for losses at March 31, 2015	\$4,043	\$720	\$2,512	\$110	\$ —	\$7,385
Ending balance:						
Individually evaluated for impairment	\$2,202	\$86	\$2,512	\$—	\$ —	\$4,800
Collectively evaluated for impairment	\$1,841	\$634	\$—	\$110	\$ —	\$2,585
Loans acquired with deteriorated credit quality	\$—	\$—	\$—	\$—	\$ —	\$—
Loans:						
Ending balance: ⁽¹⁾						
Individually evaluated for impairment	\$166,180	\$215	\$294,793	\$—	\$ 1,229	\$462,417
Collectively evaluated for impairment	\$1,279,704	\$297,994	\$—	\$2,641	\$ —	\$1,580,339
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: ⁽¹⁾

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	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

(1) Loan balances as of March 31, 2015 and December 31, 2014 include loans held for sale.

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES

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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. 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 March 31, 2015:							
Bank loans	\$200,966	\$16,081	\$5,257	\$1,798	\$215	\$73,892	\$298,209

As of December 31, 2014:

Bank loans	\$291,214	\$32,660	\$5,424	\$—	\$1,350	\$282	\$330,930
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All of the Company's bank loans were performing with the exception of one loan with an amortized cost of \$215,000 as of March 31, 2015. As of December 31, 2014, all of the Company's bank loans were performing with the exception of two loans with an amortized 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 2 is considered performing within expectations. 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 March 31, 2015:							
Middle market loans	\$—	\$284,937	\$4,900	\$—	\$4,956	\$—	\$294,793

As of December 31, 2014:

Middle market loans	\$—	\$240,245	\$9,868	\$—	\$—	\$—	\$250,113
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All of the Company's middle market loans were performing as of March 31, 2015 and December 31, 2014.

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. 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.

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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 March 31, 2015						
Whole loans	\$1,329,882	\$32,500	\$—	\$—	\$—	\$1,362,382
B notes	16,031	—	—	—	—	16,031
Mezzanine loans	45,417	22,054	—	—	—	67,471
	\$1,391,330	\$54,554	\$—	\$—	\$—	\$1,445,884
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

All of the Company's commercial real estate loans were current as of March 31, 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.

During the first quarter of 2015, The Company recorded a recovery of loan losses in the amount of \$110,000 related to two loans at par for which it had previously recognized a provision for loan losses.

Loans Receivable - Related Party

The Company did not record an allowance for loan loss on any related-party loans during the three months ended March 31, 2015. 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 on the Company's books in lieu of cash settlement of the loan receivable.

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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	Total Loans Receivable	Total Loans > 90 Days and Accruing
As of March 31, 2015:							
Whole loans	\$—	\$—	\$—	\$—	\$1,362,382	\$1,362,382	\$—
B notes	—	—	—	—	16,031	16,031	—
Mezzanine loans	—	—	—	—	67,471	67,471	—
Bank loans ⁽¹⁾	—	—	215	215	297,994	298,209	—
Middle market loans	—	—	—	—	294,793	294,793	—
Residential mortgage loans (2)	420	—	88	508	176,692	177,200	—
Loans receivable- related party	—	—	—	—	1,229	1,229	—
Total loans	\$420	\$—	\$303	\$723	\$2,216,592	\$2,217,315	\$—
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 \$73.9 million and \$282,000 of bank loans held for sale at March 31, 2015 and December 31, 2014, respectively.

(2) Contains \$174.6 million and \$111.5 million of residential mortgage loans held for sale at March 31, 2015 and December 31, 2014, respectively.

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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 March 31, 2015:					
Loans without a specific valuation allowance:					
Whole loans	\$128,108	\$128,108	\$—	\$130,445	\$13,617
B notes	\$—	\$—	\$—	\$—	\$—
Mezzanine loans	\$38,072	\$38,072	\$—	\$38,072	\$3,186
Bank loans	\$—	\$—	\$—	\$—	\$—
Middle market loans	\$—	\$—	\$—	\$—	\$—
Residential mortgage loans	\$2,641	\$2,641	\$—	\$2,641	\$21
Loans receivable - related party	\$—	\$—	\$—	\$—	\$—
Loans with a specific valuation allowance:					
Whole loans	\$—	\$—	\$—	\$—	\$—
B notes	\$—	\$—	\$—	\$—	\$—
Mezzanine loans	\$—	\$—	\$—	\$—	\$—
Bank loans	\$215	\$215	\$(86)) \$—	\$—
Middle market loans	\$4,956	\$4,956	\$(2,512)) \$—	\$—
Residential mortgage loans	\$—	\$—	\$—	\$—	\$—
Loans receivable - related party	\$—	\$—	\$—	\$—	\$—
Total:					
Whole loans	\$128,108	\$128,108	\$—	\$130,445	\$13,617
B notes	—	—	—	—	—
Mezzanine loans	38,072	38,072	—	38,072	3,186
Bank loans	215	215	(86)) —	—
Middle market loans	4,956	4,956	(2,512)) —	—
Residential mortgage loans	2,641	2,641	—	2,641	21
Loans receivable - related party	—	—	—	—	—
	\$173,992	\$173,992	\$(2,598)	) \$171,158	\$16,824
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

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Loans receivable - related party	\$—	\$—	\$—	\$—	\$—
Loans with a specific valuation allowance:					
Whole loans	\$—	\$—	\$—	\$—	\$—
B notes	\$—	\$—	\$—	\$—	\$—
Mezzanine loans	\$—	\$—	\$—	\$—	\$—
Bank loans	\$1,350	\$1,350	\$(570) \$—	\$—
Middle market loans	\$—	\$—	\$—	\$—	\$—

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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
Three Months Ended March 31, 2015:			
Whole loans	2	\$67,459	\$67,459
B notes	—	—	—
Mezzanine loans	—	—	—
Bank loans	—	—	—
Middle market loans	—	—	—
Residential mortgage loans	—	—	—
Loans receivable - related party	—	—	—
Total loans	2	\$67,459	\$67,459

The Company had no troubled-debt restructurings during the three months ended March 31, 2014. As of March 31, 2015 and 2014, there were no commercial real estate loan troubled-debt restructurings that subsequently defaulted.

NOTE 10 - BUSINESS COMBINATIONS

On February 27, 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. 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.

NOTE 11 - INTANGIBLE ASSETS

For the three months ended March 31, 2015, the Company recorded amortization expense of \$507,000. The Company expects to record amortization expense on intangible assets 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 6.4 years and 6.6 years at March 31, 2015 and December 31, 2014, respectively.

The following table summarizes intangible assets (in thousands):

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	Asset Balance	Accumulated Amortization	Net Asset
As of March 31, 2015:			
Investment in RCAM	\$21,213	\$(12,223) \$8,990
Investments in PCM:			
Wholesale or correspondent relationships	600	(361	) 239
Total intangible assets	\$21,813	\$(12,584	) \$9,229
As of December 31, 2014:			
Investment in RCAM	\$21,213	\$(11,779	) \$9,434
Investments in PCM:			
Wholesale or correspondent relationships	600	(298	) 302
Total intangible assets	\$21,813	\$(12,077	) \$9,736

For the three months ended March 31, 2015 and 2014, the Company recognized \$965,000 and \$1.7 million, respectively, of fee income related to the investment in RCAM.

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 \$1.2 billion and \$894.8 million as of March 31, 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.

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

	March 31, 2015	December 31, 2014	
Balance, beginning of period	\$894,767	\$433,153	
Additions	212,390	519,915	
Payoffs, sales and curtailments	53,151	(58,301)
Balance, end of period	\$1,160,308	\$894,767	

The activity in capitalized MSRs is recorded in other assets and consists of the followings (in thousands):

	March 31, 2015	December 31, 2014	
Balance, beginning of period	\$9,374	\$4,885	
Amortization	(825	) (1,957)
Additions	2,936	6,446	
Sales	—	—	
Balance, end of period	11,485	9,374	
Temporary fair value adjustment	(1,050) —	
Balance, end of period	\$10,435	\$9,374	

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The Company expects to recognize amortization related to its mortgage servicing rights portfolio in the amount of \$2.0 million for the year ending December 31, 2015, \$2.0 million for the year ending December 31, 2016, \$1.8 million for the year ending December 31, 2017, \$1.7 million for the year ending December 31, 2018, and \$1.1 million for the year ending December 31, 2019. The weighted average amortization period was 1.3 years and 1.4 years at March 31, 2015 and December 31, 2014, respectively.

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	
	March 31,	
	2015	2014
Servicing fees from capitalized portfolio	\$551	\$308
Late fees	\$23	\$22
Other ancillary servicing revenue	\$3	\$4

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 March 31, 2015:						
RREF CDO 2006-1 Senior Notes	\$52,957	\$—	\$52,957	2.31%	31.4 years	\$130,727
RREF CDO 2007-1 Senior Notes	131,780	63	131,717	1.14%	31.5 years	258,175
RCC CRE Notes 2013 Senior Notes	182,040	2,493	179,547	2.28%	13.7 years	205,386
RCC 2014-CRE2 Senior Notes	235,344	3,682	231,662	1.47%	17.1 years	349,063
RCC 2015-CRE3 Senior Notes	282,127	4,116	278,011	2.07%	17.0 years	339,654
Apidos CDO III Senior Notes	67,028	—	67,028	1.28%	5.5 years	78,957
Apidos Cinco CDO Senior Notes	229,716	72	229,644	0.87%	5.1 years	252,826
Moselle CLO S.A. Securitizd Borrowings, at fair value ⁽¹⁾	120	—	120	N/A	N/A	537
Unsecured Junior Subordinated Debentures ⁽²⁾	51,548	292	51,256	4.21%	21.6 years	—
6.0% Convertible Senior Notes	115,000	6,182	108,818	6.00%	3.7 years	—
8.0% Convertible Senior Notes	100,000	7,052	92,948	8.00%	4.8 years	—
	93,734	1,583	92,151	2.21%	18 days	135,951

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CRE - Term Repurchase Facilities ⁽³⁾						
CMBS - Term Repurchase Facility ⁽⁴⁾	29,391	—	29,391	1.37%	18 days	35,977
Residential Investments - Term Repurchase Facility	104,547	125	104,422	2.43%	25 days	121,472
Residential Mortgage Financing Agreements	74,648	—	74,648	2.78%	130 days	95,479
CMBS - Short Term Repurchase Agreements ⁽⁵⁾	67,785	—	67,785	1.63%	18 days	94,857
Senior Secured Revolving Credit Agreement	135,000	2,507	132,493	2.68%	2.5 years	292,453
Total	\$ 1,952,765	\$ 28,167	\$ 1,924,598	2.46%	10.8 years	\$ 2,391,514

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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 \$75,000 and \$198,000 related to CRE repurchase facilities as of March 31, 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 March 31, 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 March 31, 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 March 31, 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	\$209.2
RCC CRE Notes 2013 Senior Notes	December 2013	December 2028	N/A	\$78.8
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	\$195.5
Apidos Cinco CDO Senior Notes	May 2007	May 2020	May 2014	\$92.3
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 March 31, 2015. The investments held by the Company's securitizations collateralized 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 March 31, 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.

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Moselle CLO S.A.

The Company exercised its right in to call the notes of Moselle CLO S.A. in November 2014, 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 the Senior Notes in full, and \$5.0 million of the Securitized Borrowings as of March 31, 2015.

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"). 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. The discount and deferred 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.

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.

Repurchase and Credit Facilities

Borrowings under the 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 March 31, 2015			Number of Positions as Collateral	Weighted Average Interest Rate	As of December 31, 2014		
	Outstanding Borrowings	Value of Collateral				Outstanding Borrowings	Value of Collateral	Number of Positions as Collateral	Weighted Average Interest Rate
CMBS Term								
Repurchase Facility								
Wells Fargo Bank	\$29,391	\$35,977	34	1.37%	\$24,967	\$30,180	33	1.35%
CRE Term								
Repurchase Facilities								
Wells Fargo Bank ⁽¹⁾	92,296	135,951	5	2.21%	179,762	258,223	15	2.38%
Deutsche Bank AG ⁽²⁾	(145)	—	—	—%	25,920	39,348	2	2.78%
Short-Term								
Repurchase								
Agreements - CMBS								
Deutsche Bank Securities, LLC	53,249	70,928	8	1.62%	33,783	44,751	8	1.62%
Wells Fargo Securities, LLC	14,536	23,929	1	1.59%	10,442	17,695	1	1.66%

Residential								
Investments Term								
Repurchase Facility								
Wells Fargo Bank ⁽³⁾	104,422	121,472	146	2.43%	22,212	27,885	6	1.16%
Residential Mortgage								
Financing Agreements								
New Century Bank	46,419	53,689	231	2.80%	41,387	51,961	158	2.82%
Wells Fargo Bank	28,229	41,790	78	2.75%	61,189	95,511	104	2.75%
Totals	\$368,397	\$483,736			\$399,662	\$565,554		

(1) The Wells Fargo CRE term repurchase facility borrowing includes \$1.4 million and \$1.7 million of deferred debt issuance costs as of March 31, 2015 and December 31, 2014, respectively.

(2) The Deutsche Bank term repurchase facility includes \$145,000 and \$268,000 of deferred debt issuance costs as of March 31, 2015 and December 31, 2014, respectively.

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(3) The Wells Fargo residential investments term repurchase facility includes \$125,000 and \$36,000 of deferred debt issuance costs as of March 31, 2015 and December 31, 2014, respectively.

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 March 31, 2015.

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		

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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 March 31, 2015:			
CMBS Term Repurchase Facility			
Wells Fargo Bank, National Association	\$6,176	18	1.37%
Residential Investments Term Repurchase Facility			
Wells Fargo Bank, National Association	\$16,804	25	2.43%
CRE Term Repurchase Facilities			
Wells Fargo Bank, National Association	\$42,763	18	2.21%
Short-Term Repurchase Agreements - CMBS			
Wells Fargo Securities, LLC	\$8,964	6	1.59%
Deutsche Bank Securities, LLC	\$17,452	21	1.62%
Residential Mortgage Financing Agreements			
Wells Fargo Bank	\$13,561	93	2.75%
New Century Bank	\$7,270	152	2.80%
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 March 31, 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

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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 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. The 2014 Facility has a current scheduled termination date of June 22, 2015, and the Company has a one year option to extend at its discretion.

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. At March 31, 2015, PCM received waivers from both New Century and Wells Fargo on a covenant that requires PCM to maintain a minimum liquidity of \$7.5 million. The waivers removed the minimum liquidity requirement and all existing defaults for the period March 1, 2015 through April 30, 2015. PCM was in compliance with all other financial covenant requirements under the agreements as of March 31, 2015.

Senior Secured Revolving Credit Agreement

Effective September 18, 2014, the Company, through Northport LLC, closed a \$110.0 million syndicated senior secured revolving credit agreement with JP Morgan as the agent bank. The accordion feature of the facility was exercised in September 2014 to bring the facility capacity to \$225.0 million and \$15.0 million was secured through the addition of Customer's Bank to the syndicate, bringing the effective commitment to \$125.0 million. In March 2015, ING Capital LLC agreed to a commitment increase of \$15.0 million, bringing the effective commitment to \$140.0 million as of March 31, 2015.

NOTE 13 - SHARE ISSUANCE AND REPURCHASE

	Three Months Ended March 31, 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.

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 months ended March 31, 2015, the Company sold approximately 22,000 shares of common stock through this program, resulting in proceeds of

approximately \$106,000.

NOTE 14 - SHARE-BASED COMPENSATION

The following table summarizes restricted common stock transactions:

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	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	47,087	1,001,459	115,271	1,163,817
Vested	(37,786)	(340,636)	(7,439)	(385,861)
Forfeited	—	—	(1,271)	(1,271)
Unvested shares as of March 31, 2015	58,504	2,473,676	268,144	2,800,324

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 three months ended March 31, 2015 and 2014, including the grant date fair value of shares issued to the Company's seven non-employee directors, was \$5.6 million, and \$3.7 million, respectively.

The following table summarizes the restricted common stock grants during the three months ended March 31, 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⁾

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 are 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 are not met, the accrued dividends will be forfeited. As a consequence, the Company will 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.

- (1) 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.

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The following table summarizes the status of the Company's vested stock options as of March 31, 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 March 31, 2015	640,666	\$14.45	0.8	\$—

There were no options granted during the three months ended March 31, 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 March 31,	
	2015	2014
Options granted to Manager and non-employees	\$—	\$(2)
Restricted shares granted to non-employees ⁽¹⁾	764	1,429
Restricted shares granted to employees	167	175
Restricted shares granted to non-employee directors	64	65
Total equity compensation expense	\$995	\$1,667

(1) Non-employees are employees of REXI.

There were no incentive fees paid to the Manager for the three months ended March 31, 2015 and 2014.

Apart from incentive compensation payable under the Management Agreement, the Company has established no formal criteria for the issuance of equity awards as of March 31, 2015. All awards are discretionary in nature and subject to approval by the Compensation Committee of the Company's board of directors.

On October 31, 2013, the Company, through its TRS, RCC Residential, completed a business combination whereby it acquired the assets of PCM, an Atlanta based company that originates and services residential mortgage loans, for approximately \$7.6 million in cash. As part of this transaction, a key employee of PCM was granted approximately \$800,000 of the Company's restricted stock. Any grants for employees of PCM are accounted for as compensation and amortized to equity compensation expense over the vesting period. Dividends declared on the stock while unvested are recorded as a general and administrative expense. Dividends declared after the stock vests are recorded as a distribution. For the three months ended March 31, 2015 and 2014, \$166,000 and \$160,000 of amortization of the stock grants were recorded to equity compensation expense and \$43,000 and \$52,000 of expense related to dividends on unvested shares was recorded to general and administrative expense on the Company's consolidated statements of income, respectively.

NOTE 15 - EARNINGS PER SHARE

The following table presents a reconciliation of basic and diluted earnings per share for the periods presented as follows (in thousands, except share and per share amounts):

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	For the Three Months Ended March 31,	
	2015	2014
Basic:		
Net income allocable to common shares	\$9,402	\$15,116
Weighted average number of shares outstanding	131,256,909	125,616,537
Basic net income per share	\$0.07	\$0.12
Diluted:		
Net income allocable to common shares	\$9,402	\$15,116
Weighted average number of shares outstanding	131,256,909	125,616,537
Additional shares due to assumed conversion of dilutive instruments	1,047,508	1,051,077
Adjusted weighted-average number of common shares outstanding	132,304,417	126,667,614
Diluted net income per share	\$0.07	\$0.12

Potentially dilutive shares consisting of 36,011,413 shares issuable in connection with the Company's 6% and 8% Convertible Senior Notes (see Note 12) for the three months ended March 31, 2015 and 17,907,939 shares for the three months ended March 31, 2014, respectively, were not included in the calculation of diluted net income per share because the effect was anti-dilutive.

NOTE 16 - ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

The following table, which is presented gross of tax, presents the changes in each component of accumulated other comprehensive income for the three months ended March 31, 2015 (dollars in thousands):

	Net unrealized (loss) gain on derivatives	Net unrealized (loss) gain on securities, available-for-sale	Foreign Currency Translation	Accumulated other comprehensive loss
January 1, 2015	\$(8,967)	) \$ 15,422	\$(412)	) \$6,043
Other comprehensive gain (loss) before reclassifications	1,142	3,123	429	4,694
Amounts reclassified from accumulated other comprehensive income	90	(6,258)	) —	(6,168)
Net current-period other comprehensive income	1,232	(3,135)	) 429	(1,474)
Unrealized gains (losses) on available-for-sale securities allocable to non-controlling interests	—	807	—	807
March 31, 2015	\$(7,735)	) \$ 13,094	\$17	\$5,376

NOTE 17 - RELATED PARTY TRANSACTIONS

Relationship with Resource America and Certain of its Subsidiaries

Relationship with Resource America. On September 19, 2013, the Audit Committee of the Board of Directors of Resource America concluded that Resource America should consolidate the financial statements of the Company, which was previously treated as an unconsolidated variable interest entity. The Audit Committee reached this conclusion after consultations with the Office of the Chief Accountant of the Securities and Exchange Commission (the "Commission") following comments received from the staff of the Division of Corporation Finance of the Commission and the Audit Committee's discussion with the Company's management and its independent registered public accounting firm. Resource America's Audit Committee noted that consolidation of the Company was not

expected to materially affect Resource America's previously reported net income attributable to common shareholders. At March 31, 2015, Resource America owned 2,861,592 shares, or 2.1%, of the Company's outstanding common stock. In addition, Resource America held 2,166 options to purchase restricted stock which options expired on March 8, 2015.

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The Company is managed by the Manager, which is a wholly-owned subsidiary of Resource America, pursuant to a Management Agreement that provides for both base and incentive management fees. For the three months ended March 31, 2015 and 2014, the Manager earned base management fees of approximately \$3.4 million and \$2.9 million, respectively. No incentive management fees were earned for the three months ended March 31, 2015 or 2014. The Company also reimburses the Manager and Resource America for expenses, including the expenses of employees of Resource America who perform legal, accounting, due diligence and other services that outside professionals or consultants would otherwise perform, and for the wages, salaries and benefits of several Resource America personnel dedicated to the Company's operations. For the three months ended March 31, 2015 and 2014, the Company paid the Manager \$1.1 million and \$990,000, respectively, as expense reimbursements.

On November 24, 2010, the Company entered into an Investment Management Agreement with Resource Capital Markets, Inc. ("RCM"), a wholly-owned subsidiary of Resource America. The initial agreement provided that: (a) RCM may invest up to \$5.0 million of the Company's funds, with the investable amount being adjusted by portfolio gains (losses) and collections, and offset by expenses, taxes and realized management fees, and (b) RCM can earn a management fee in any year that the net profits earned exceed a preferred return. On June 17, 2011, the Company entered into a revised Investment Management Agreement with RCM which provided an additional \$8.0 million of the Company's funds. The management fee is 20% of the amount by which the net profits exceed the preferred return. During the three months ended March 31, 2015 and 2014, RCM earned no management fees. The portfolio began a partial liquidation during the year ended December 31, 2013 that has resulted in the outstanding portfolio balance being significantly decreased. The Company has reinvested gains from its activity and holds \$3.9 million in fair market value of trading securities as of March 31, 2015, an increase of \$500,000 from \$3.4 million at fair market value as of December 31, 2014. The Company and RCM also established an escrow account that allocates the net profit or net losses of the portfolio on a yearly basis based on the net asset value of the account. RCM did not earn profits from this account during the three months ended March 31, 2015 and 2014. The Company also reimburses RCM for expenses paid on the Company's behalf. For the three months ended March 31, 2015 and 2014, the Company paid RCM \$32,000 and \$75,000, respectively, as expense reimbursements.

At March 31, 2015, the Company was indebted to the Manager for \$1.9 million, comprised of base management fees of \$1.1 million and expense reimbursements of \$750,000. At December 31, 2014, the Company was indebted to the Manager for \$1.6 million, comprised of base management fees of \$1.2 million and expense reimbursements of \$480,000. At March 31, 2015, the Company was indebted to RCM under the Company's Investment Management Agreement for \$179,000, comprised entirely of expense reimbursements. At December 31, 2014, the Company was indebted to RCM under the Company's Investment Management Agreement for \$121,000, comprised entirely of expense reimbursements.

During the year ended December 31, 2013, the Company, through one of its subsidiaries, began originating middle-market loans. Resource America is paid origination fees in connection with the Company's middle-market lending operations, which fees may not exceed 2% of the loan balance for any loan originated.

On November 7, 2013, the Company, through a wholly-owned subsidiary, purchased all of the membership interests in Elevation Home Loans, LLC, a start-up residential mortgage company, from an employee of Resource America for \$830,000, paid in the form of 136,659 shares of restricted Company common stock. The restricted stock vests in full on November 7, 2016, and includes dividend equivalent rights.

The Company had executed ten and nine securitizations as of March 31, 2015 and December 31, 2014, which were structured for the Company by the Manager. Under the Management Agreement, the Manager was not separately compensated by the Company for executing these transactions and is not separately compensated for managing the securitization's entities and their assets. The Company liquidated one of these securitizations in October 2013 and

another in October 2014.

Relationship with LEAF Commercial Capital. LCC originated and managed equipment leases and notes on behalf of the Company. On March 5, 2010, the Company entered into agreements with Lease Equity Appreciation Fund II, L.P. ("LEAF II") (an equipment leasing partnership sponsored by LEAF Financial and of which a LEAF Financial subsidiary is the general partner), pursuant to which the Company provided and funded an \$8.0 million credit facility to LEAF II. The credit facility initially had a one year term with interest at 12% per year, payable quarterly, and was secured by all the assets of LEAF II, including its entire ownership interest in LEAF II Receivables Funding. The Company received a 1% origination fee in connection with establishing the facility. The facility originally matured on March 3, 2011 and was extended until September 3, 2011 with a 1% extension fee paid on the outstanding loan balance. On June 3, 2011, the Company entered into an amendment to extend the maturity to February 15, 2012 and to decrease the interest rate from 12% to 10% per annum resulting in a troubled-debt restructuring under current

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accounting guidance. On February 15, 2012, the credit facility was further amended to extend the maturity to February 15, 2013 with a 1% extension fee accrued and added to the amount outstanding. On January 11, 2013, the Company entered into another amendment to extend the maturity to February 15, 2014 with an additional 1% extension fee accrued and added to the amount outstanding. On December 17, 2013, the Company entered into another amendment to extend the maturity to February 15, 2015. At the end of 2014, the Company recorded a provision for loan loss on this loan of \$1.3 million before extinguishing the loan and bringing direct financing leases in the amount of \$2.1 million on the Company's books in lieu of the loan receivable. During the three months ended March 31, 2015, the Company recorded a partial recovery of this provision in the amount of \$188,000. As of March 31, 2015, the Company held \$2.0 million of direct financing leases.

On November 16, 2011, the Company, together with LEAF Financial and LCC, entered into the SPA with Eos (see Note 3). The Company's resulting interest is accounted for under the equity method. For the three months ended March 31, 2015 and 2014 the Company recorded a gain of \$52,000 and loss of \$594,000, respectively, which was recorded in equity in net earnings (losses) of unconsolidated subsidiaries on the consolidated statement of income. The Company's investment in LCC was \$39.5 million and \$39.4 million as of March 31, 2015 and December 31, 2014, respectively.

Relationship with CVC Credit Partners. On April 17, 2012, Apidos Capital Management ("ACM"), a former subsidiary of Resource America, was sold to CVC Credit Partners, LLC ("CVC Credit Partners"), a joint venture entity in which Resource America owns a 33% interest. CVC Credit Partners manages internally and externally originated bank loan assets on the Company's behalf. On February 24, 2011, a subsidiary of the Company purchased 100% of the ownership interests in Churchill Pacific Asset Management LLC ("CPAM") from Churchill Financial Holdings LLC for \$22.5 million. CPAM subsequently changed its name to RCAM. Through RCAM, the Company was initially entitled to collect senior, subordinated and incentive fees related to five CLOs holding approximately \$1.9 billion in assets managed by RCAM. RCAM is assisted by CVC Credit Partners in managing these CLOs. CVC Credit Partners is entitled to 10% of all subordinated fees and 50% of the incentive fees received by RCAM. For the three months ended March 31, 2015 and 2014, CVC Credit Partners earned subordinated fees of \$237,000 and \$370,000, respectively. In October 2012, the Company purchased 66.6% of the preferred equity in one of the RCAM CLOs. In May 2013, the Company purchased additional equity in this CLO, increasing its ownership percentage to 68.3%. In September 2013, this CLO was called and the notes were paid down in full. Another RCAM-managed CLO also elected to redeem its outstanding notes in whole in February 2013.

In May, June and July 2013, the Company invested a total of \$15.0 million in CVC Global Credit Opportunities Fund, L.P. which generally invests in assets through the Master Fund (see Note 3). The fund will pay the investment manager a quarterly management fee in advance calculated at the rate of 1.5% annually based on the balance of each limited partner's capital account. The Company's management fee was waived upon entering the agreement given that the Company is a related party of CVC Credit Partners. For the three months ended March 31, 2015 and 2014, the Company recorded earnings of \$608,000 and \$834,000, respectively, which was recorded in equity in net earnings (losses) of unconsolidated subsidiaries on the consolidated statement of income. In March 2015, the Company elected to withdraw \$5.0 million from the fund bringing the Company's investment balance to \$13.8 million as of March 31, 2015 as compared to \$18.2 million as of December 31, 2014. The investment is recorded as an investment in unconsolidated entities on the Company's consolidated balance sheets using the equity method.

Relationship with Resource Real Estate. Resource Real Estate, a subsidiary of Resource America, originates, finances and manages the Company's commercial real estate loan portfolio, including whole loans, B notes, mezzanine loans, and investments in real estate. The Company reimburses Resource Real Estate for loan origination costs associated with all loans originated. The Company had a receivable in the amount of \$7,500 and \$100,000 due from Resource

Real Estate for loan origination costs in connection with the Company's commercial real estate loan portfolio as of March 31, 2015 and December 31, 2014, respectively.

On August 9, 2006, the Company, through its subsidiary, RCC Real Estate, originated a loan to Lynnfield Place, a multi-family apartment property, in the amount of \$22.4 million. The loan was then purchased by RREF CDO 2006-1. The loan, which was set to mature on May 9, 2018, carried an interest rate of LIBOR plus a spread of 3.50% with a LIBOR floor of 2.50%. On June 14, 2011, RCC Real Estate converted this loan, collateralized by a multi-family building, to equity. The loan was kept outstanding and was used as collateral in RREF CDO 2006-1. RREM was appointed as the asset manager as of August 1, 2011. RREM performed lease review and approval, debt service collection, loan workout, foreclosure, disposition and/or entitlements and permitting, as applicable. RREM was also responsible for engaging third parties to perform day-to-day property management, property leasing, rent collection, maintenance, and capital improvements. RREM was entitled to a monthly asset management fee equal to 4.0% of the gross receipts generated from the property. The Company incurred fees payable to RREM for the three months ended March 31, 2014 in the amount of \$34,000. There were no fees incurred for the three months ended March 31, 2015, as the property was sold during the last quarter of 2014 for a gain of \$1.9 million.

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On December 1, 2009, the Company purchased a membership interest in RRE VIP Borrower, LLC (an unconsolidated VIE that held an interest in a real estate joint venture) from Resource America for \$2.1 million, its book value.

RREM was asset manager of the venture and received a monthly asset management fee equal to 1.0% of the combined investment calculated as of the last calendar day of the month. For the three months ended March 31, 2014, the Company paid RREM management fees of \$5,000. There were no fees incurred for the three months ended March 31, 2015, as the last property associated with the joint venture was sold in July 2014. For the three months ended March 31, 2015 and 2014, the Company recorded income of \$46,000 and \$866,000, respectively, which was recorded in equity in net earnings (losses) of unconsolidated subsidiaries on the consolidated statement of income. The income recorded in 2015 was due to a liquidation of an existing bank account with respect to one the properties.

On January 15, 2010, the Company loaned \$2.0 million to Resource Capital Partners, Inc. (“RCP”), a wholly-owned subsidiary of Resource America, so that it could acquire a 5.0% limited partnership interest in Resource Real Estate Opportunity Fund, L.P. (“RRE Opportunity Fund”). RCP is the general partner of the RRE Opportunity Fund. The loan is secured by RCP’s partnership interest in the RRE Opportunity Fund. The promissory note bears interest at a fixed rate of 8.0% per annum on the unpaid principal balance. In the event of default, interest will accrue and be payable at a rate of 5.0% in excess of the fixed rate. Interest is payable quarterly. Mandatory principal payments must also be made to the extent distributable cash or other proceeds from the partnership represent a return of RCP’s capital. The loan had an original maturity date of January 14, 2015, with two one-year extensions. RCP exercised the first option, extending the maturity to January 14, 2016. Principal payments of \$391,000 were made during the year ended December 31, 2014. There have been no additional principal payments made. The loan balance was \$558,000 at March 31, 2015 and December 31, 2014.

On June 21, 2011, the Company entered into a joint venture with an unaffiliated third party to form CR SLH Partners, L.P. (“SLH Partners”) to purchase a defaulted promissory note secured by a mortgage on a multi-family apartment building. The Company purchased a 10% equity interest in the venture and also loaned SLH Partners \$7.0 million to finance the project secured by a first mortgage lien on the property. The loan had a maturity date of September 21, 2012 and bore interest at a fixed rate of 10.0% per annum on the unpaid principal balance, payable monthly. The Company received a commitment fee equal to 1.0% of the loan amount at the origination of the loan and received a \$70,000 exit fee upon repayment. On May 23, 2012, SLH Partners repaid the \$7.0 million loan in its entirety. RREM was appointed as the asset manager of the venture. RREM performed lease review and approval, debt service collection, loan workout, foreclosure, disposition and permitting, as applicable. RREM was also responsible for engaging third parties to perform day-to-day property management, property leasing, rent collection, maintenance, and capital improvements. RREM received an annual asset management fee equal to 2.0% of the gross receipts generated from the property. The Company held a \$975,000 preferred equity investment in SLH Partners as of December 31, 2013. The investment was sold in 2014 for a \$912,000 gain, which was recorded on the Company's consolidated statements of income in equity of earnings of unconsolidated subsidiaries.

In December 2013, the Company closed RCC CRE Notes 2013, a \$307.8 million real estate securitization that provides financing for commercial real estate loans. Resource Real Estate serves as special servicer. With respect to each Specialty Service Mortgage Loan, Resource Real Estate receives an amount equal to the product of (a) the Special Servicing Fee Rate, 0.25% per annum, and (b) the outstanding principal balance of such Specialty Service Mortgage Loan. The servicing fee is payable monthly, on an asset-by-asset basis. The Company utilizes the brokerage services of Resource Securities Inc. (“Resource Securities”), a wholly-owned broker-dealer subsidiary of Resource America, on a limited basis to conduct some of its asset trades. The Company paid Resource Securities a \$205,000 placement agent fee in connection with this transaction.

On July 30, 2014, the Company closed RCC 2014-CRE2, a \$353.9 million real estate securitization that provides financing for commercial real estate loans. Resource Real Estate serves as special servicer. With respect to each Specialty Service Mortgage Loan, Resource Real Estate receives an amount equal to the product of (a) the Special Servicing Fee Rate, 0.25% per annum, and (b) the outstanding principal balance of such Specialty Service Mortgage Loan. The servicing fee is payable monthly, on an asset-by-asset basis. The Company paid Resource Securities a \$175,000 placement agent fee in connection with this transaction.

On February 24, 2015, the Company closed RCC 2015-CRE3, a \$346.2 million real estate securitization that provides financing for transitional commercial real estate loans. Resource Real Estate serves as special servicer. With respect to each Specialty Service Mortgage Loan, Resource Real Estate receives an amount equal to the product of (a) the Special Servicing Fee Rate, 0.25% per annum, and (b) the outstanding principal balance of such Specialty Service Mortgage Loan. The servicing fee is payable monthly, on an asset-by-asset basis. The Company paid Resource Securities a \$100,000 placement agent fee in connection with this transaction.

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In July 2014, the Company formed RCM Global Manager to invest in RCM Global, an entity formed to hold a portfolio of structured product securities. The Company contributed \$15.0 million for a 63.8% membership interest in RCM Global. A five member board manages RCM Global, and all actions including purchases and sales must be approved by no less than three of the five members of the board. The portion of RCM Global that the Company does not own is presented as non-controlling interests as of the dates and for the periods presented in the Company's consolidated financial statements. All intercompany accounts and transactions have been eliminated in consolidation. In March, the Company requested and received a proportional, in-kind distribution in certain securities held by RCM Global. The distribution of and subsequent sale of those securities by the Company through its subsidiary, RCC Residential, resulted in the realization of \$2.7 million of gains. The Company's ownership interest decreased to 53.2% as of March 31, 2015 as a result of this distribution.

In September 2014, the Company contributed \$17.5 million to Pelium Capital for an initial ownership interest of 80.4%. Pelium Capital is a specialized credit opportunity fund managed by Resource America. The Company funded its final commitment of \$2.5 million, as of February 1, 2015. The Company will receive 10% of the carried interest in the partnership for the first five years, and can increase its interest to 20% if the Company's capital contributions aggregate \$40.0 million. Resource America contributed securities valued at \$2.8 million to the formation of Pelium Capital. The portion of the fund that the Company does not own is presented as non-controlling interests as of the dates and for the periods presented in the Company's consolidated financial statements. All intercompany accounts and transactions have been eliminated in consolidation. The Company's ownership interest in Pelium Capital was 71.8% as of March 31, 2015.

Relationship with Law Firm. Until 1996, Edward E. Cohen, a director who was the Company's Chairman from its inception until November 2009, was of counsel to Ledgewood, P.C., a law firm. In addition, one of the Company's executive officers, Jeffrey F. Brotman, was employed by Ledgewood until 2007. Mr. E. Cohen receives certain debt service payments from Ledgewood related to the termination of his affiliation with Ledgewood and its redemption of his interest in the firm. Mr. Brotman also receives certain debt service payments from Ledgewood related to the termination of his affiliation with the firm. For the three months ended March 31, 2015 and 2014, the Company paid Ledgewood \$274,000 and \$38,000, respectively, in connection with legal services rendered to the Company.

NOTE 18 - DISTRIBUTIONS

For the three months ended March 31, 2015, the Company declared and subsequently paid a dividend of \$0.16 per common share.

In order to qualify as a REIT, the Company must currently distribute at least 90% of its taxable income. In addition, the Company must distribute 100% of its taxable income in order not to be subject to corporate federal income taxes on retained income. The Company anticipates it will distribute substantially all of its taxable income to its stockholders. Because taxable income differs from cash flow from operations due to non-cash revenues or expenses (such as provisions for loan and lease losses and depreciation), in certain circumstances, the Company may generate operating cash flow in excess of its distributions or, alternatively, may be required to borrow to make sufficient distribution payments.

The Company's 2015 dividends will be determined by the Company's board of directors which will also consider the composition of any dividends declared, including the option of paying a portion in cash and the balance in additional common shares.

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The following tables presents dividends declared (on a per share basis) for the three months ended March 31, 2015 and year ended December 31, 2014:

Common Stock

	Date Paid	Total Dividend Paid (in thousands)	Dividend Per Share
2015			
March 31	April 28	\$21,423	\$0.16
2014			
March 31	April 28	\$25,663	\$0.20
June 30	July 28	\$26,179	\$0.20
September 30	October 28	\$26,629	\$0.20
December 31	January 28, 2015	\$26,563	\$0.20

Preferred Stock

Series A

Series A				Series B			Series C		
	Date Paid	Total Dividend Paid (in thousands)	Dividend Per Share	Date Paid	Total Dividend Paid (in thousands)	Dividend Per Share	Date Paid	Total Dividend Paid (in thousands)	Dividend Per Share
2015									
March 31	April 30	\$ 568	\$0.53125	April 30	\$ 2,960	\$0.515625	April 30	\$ 2,588	\$0.5390625
2014									
March 31	April 30	\$ 463	\$0.53125	April 30	\$ 2,057	\$0.515625	—	—	—
June 30	July 30	\$ 537	\$0.53125	July 30	\$ 2,378	\$0.515625	July 30	\$ 1,437	\$0.0299479
September 30	October 30	\$ 537	\$0.53125	October 30	\$ 2,430	\$0.515625	October 30	\$ 2,588	\$0.5390625
December 31	January 30, 2015	\$ 568	\$0.53125	January 30, 2015	\$ 2,888	\$0.515625	January 30, 2015	\$ 2,588	\$0.5390625

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NOTE 19 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents information about the Company's assets and liabilities measured at fair value on a recurring basis and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value as follows (in thousands):

	Level 1	Level 2	Level 3	Total
As of March 31, 2015:				
Assets:				
Investment securities, trading	\$—	\$—	\$29,770	\$29,770
Investment securities available-for-sale	—	32,567	251,503	284,070
Derivatives (net)	7,015	384	6,636	14,035
Total assets at fair value	\$7,015	\$32,951	\$287,909	\$327,875
Liabilities:				
Derivatives (net)	\$—	\$1,319	\$7,541	\$8,860
Total liabilities at fair value	\$—			