Ladder Capital Corp
Form 10-Q
August 03, 2017
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ladr:NewMemberofBoardofDirectorsMember 2017-06-22 2017-06-22 0001577670 us-gaap:RestrictedStockMember ladr:A2016CompensationPlanMember ladr:NonManagementEmployeesMember us-gaap:ShareBasedCompensationAwardTrancheOneMember 2017-02-18 2017-02-18 0001577670 us-gaap:RestrictedStockMember ladr:A2016CompensationPlanMember us-gaap:ManagementMember 2017-02-18 2017-02-18 0001577670 us-gaap:RestrictedStockMember ladr:OmnibusIncentivePlan2014Member us-gaap:CommonClassAMember us-gaap:ExecutiveOfficerMember us-gaap:ShareBasedCompensationAwardTrancheThreeMember 2016-02-18 2016-02-18 0001577670 ladr:UpfrontRestrictedStockMember ladr:A2016CompensationPlanMember ladr:NewMemberofBoardofDirectorsMember us-gaap:ShareBasedCompensationAwardTrancheTwoMember 2017-03-03 2017-03-03 0001577670 us-gaap:RestrictedStockMember ladr:A2016CompensationPlanMember ladr:NonManagementEmployeesMember us-gaap:ShareBasedCompensationAwardTrancheTwoMember 2017-02-18 2017-02-18 0001577670 ladr:UpfrontRestrictedStockMember ladr:A2016CompensationPlanMember ladr:NewMemberofBoardofDirectorsMember us-gaap:ShareBasedCompensationAwardTrancheOneMember 2017-06-22 2017-06-22 0001577670 us-gaap:RestrictedStockMember ladr:A2016CompensationPlanMember us-gaap:ExecutiveOfficerMember us-gaap:ShareBasedCompensationAwardTrancheThreeMember 2017-02-18 2017-02-18 0001577670 us-gaap:RestrictedStockMember ladr:A2016CompensationPlanMember ladr:ManagementGranteesotherthanMr.HarrisandMs.McCormackMember us-gaap:ShareBasedCompensationAwardTrancheTwoMember 2017-02-18 2017-02-18 0001577670 us-gaap:RestrictedStockMember ladr:OmnibusIncentivePlan2014Member us-gaap:CommonClassAMember us-gaap:ExecutiveOfficerMember us-gaap:ShareBasedCompensationAwardTrancheTwoMember 2016-02-18 2016-02-18 0001577670 us-gaap:RestrictedStockMember ladr:OmnibusIncentivePlan2014Member us-gaap:CommonClassAMember us-gaap:ExecutiveOfficerMember us-gaap:ShareBasedCompensationAwardTrancheOneMember 2016-02-18 2016-02-18 0001577670 us-gaap:RestrictedStockMember ladr:A2016CompensationPlanMember ladr:NonManagementEmployeesMember 2017-02-18 2017-02-18 0001577670 us-gaap:RestrictedStockMember ladr:A2016CompensationPlanMember us-gaap:ManagementMember us-gaap:ShareBasedCompensationAwardTrancheThreeMember 2017-02-18 2017-02-18 0001577670 us-gaap:RestrictedStockMember ladr:A2016CompensationPlanMember ladr:NonManagementEmployeesMember ladr:TimeBasedVestingMember 2017-02-18 2017-02-18 0001577670 us-gaap:RestrictedStockMember ladr:A2016CompensationPlanMember us-gaap:ExecutiveOfficerMember 2017-02-18 2017-02-18 0001577670 us-gaap:RestrictedStockMember ladr:A2016CompensationPlanMember us-gaap:ExecutiveOfficerMember us-gaap:ShareBasedCompensationAwardTrancheTwoMember 2017-02-18 2017-02-18 0001577670 us-gaap:RestrictedStockMember ladr:OmnibusIncentivePlan2014Member us-gaap:CommonClassAMember us-gaap:ManagementMember ladr:TimeBasedVestingMember 2015-02-18 2015-02-18 0001577670 ladr:UpfrontRestrictedStockMember ladr:A2016CompensationPlanMember ladr:MichaelMazzeiMember us-gaap:ShareBasedCompensationAwardTrancheThreeMember 2017-06-22 2017-06-22 0001577670 us-gaap:RestrictedStockMember ladr:A2016CompensationPlanMember ladr:ManagementGranteesotherthanMr.HarrisandMs.McCormackMember us-gaap:ShareBasedCompensationAwardTrancheOneMember 2017-02-18 2017-02-18 0001577670 us-gaap:RestrictedStockMember ladr:A2016CompensationPlanMember us-gaap:ExecutiveOfficerMember ladr:TimeBasedVestingMember 2017-02-18 2017-02-18 0001577670 us-gaap:RestrictedStockMember ladr:A2016CompensationPlanMember ladr:NonManagementEmployeesMember us-gaap:ShareBasedCompensationAwardTrancheThreeMember 2017-02-18 2017-02-18 0001577670 ladr:UpfrontRestrictedStockMember ladr:A2016CompensationPlanMember ladr:MichaelMazzeiMember 2017-06-22 2017-06-22 0001577670 us-gaap:RestrictedStockMember ladr:A2016CompensationPlanMember us-gaap:ExecutiveOfficerMember us-gaap:ShareBasedCompensationAwardTrancheOneMember 2017-02-18 2017-02-18 0001577670 ladr:UpfrontRestrictedStockMember ladr:A2016CompensationPlanMember ladr:MichaelMazzeiMember us-gaap:ShareBasedCompensationAwardTrancheOneMember 2017-06-22 2017-06-22 0001577670 us-gaap:RestrictedStockMember ladr:A2016CompensationPlanMember ladr:NewEmployeeMember us-gaap:ShareBasedCompensationAwardTrancheOneMember 2017-02-18 2017-02-18 0001577670 ladr:UpfrontRestrictedStockMember ladr:A2016CompensationPlanMember ladr:MichaelMazzeiMember us-gaap:ShareBasedCompensationAwardTrancheTwoMember 2017-06-22 2017-06-22 0001577670

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us-gaap:CommonClassAMember ladr:NewMemberofBoardofDirectorsMember
us-gaap:ShareBasedCompensationAwardTrancheTwoMember 2017-06-19 0001577670
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us-gaap:OtherAssetsMember 2017-06-30 0001577670 us-gaap:StateAndLocalJurisdictionMember
us-gaap:NewYorkStateDivisionOfTaxationAndFinanceMember 2016-12-31 0001577670
us-gaap:AccruedLiabilitiesMember 2016-12-31 0001577670 ladr:IndemnityCounterpartyMember 2017-01-01
2017-06-30 0001577670 ladr:IndemnityCounterpartyMember 2016-12-31 0001577670
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2017-06-30 0001577670 us-gaap:GuarantorSubsidiariesMember ladr:HallettsInvestorsLLCMember 2015-05-20 0001577670 ladr:RelatedMember us-gaap:CommonClassAMember 2017-03-03 2017-03-03 0001577670 us-gaap:AffiliatedEntityMember us-gaap:ManagementMember 2017-06-30 0001577670 ladr:BParticipationInterestMember ladr:AccruedExpensesMember ladr:RelatedReserveIVLLCMember 2017-01-01 2017-06-30 0001577670 2011-10-01 2011-10-01 0001577670 2012-05-15 2012-05-15 0001577670 ladr:MezzanineLoanMember 2016-12-31 0001577670 ladr:FirstMortgageHeldForInvestmentMember 2016-12-31 0001577670 ladr:MortgageLoanReceivablesHeldForInvestmentMember 2017-06-30 0001577670 ladr:FirstMortgageHeldForInvestmentMember 2017-06-30 0001577670 ladr:MortgageLoanReceivablesHeldForInvestmentMember 2016-12-31 0001577670 us-gaap:OperatingSegmentsMember us-gaap:RealEstateMember 2016-04-01 2016-06-30 0001577670 us-gaap:OperatingSegmentsMember us-gaap:AvailableforsaleSecuritiesMember 2016-04-01 2016-06-30 0001577670 us-gaap:OperatingSegmentsMember us-gaap:LoansMember 2017-04-01 2017-06-30 0001577670 us-gaap:OperatingSegmentsMember us-gaap:LoansMember 2016-12-31 0001577670 us-gaap:OperatingSegmentsMember us-gaap:AvailableforsaleSecuritiesMember 2017-01-01 2017-06-30 0001577670 us-gaap:OperatingSegmentsMember us-gaap:RealEstateMember 2017-04-01 2017-06-30 0001577670 us-gaap:OperatingSegmentsMember us-gaap:AvailableforsaleSecuritiesMember 2016-01-01 2016-06-30 0001577670 us-gaap:CorporateNonSegmentMember 2016-04-01 2016-06-30 0001577670 us-gaap:OperatingSegmentsMember us-gaap:RealEstateMember 2016-01-01 2016-06-30 0001577670 us-gaap:OperatingSegmentsMember us-gaap:LoansMember 2016-01-01 2016-06-30 0001577670 us-gaap:OperatingSegmentsMember us-gaap:LoansMember 2016-04-01 2016-06-30 0001577670 us-gaap:OperatingSegmentsMember us-gaap:AvailableforsaleSecuritiesMember 2017-04-01 2017-06-30 0001577670 us-gaap:CorporateNonSegmentMember 2016-01-01 2016-06-30 0001577670 us-gaap:OperatingSegmentsMember us-gaap:RealEstateMember 2017-01-01 2017-06-30 0001577670 us-gaap:CorporateNonSegmentMember 2017-01-01 2017-06-30 0001577670 us-gaap:CorporateNonSegmentMember 2017-04-01 2017-06-30 0001577670 us-gaap:OperatingSegmentsMember us-gaap:RealEstateMember 2017-06-30 0001577670 us-gaap:OperatingSegmentsMember us-gaap:LoansMember 2017-01-01 2017-06-30 0001577670 us-gaap:OperatingSegmentsMember us-gaap:AvailableforsaleSecuritiesMember 2016-12-31 0001577670 us-gaap:OperatingSegmentsMember us-gaap:LoansMember 2017-06-30 0001577670 us-gaap:OperatingSegmentsMember us-gaap:AvailableforsaleSecuritiesMember 2017-06-30 0001577670 us-gaap:CorporateNonSegmentMember 2016-12-31 0001577670 us-gaap:OperatingSegmentsMember us-gaap:RealEstateMember 2016-12-31 0001577670 us-gaap:CorporateNonSegmentMember 2017-06-30 0001577670 us-gaap:OperatingSegmentsMember 2017-06-30 0001577670 us-gaap:OperatingSegmentsMember 2016-12-31 0001577670 us-gaap:CorporateNonSegmentMember ladr:SeniorUnsecuredNotesMember 2017-06-30 0001577670 us-gaap:CorporateNonSegmentMember ladr:SeniorUnsecuredNotesMember 2016-12-31 0001577670 ladr:TheRelatedGroupofFloridaMember us-gaap:CorporateJointVentureMember ladr:BrickellHeightsCommercialLLCMember us-gaap:SubsequentEventMember 2017-07-06 0001577670 ladr:BrickellHeightsCommercialLLCMember us-gaap:MultifamilyMember us-gaap:AffiliatedEntityMember us-gaap:SubsequentEventMember 2017-07-06 0001577670 us-gaap:FirstMortgageMember ladr:BrickellHeightsCommercialLLCMember us-gaap:AffiliatedEntityMember us-gaap:SubsequentEventMember 2017-07-06 0001577670 ladr:RelatedSpecialAssetsLLCMember us-gaap:CorporateJointVentureMember ladr:BrickellHeightsCommercialLLCMember us-gaap:SubsequentEventMember 2017-07-06 ladr:loan iso4217:USD xbrli:shares ladr:securities xbrli:shares iso4217:USD xbrli:pure ladr:counterparty ladr:property ladr:agreement ladr:Joint_Venture ladr:Extension ladr:Vote ladr:Class_of_Stock ladr:Vesting_Installment ladr:segment utreg:acre ladr:Extension_Option
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2017

Or

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

For the transition period from to

Commission file number:
001-36299

Ladder Capital Corp

(Exact name of registrant as specified in its charter)

Delaware	**80-0925494**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
345 Park Avenue, New York	**10154**
(Address of principal executive offices)	(Zip Code)

(212) 715-3170
(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 ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o

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

Large accelerated filer o

Accelerated filer ý

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

Smaller reporting company o

Emerging growth company ý

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ý

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

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	**Outstanding at August 1, 2017**
Class A Common Stock, $0.001 par value	86,050,681
Class B Common Stock, $0.001 par value	24,697,293

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LADDER CAPITAL CORP

FORM 10-Q
June 30, 2017

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this "Quarterly Report") includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical fact contained in this Quarterly Report, including statements regarding our future results of operations and financial position, strategy and plans, and our expectations for future operations, are forward-looking statements. The words "anticipate," "estimate," "expect," "project," "plan," "intend," "believe," "may," "might," "will," "should," "can have," "likely and other words and terms of similar expressions are intended to identify forward-looking statements.

We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, strategy, short-term and long-term business operations and objectives and financial needs. Although we believe that the expectations reflected in our forward-looking statements are reasonable, actual results could differ from those expressed in our forward-looking statements. Our future financial position and results of operations, as well as any forward-looking statements are subject to change and inherent risks and uncertainties. You should consider our forward-looking statements in light of a number of factors that may cause actual results to vary from our forward-looking statements including, but not limited to:

- risks discussed under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2016 ("Annual Report"), as well as our consolidated financial statements, related notes, and the other financial information appearing elsewhere in this Quarterly Report and our other filings with the United States Securities and Exchange Commission ("SEC");
- changes in general economic conditions, in our industry and in the commercial finance and the real estate markets;
- changes to our business and investment strategy;
- our ability to obtain and maintain financing arrangements;
- the financing and advance rates for our assets;
- our actual and expected leverage and liquidity;
- the adequacy of collateral securing our loan portfolio and a decline in the fair value of our assets;
- interest rate mismatches between our assets and our borrowings used to fund such investments;
- changes in interest rates and the market value of our assets;
- changes in prepayment rates on our mortgages and the loans underlying our mortgage-backed and other asset-backed securities;
- the effects of hedging instruments and the degree to which our hedging strategies may or may not protect us from interest rate and credit risk volatility;
- the increased rate of default or decreased recovery rates on our assets;
- the adequacy of our policies, procedures and systems for managing risk effectively;
- a potential downgrade in the credit ratings assigned to our investments;
- our compliance with, and the impact of and changes in, governmental regulations, tax laws and rates, accounting guidance and similar matters;
- our ability to maintain our qualification as a real estate investment trust ("REIT") for U.S. federal income tax purposes and our ability and the ability of our subsidiaries to operate in compliance with REIT requirements;
- our ability and the ability of our subsidiaries to maintain our and their exemptions from registration under the Investment Company Act of 1940, as amended (the "Investment Company Act");
- potential liability relating to environmental matters that impact the value of properties we may acquire or the properties underlying our investments;

- the inability of insurance covering real estate underlying our loans and investments to cover all losses;
- the availability of investment opportunities in mortgage-related and real estate-related instruments and other securities;
- fraud by potential borrowers;
- the availability of qualified personnel;
- the degree and nature of our competition; and
- the market trends in our industry, interest rates, real estate values, the debt securities markets or the general economy.

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You should not rely upon forward-looking statements as predictions of future events. In addition, neither we nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. The forward-looking statements contained in this Quarterly Report are made as of the date hereof, and the Company assumes no obligation to update or supplement any forward-looking statements.

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REFERENCES TO LADDER CAPITAL CORP

Ladder Capital Corp is a holding company, and its primary assets are a controlling equity interest in Ladder Capital Finance Holdings LLLP ("LCFH" or the "Operating Partnership") and in each series thereof, directly or indirectly. Unless the context suggests otherwise, references in this report to "Ladder," "Ladder Capital," the "Company," "we," "us" and "our" r (1) prior to the February 2014 initial public offering ("IPO") of the Class A common stock of Ladder Capital Corp and related transactions, to LCFH ("Predecessor") and its consolidated subsidiaries and (2) after our IPO and related transactions, to Ladder Capital Corp and its consolidated subsidiaries.

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Part I - Financial Information

Item 1. Financial Statements (Unaudited)

The consolidated financial statements of Ladder Capital Corp and the notes related to the foregoing consolidated financial statements are included in this Item 1.

Index to Consolidated Financial Statements (Unaudited)

Ladder Capital Corp
Consolidated Balance Sheets
(Dollars in Thousands)

	June 30, 2017 (Unaudited)	December 31, 2016
Assets		
Cash and cash equivalents	$58,225	$44,615
Restricted cash	97,260	44,813
Mortgage loan receivables held for investment, net, at amortized cost:		
Mortgage loans held by consolidated subsidiaries	2,626,732	2,000,095
Mortgage loans transferred but not considered sold	599,513	—
Provision for loan losses	(4,000)	(4,000)
Mortgage loan receivables held for sale	200,726	357,882
Real estate securities, available-for-sale	1,407,545	2,100,947
Real estate and related lease intangibles, net	1,006,286	822,338
Investments in unconsolidated joint ventures	34,520	34,025
FHLB stock	77,915	77,915
Derivative instruments	4,554	5,018
Due from brokers	26,443	10
Accrued interest receivable	26,486	24,439
Other assets	55,919	70,240
Total assets	**$6,218,124**	**$5,578,337**
Liabilities and Equity		
Liabilities		
Debt obligations, net:		
Secured and unsecured debt obligations	$3,998,801	$3,942,138
Liability for transfers not considered sales	632,130	—
Due to brokers	1,661	394
Derivative instruments	4,276	3,446
Amount payable pursuant to tax receivable agreement	2,438	2,520
Dividends payable	1,308	24,682
Accrued expenses	54,230	66,597
Other liabilities	55,604	29,006
Total liabilities	**4,750,448**	**4,068,783**
Commitments and contingencies (Note 17)	—	—
Equity		
Class A common stock, par value $0.001 per share, 600,000,000 shares authorized; 88,091,272 and 72,681,218 shares issued and 86,050,681 and 71,586,170 shares outstanding	87	72
Class B common stock, par value $0.001 per share, 100,000,000 shares authorized; 24,697,293 and 38,002,344 shares issued and outstanding	25	38
Additional paid-in capital	1,199,905	992,307
Treasury stock, 2,040,591 and 1,095,048 shares, at cost	(24,501)	(11,244)
Retained Earnings/(Dividends in Excess of Earnings)	(54,871)	(11,148)
Accumulated other comprehensive income (loss)	6,268	1,365
Total shareholders' equity	**1,126,913**	**971,390**
Noncontrolling interest in operating partnership	330,238	533,246
Noncontrolling interest in consolidated joint ventures	10,525	4,918

Total equity	**1,467,676**	**1,509,554**
Total liabilities and equity	**$6,218,124**	**$5,578,337**

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

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Ladder Capital Corp
Consolidated Statements of Income
(Dollars in Thousands, Except Per Share and Dividend Data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	**2016**	**2017**	**2016**
Net interest income				
Interest income	$66,136	$55,766	$123,647	$115,366
Interest expense	35,604	28,402	67,019	57,938
Net interest income	**30,532**	**27,364**	**56,628**	**57,428**
Provision for loan losses	—	150	—	300
Net interest income after provision for loan losses	**30,532**	**27,214**	**56,628**	**57,128**
Other income				
Operating lease income	22,187	19,085	41,816	38,379
Tenant recoveries	1,159	1,324	2,739	2,659
Sale of loans, net	—	2,795	(999)	10,625
Realized gain (loss) on securities	7,132	2,971	12,494	2,398
Unrealized gain (loss) on Agency interest-only securities	299	(584)	457	76
Realized gain on sale of real estate, net	2,232	4,873	4,563	10,968
Fee and other income	4,574	6,181	9,040	9,156
Net result from derivative transactions	(16,022)	(24,642)	(18,003)	(75,504)
Earnings (loss) from investment in unconsolidated joint ventures	10	(168)	(63)	626
Gain (loss) on extinguishment of debt	—	—	(54)	5,382
Total other income	**21,571**	**11,835**	**51,990**	**4,765**
Costs and expenses				
Salaries and employee benefits	14,489	13,432	30,531	26,047
Operating expenses	5,829	4,713	11,308	11,008
Real estate operating expenses	8,056	9,133	15,510	14,852
Fee expense	1,621	873	2,314	1,603
Depreciation and amortization	10,125	9,254	18,717	19,057
Total costs and expenses	**40,120**	**37,405**	**78,380**	**72,567**
Income (loss) before taxes	**11,983**	**1,644**	**30,238**	**(10,674)**
Income tax expense (benefit)	(1,449)	(2,301)	(2,824)	(3,174)
Net income (loss)	**13,432**	**3,945**	**33,062**	**(7,500)**
Net (income) loss attributable to noncontrolling interest in consolidated joint ventures	(77)	(235)	(398)	(2)
Net (income) loss attributable to noncontrolling interest in operating partnership	(2,693)	(908)	(8,531)	4,765
Net income (loss) attributable to Class A common shareholders	**$10,662**	**$2,802**	**$24,133**	**$(2,737)**

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

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	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Earnings per share:				
Basic	$0.13	$ 0.05	$0.32	$ (0.05)
Diluted	$0.13	$ 0.05	$0.31	$ (0.05)
Weighted average shares outstanding:				
Basic	80,108,431	61,170,006	76,510,201	60,383,447
Diluted	110,055,308	61,976,962	109,693,706	60,383,447
Dividends per share of Class A common stock (Note 11)	$0.300	$ 0.275	$0.600	$ 0.550

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

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Ladder Capital Corp
Consolidated Statements of Comprehensive Income
(Dollars in Thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income (loss)	**$13,432**	**$3,945**	**$33,062**	**$(7,500)**
Other comprehensive income (loss)				
Unrealized gain (loss) on securities, net of tax:				
Unrealized gain (loss) on real estate securities, available for sale	8,911	30,439	19,397	64,833
Reclassification adjustment for (gains) included in net income	(7,737)	(2,971)	(13,471)	(2,982)
Total other comprehensive income (loss)	**1,174**	**27,468**	**5,926**	**61,851**
Comprehensive income	**14,606**	**31,413**	**38,988**	**54,351**
Comprehensive (income) loss attributable to noncontrolling interest in consolidated joint ventures	(77)	(235)	(398)	(2)
Comprehensive income of combined Class A common shareholders and Operating Partnership unitholders	**$14,529**	**$31,178**	**$38,590**	**$54,349**
Comprehensive (income) attributable to noncontrolling interest in operating partnership	(3,401)	(12,547)	(10,874)	(21,791)
Comprehensive income attributable to Class A common shareholders	**$11,128**	**$18,631**	**$27,716**	**$32,558**

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

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Ladder Capital Corp
Consolidated Statements of Changes in Equity
(Dollars and Shares in Thousands)
(Unaudited)

	Shareholders' Equity								Noncontrolling Interests		
	Class A Common Stock		Class B Common Stock								
	Shares	Par	Shares	Par	Additional Paid-in-Capital	Treasury Stock	Retained Earnings/(Dividends in Excess of Earnings)	Accumulated Other Comprehensive Income (Loss)	Operating Partnership	Consolidated Joint Ventures	Total Shareholders' Equity/Partners Capital
Balance, December 31, 2016	**71,586**	**$ 72**	**38,003**	**$ 38**	**$ 992,307**	**$ (11,244)**	**$ (11,148)**	**$ 1,365**	**$ 533,246**	**$ 4,918**	**$ 1,509,554**
Contributions	—	—	—	—	—	—	—	—	—	5,309	5,309
Distributions	—	—	—	—	—	—	—	—	(28,963)	(100)	(29,063)
Equity based compensation	—	—	—	—	169	—	—	—	8,597	—	8,766
Grants of restricted stock	859	1	—	—	(1)	—	—	—	—	—	—
Shares acquired to satisfy minimum required federal and state tax withholding on vesting restricted stock and units	(936)	(1)	—	—	—	(13,257)	—	—	—	—	(13,258)
Forfeitures	(10)	—	—	—	—	—	—	—	—	—	—
Dividends declared	—	—	—	—	—	—	(50,537)	—	—	—	(50,537)
Stock dividends	814	1	432	1	17,317	—	(17,319)	—	—	—	—
Exchange of noncontrolling interest for common stock	13,738	14	(13,738)	(14)	185,002	—	—	1,422	(188,507)	—	(2,083)
Net income (loss)	—	—	—	—	—	—	24,133	—	8,531	398	33,062
Other comprehensive income (loss)	—	—	—	—	—	—	—	3,583	2,343	—	5,926
Rebalancing of ownership percentage between Company and Operating Partnership	—	—	—	—	5,111	—	—	(102)	(5,009)	—	—
Balance, June 30, 2017	**86,051**	**$ 87**	**24,697**	**$ 25**	**$ 1,199,905**	**$ (24,501)**	**$ (54,871)**	**$ 6,268**	**$ 330,238**	**$ 10,525**	**$ 1,467,676**

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

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Ladder Capital Corp
Consolidated Statements of Changes in Equity
(Dollars and Shares in Thousands)

	Shareholders' Equity								Noncontrolling Interests		
	Class A Common Stock		Class B Common Stock		Additional Paid-in-Capital	Treasury Stock	Retained Earnings/(Dividends in Excess of Earnings)	Accumulated Other Comprehensive Income (Loss)	Operating Partnership	Consolidated Joint Ventures	Total Shareholders' Equity/Partners Capital
	Shares	Par	Shares	Par							
Balance, December 31, 2015	**55,210**	**$ 55**	**44,056**	**$ 44**	**$ 776,866**	**$ (5,812)**	**$ 60,618**	**$ (3,556)**	**$ 657,380**	**$ 5,813**	**$ 1,491,408**
Contributions	—	—	—	—	—	—	—	—	250	—	250
Distributions	—	—	—	—	—	—	—	—	(39,805)	(757)	(40,562)
Equity based compensation	—	—	—	—	516	—	—	—	17,124	—	17,640
Grants of restricted stock	794	1	—	—	(1)	—	—	—	—	—	—
Purchase of treasury stock	(424)	—	—	—	—	(4,652)	—	—	—	—	(4,652)
Shares acquired to satisfy minimum required federal and state tax withholding on vesting restricted stock and units	(73)	—	(1)	—	—	(780)	—	—	(6)	—	(786)
Forfeitures	(48)	—	—	—	—	—	—	—	—	—	—
Dividends declared	—	—	—	—	—	—	(74,393)	—	—	—	(74,393)
Stock dividends	5,606	6	4,469	4	64,090	—	(64,100)	—	—	—	—
Exchange of noncontrolling interest for common stock	10,521	10	(10,521)	(10)	144,629	—	—	1,202	(145,831)	—	—
Adjustment for deferred taxes/tax receivable agreement as a result of the exchange of Class B shares	—	—	—	—	(1,590)	—	—	—	—	—	(1,590)
Net income (loss)	—	—	—	—	—	—	66,727	—	47,131	(138)	113,720
Other comprehensive income (loss)	—	—	—	—	—	—	—	3,420	5,099	—	8,519
Rebalancing of ownership percentage between Company and Operating Partnership	—	—	—	—	7,797	—	—	299	(8,096)	—	—
	71,586	**$ 72**	**38,003**	**$ 38**	**$ 992,307**	**$ (11,244)**	**$ (11,148)**	**$ 1,365**	**$ 533,246**	**$ 4,918**	**$ 1,509,554**

**Balance,
December 31,
2016**

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

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Ladder Capital Corp
Consolidated Statements of Cash Flows
(Dollars in Thousands)
(Unaudited)

	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Cash flows from operating activities:		
Net income (loss)	$33,062	$(7,500)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
(Gain) loss on extinguishment of debt	54	(5,382)
Depreciation and amortization	18,717	19,057
Unrealized (gain) loss on derivative instruments	1,309	23,656
Unrealized (gain) loss on Agency interest-only securities	(457)	(76)
Unrealized (gain) loss on investment in mutual fund	(56)	—
Provision for loan losses	—	300
Amortization of equity based compensation	8,766	8,118
Amortization of deferred financing costs included in interest expense	3,954	4,288
Amortization of premium on mortgage loan financing	(460)	(437)
Amortization of above- and below-market lease intangibles	(173)	35
Amortization of premium/(accretion) of discount and other fees on loans	(4,539)	(4,914)
Amortization of premium/(accretion) of discount and other fees on securities	36,656	36,591
Realized (gain) loss on sale of mortgage loan receivables held for sale	999	(10,625)
Realized (gain) loss on real estate securities	(12,494)	(2,398)
Realized gain on sale of real estate, net	(4,563)	(10,968)
Realized gain on sale of derivative instruments	(39)	(24)
Origination of mortgage loan receivables held for sale	(564,492)	(339,657)
Purchases of mortgage loan receivables held for sale	—	(21,667)
Repayment of mortgage loan receivables held for sale	1,184	699
Proceeds from sales of mortgage loan receivables held for sale	—	359,561
(Income) loss from investments in unconsolidated joint ventures in excess of distributions received	63	(626)
Distributions from operations of investment in unconsolidated joint ventures	—	1,017
Deferred tax asset	(4,637)	(6,693)
Payments pursuant to tax receivable agreement	(230)	—
Changes in operating assets and liabilities:		
Accrued interest receivable	(2,048)	1,609
Other assets	(2,640)	(11,366)
Accrued expenses and other liabilities	(11,413)	(29,943)
Net cash provided by (used in) operating activities	**(503,477)**	**2,655**
Cash flows from investing activities:		
Purchase of derivative instruments	(199)	(73)
Sale of derivative instruments	—	49
Purchases of real estate securities	(74,881)	(530,476)
Repayment of real estate securities	81,747	135,614
Proceeds from sales of real estate securities	643,825	124,050
Origination of mortgage loan receivables held for investment	(563,392)	(174,481)

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	Six Months Ended June 30,		
	2017	2016	
Purchases of mortgage loan receivables held for investment	(94,079)	—	
Repayment of mortgage loan receivables held for investment	175,625	373,857	
Distributions received from investments in unconsolidated joint ventures in excess of income	—	49	
Capitalization of interest on investment in unconsolidated joint ventures	(558)	(420)	
Purchases of real estate	(182,038)	(16,008)	
Capital improvements of real estate	(2,804)	(3,249)	
Proceeds from sale of real estate	12,590	44,097	(1)
Net cash provided by (used in) investing activities	**(4,164)**	**(46,991)**	
Cash flows from financing activities:			
Deferred financing costs paid	(10,252)	(1,195)	
Proceeds from borrowings under debt obligations	6,477,949	6,151,959	
Repayment of borrowings under debt obligations	(5,783,076)	(6,027,672)	
Cash dividends paid to Class A common shareholders	(73,911)	(49,843)	
Capital contributed by noncontrolling interests in operating partnership	—	250	
Capital distributed to noncontrolling interests in operating partnership	(28,963)	(26,704)	
Capital contributed by noncontrolling interests in consolidated joint ventures	5,309	—	
Capital distributed to noncontrolling interests in consolidated joint ventures	(100)	(229)	
Payment of liability assumed in exchange for shares for the minimum withholding taxes on vesting restricted stock	(13,258)	(786)	
Purchase of treasury stock	—	(4,652)	
Net cash provided by (used in) financing activities	**573,698**	**41,128**	
Net increase (decrease) in cash, cash equivalents and restricted cash	**66,057**	**(3,208)**	
Cash, cash equivalents and restricted cash at beginning of period	89,428	162,794	
Cash, cash equivalents and restricted cash at end of period	**$155,485**	**$159,586**	
Supplemental information:			
Cash paid for interest, net of amounts capitalized	$61,435	$55,505	
Cash paid (received) for income taxes	821	13,642	
Non-cash investing and financing activities:			
Securities and derivatives purchased, not settled	(1,051)	(31)	
Securities sold, not settled	25,980	5,583	
Origination of mortgage loans receivable held for investment	—	36,878	
Repayment of mortgage loans receivable held for investment	—	(36,878)	
Transfer from mortgage loans receivable held for sale to mortgage loans receivable held for investment, at amortized cost	719,465	—	
Exchange of noncontrolling interest for common stock	188,520	28,328	
Change in deferred tax asset related to exchanges of noncontrolling interest for common stock	1,935	(772)	
Dividends declared, not paid	1,308	1,179	
Stock dividends	17,319	64,100	

(1) Includes cash proceeds received in 2016 that relate to 2015 sales of real estate of $6.5 million.

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The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statement of cash flows ($ in thousands):

	June 30, 2017	June 30, 2016
Cash and cash equivalents	$58,225	$81,415
Restricted cash	97,260	78,171
Total cash, cash equivalents and restricted cash shown in the consolidated statement of cash flows	**$155,485**	**$159,586**

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

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Ladder Capital Corp
Notes to Consolidated Financial Statements
(Unaudited)

1. ORGANIZATION AND OPERATIONS

Ladder Capital Corp is an internally-managed real estate investment trust ("REIT") that is a leader in commercial real estate finance. Ladder Capital Corp, as the general partner of Ladder Capital Finance Holdings LLLP ("LCFH," "Predecessor" or the "Operating Partnership"), operates the Ladder Capital business through LCFH and its subsidiaries. As of June 30, 2017, Ladder Capital Corp has a 77.7% economic interest in LCFH and controls the management of LCFH as a result of its ability to appoint its board members. Accordingly, Ladder Capital Corp consolidates the financial results of LCFH and records noncontrolling interest for the economic interest in LCFH held by the Continuing LCFH Limited Partners (as defined below). In addition, Ladder Capital Corp, through certain subsidiaries which are treated as taxable REIT subsidiaries (each a "TRS"), is indirectly subject to U.S. federal, state and local income taxes. Other than the noncontrolling interest in the Operating Partnership and such indirect U.S. federal, state and local income taxes, there are no material differences between Ladder Capital Corp's consolidated financial statements and LCFH's consolidated financial statements.

Ladder Capital Corp was formed as a Delaware corporation on May 21, 2013. The Company conducted an initial public offering ("IPO") which closed on February 11, 2014. The Company used the net proceeds from the IPO to purchase newly issued limited partnership units ("LP Units") from LCFH. In connection with the IPO, Ladder Capital Corp also became a holding corporation and the general partner of, and obtained a controlling interest in, LCFH. Ladder Capital Corp's only business is to act as the general partner of LCFH, and, as such, Ladder Capital Corp indirectly operates and controls all of the business and affairs of LCFH and its subsidiaries through its ability to appoint the LCFH board. The proceeds received by LCFH in connection with the sale of the LP Units have been and will be used for loan origination and related real estate business lines and for general corporate purposes. The IPO transactions described herein are referred to as the "IPO Transactions."

Ladder Capital Corp consolidates the financial results of LCFH and its subsidiaries. The ownership interest of certain existing owners of LCFH, who owned LP Units and an equivalent number of shares of Ladder Capital Corp Class B common stock as of the completion of the IPO (the "Continuing LCFH Limited Partners") and continue to hold equivalent units in the Series of LCFH (as described below) and Ladder Capital Corp Class B common stock, is reflected as a noncontrolling interest in Ladder Capital Corp's consolidated financial statements.

Pursuant to LCFH's amended and restated Limited Liability Limited Partnership Agreement ("the Amended and Restated LLLP Agreement"), and subject to the applicable minimum retained ownership requirements and certain other restrictions, including notice requirements, from time to time, Continuing LCFH Limited Partners (or certain transferees thereof) have the right to exchange their LP Units for shares of Ladder Capital Corp's Class A common stock on a one-for-one basis. In connection with an exchange, a corresponding number of shares of Ladder Capital Corp Class B common stock are required to be provided and canceled. However, the exchange of LP Units for shares of Ladder Capital Corp Class A common stock will not affect the exchanging owners' voting power since the votes represented by the canceled shares of Ladder Capital Corp Class B common stock will be replaced with the votes represented by the shares of Class A common stock for which such LP Units will be exchanged.

As a result of the Company's acquisition of LP Units of LCFH and LCFH's election under Section 754 of the Internal Revenue Code of 1986, as amended (the "Code"), the Company expects to benefit from depreciation and other tax deductions reflecting LCFH's tax basis for its assets. Those deductions will be allocated to the Company and will be taken into account in reporting the Company's taxable income.

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The REIT Structuring Transactions

In anticipation of the Company's election to be subject to tax as a REIT under the Internal Revenue Code of 1986 (the "Code") beginning with its 2015 taxable year (the "REIT Election"), we effected an internal realignment as of December 31, 2014 that we believe permits us to operate as a REIT, subject to the risk factors described in the Annual Report (see "Risk Factors—Risks Related to Our Taxation as a REIT"). As part of this realignment, LCFH and certain of its wholly-owned subsidiaries were serialized in order to segregate our REIT-qualified assets and income from our non-REIT-qualified assets and income. Pursuant to such serialization, all assets and liabilities of LCFH and each such subsidiary were identified as TRS assets and liabilities (e.g., our conduit securitization and condominium sales businesses) and REIT assets and liabilities (e.g., balance sheet loans, real estate and most securities), and were allocated on our internal books and records into two pools within LCFH or such subsidiary, Series TRS and Series REIT (collectively, the "Series"), respectively.

In connection with this serialization, the Amended and Restated LLLP Agreement was amended and restated, effective as of December 5, 2014 and again as of December 31, 2014 (the "Third Amended and Restated LLLP Agreement"). Pursuant to the Third Amended and Restated LLLP Agreement, as of December 31, 2014:

- all assets and liabilities of LCFH were allocated on LCFH's internal books and records to either Series REIT or Series TRS of LCFH;
- the Company serves as general partner of LCFH and of Series REIT of LCFH;
- LC TRS I LLC ("LC TRS I"), a Delaware limited liability company wholly-owned by Series REIT of LCFH, serves as the general partner of Series TRS of LCFH;
- each outstanding LP Unit was exchanged for one Series REIT limited partnership unit ("Series REIT LP Unit"), which is entitled to receive profits and losses derived from REIT assets and liabilities, and one Series TRS limited partnership unit ("Series TRS LP Unit"), which is entitled to receive profits and losses derived from TRS assets and liabilities (Series REIT LP Units and Series TRS LP Units are collectively referred to as "Series Units");
- as a result, Ladder Capital Corp owned, directly and indirectly, an aggregate of 51.9% of Series REIT of LCFH, and, through such ownership, the right to receive 51.9% of the profits and distributions of Series TRS;
- the limited partners of LCFH owned the remaining 48.1% of each of Series REIT and Series TRS of LCFH;
- Series REIT of LCFH, in turn, owns, directly or indirectly, 100% of the REIT series of each of its serialized subsidiaries as well as certain wholly-owned REIT subsidiaries;
- Series TRS of LCFH owns, directly or indirectly, 100% of the TRS series of each of its serialized subsidiaries, as well as certain wholly-owned TRSs;
- Series TRS LP Units are exchangeable for an equal number of shares ("TRS Shares") of LC TRS I (a "TRS Exchange");
- in order to effect the exchange of Series Units for shares of Class A common stock of the Company on a one-for-one basis (the "Class A Exchange"), holders are required to surrender (i) one share of the Company's Class B common stock, (ii) one Series REIT LP Unit, and (iii) either one Series TRS LP Unit or one TRS Share; and
- Series REIT and Series TRS have separate boards, officers, books and records, bank accounts, and tax identification numbers.

Each Series of LCFH also signed a separate joinder agreement, agreeing, effective as of 11:59:59 pm on December 31, 2014 (the "Effective Time"), to assume and pay when due (i) any and all liabilities of LCFH incurred or accrued by LCFH as of the Effective Time and (ii) any and all obligations of LCFH arising under contracts, bonds, notes, guarantees, leases or other agreements to which LCFH was a party as of the Effective Time (collectively, the "Agreements"), regardless of whether such obligations arise under the applicable Agreement at, prior to, or after the Effective Time, in each case, with the same force and effect as if each Series had been a signatory to such Agreements on the date thereof.

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Also in connection with the REIT Election, the Company's certificate of incorporation was amended and restated, effective as of February 27, 2015, following approval by our shareholders (the "Charter Amendment"), to, among other things, impose ownership limitations and transfer restrictions to facilitate our compliance with the REIT requirements. To qualify as a REIT under the Code, our stock must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year (other than the first year for which an election to be a REIT has been made). Also, not more than 50% of the value of the outstanding shares of our capital stock may be owned, directly or indirectly, by five or fewer "individuals" (as defined to include certain entities such as private foundations) during the last half of a taxable year (other than the first taxable year for which an election to be a REIT has been made). Finally, a person actually or constructively owning 10% or more of the vote or value of the outstanding shares of our capital stock could lead to a level of affiliation between the Company and one or more of its tenants that could disqualify our revenues from the affiliated tenants and possibly jeopardize or otherwise adversely impact our qualification as a REIT.

To facilitate satisfaction of these requirements for qualification as a REIT, the Charter Amendment contains provisions restricting the ownership and transfer of shares of all classes or series of our capital stock. Including ownership limitations in a REIT's charter is the most effective mechanism to monitor compliance with the above-described provisions of the Code. The Charter Amendment provides that, subject to certain exceptions and the constructive ownership rules, no person may own, or be deemed to own by virtue of the attribution provisions of the Code, in excess of (i) 9.8% in value of the outstanding shares of all classes or series of our capital stock or (ii) 9.8% in value or number (whichever is more restrictive) of the outstanding shares of any class of our common stock.
In addition, our Tax Receivable Agreement with the Continuing LCFH Limited Partners (the "TRA Members") was amended and restated in connection with our REIT Election, effective as of December 31, 2014 (the "TRA Amendment"), in order to preserve a portion of the potential tax benefits currently existing under the Tax Receivable Agreement that would otherwise be reduced in connection with our REIT Election. The TRA Amendment provides that, in lieu of the existing tax benefit payments under the Tax Receivable Agreement for the 2015 taxable year and beyond, LC TRS I will pay to the TRA Members 85% of the amount of the benefits, if any, that LC TRS I realizes or under certain circumstances (such as a change of control) is deemed to realize as a result of (i) the increases in tax basis resulting from the TRS Exchanges by the TRA Members, (ii) any incremental tax basis adjustments attributable to payments made pursuant to the TRA Amendment, and (iii) any deemed interest deductions arising from payments made by LC TRS I under the TRA Amendment. Under the TRA Amendment, LC TRS I may benefit from the remaining 15% of cash savings in income tax that it realizes, which is in the same proportion realized by the Company under the existing Tax Receivable Agreement. The purpose of the TRA Amendment was to preserve the benefits of the Tax Receivable Agreement to the extent possible in a REIT, although, as a result, the amount of payments made to the TRA Members under the TRA Amendment is expected to be less than would be made under the prior Tax Receivable Agreement. The TRA Amendment continues to share such benefits in the same proportions and otherwise has substantially the same terms and provisions as the prior Tax Receivable Agreement. See Note 2 and Note 15 for further discussion of the Tax Receivable Agreement.

As of March 4, 2015, the Company made the necessary TRS and check-the-box elections began to elect to be taxed as a REIT starting with its tax return for the year ended December 31, 2015, filed in September 2016.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Principles of Combination and Consolidation

The accompanying consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). In the opinion of management, the unaudited financial information for the interim periods presented in this report reflects all normal and recurring adjustments necessary for a fair statement of results of operations, financial position and cash flows. The interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2016, which are included in the Company's Annual Report, as certain disclosures would substantially duplicate those contained in the audited consolidated financial statements have not been included in this interim report. Operating results for interim periods are not necessarily indicative of operating results for an entire fiscal year. The interim consolidated financial statements have been prepared, without audit, and do not necessarily include all information and footnotes necessary for a fair statement of our consolidated financial position, results of operations and cash flows in accordance with GAAP.

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The consolidated financial statements include the Company's accounts and those of its subsidiaries which are majority-owned and/or controlled by the Company and variable interest entities for which the Company has determined itself to be the primary beneficiary, if any. All significant intercompany transactions and balances have been eliminated.

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") *Topic 810 — Consolidation* ("ASC 810"), provides guidance on the identification of entities for which control is achieved through means other than voting rights ("variable interest entities" or "VIEs") and the determination of which business enterprise, if any, should consolidate the VIEs. Generally, the consideration of whether an entity is a VIE applies when either: (1) the equity investors (if any) lack one or more of the essential characteristics of a controlling financial interest; (2) the equity investment at risk is insufficient to finance that entity's activities without additional subordinated financial support; or (3) the equity investors have voting rights that are not proportionate to their economic interests and the activities of the entity involve or are conducted on behalf of an investor with a disproportionately small voting interest. The Company consolidates VIEs in which it is considered to be the primary beneficiary. The primary beneficiary is the entity that has both of the following characteristics: (1) the power to direct the activities that, when taken together, most significantly impact the VIE's performance; and (2) the obligation to absorb losses and right to receive the returns from the VIE that would be significant to the VIE.

Noncontrolling interests in consolidated subsidiaries are defined as "the portion of the equity (net assets) in the subsidiaries not attributable, directly or indirectly, to a parent." Noncontrolling interests are presented as a separate component of capital in the consolidated balance sheets. In addition, the presentation of net income attributes earnings to shareholders/unitholders (controlling interest) and noncontrolling interests.

Emerging Growth Company Status

Since our IPO, the Company has been an "emerging growth company," as defined in the Jumpstart Our Business Startups Act ("JOBS Act"), and is eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies," including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, as amended (the "Sarbanes-Oxley Act"), reduced disclosure obligations regarding executive compensation in the Company's periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved.

In addition, Section 107 of the JOBS Act also provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an "emerging growth company" can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. However, the Company chose to "opt out" of such extended transition period, and as a result, it will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Section 107 of the JOBS Act provides that the Company's decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

The Company could remain an "emerging growth company" for up to five years from the date of the IPO, or until the earliest of (i) the last day of the first fiscal year in which its annual gross revenues exceed $1.07 billion; (ii) the date that the Company becomes a "large accelerated filer" as defined in Rule 12b-2 under the Exchange Act, which would occur if the market value of its common stock that is held by nonaffiliates exceeds $700 million as of the last business day of its most recently completed second fiscal quarter; or (iii) the date on which the Company has issued more than $1 billion in nonconvertible debt during the preceding three-year period.

However, because the market value of the Company's common stock held by non-affiliates exceeded $700 million as of June 30, 2017, as of December 31, 2017, the Company will be deemed a large accelerated filer and it will no longer qualify as an emerging growth company. Accordingly, the Company will be subject to certain disclosure and compliance requirements that apply to other public companies but have not previously applied to it due to the Company's prior status as an emerging growth company. These requirements include:

- compliance with the auditor attestation requirements on the assessment of our internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act of 2002;

- compliance with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements;
- full disclosure obligations regarding executive compensation; and
- compliance with the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

As a large accelerated filer, the Company is required to file its Form 10-K with the Securities and Exchange Commission within 60 days after the Company's fiscal year end. As an accelerated filer, the Company was only required to file its Form 10-K within 75 days after the Company's fiscal year end. There has been no change to the Form 10-Q filing due dates.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the balance sheets and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are reviewed periodically, and the effects of resulting changes are reflected in the consolidated financial statements in the period the changes are deemed to be necessary. Significant estimates made in the accompanying consolidated financial statements include, but are not limited to the following:

- valuation of real estate securities;
- allocation of purchase price for acquired real estate;
- impairment, and useful lives, of real estate;
- useful lives of intangible assets;
- valuation of derivative instruments;
- valuation of deferred tax asset;
- amounts payable pursuant to the Tax Receivable Agreement;
- determination of effective yield for recognition of interest income;
- adequacy of provision for loan losses;
- determination of other than temporary impairment of real estate securities and investments in unconsolidated joint ventures;
- certain estimates and assumptions used in the accrual of incentive compensation and calculation of the fair value of equity compensation issued to employees;
- determination of the effective tax rate for income tax provision; and
- certain estimates and assumptions used in the allocation of revenue and expenses for our segment reporting.

Cash and Cash Equivalents

The Company considers all investments with original maturities of three months or less, at the time of acquisition, to be cash equivalents. The Company maintains cash accounts at several financial institutions, which are insured up to a maximum of $250,000 per account as of June 30, 2017 and December 31, 2016. At June 30, 2017 and December 31, 2016, and at various times during the years, the balances exceeded the insured limits.

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Restricted Cash

Restricted cash is comprised of accounts the Company maintains with brokers to facilitate financial derivative and repurchase agreement transactions in support of its loan and securities investments and risk management activities. Based on the value of the positions in these accounts and the associated margin requirements, the Company may be required to deposit additional cash into these broker accounts. The cash collateral held by broker is considered restricted cash. Restricted cash also includes tenant security deposits, deposits related to real estate sales and acquisitions and required escrow balances on credit facilities. Prior to January 1, 2017, these amounts were previously recorded in other assets on the Company's consolidated balance sheets. Prior period amounts have been reclassified to conform to current period presentation.

Investments in Unconsolidated Joint Ventures

The Company accounts for its investments in unconsolidated joint ventures under the equity method of accounting. The Company applies the equity method by initially recording these investments at cost, as investments in unconsolidated joint ventures, subsequently adjusted for equity in earnings and cash contributions and distributions. The outside basis portion of the Company's joint ventures is amortized over the anticipated useful lives of the underlying ventures' tangible and intangible assets acquired and liabilities assumed. Generally, the Company would discontinue applying the equity method when the investment (and any advances) is reduced to zero and would not provide for additional losses unless the Company has guaranteed obligations of the venture or is otherwise committed to providing further financial support for the investee. If the venture subsequently generates income, the Company only recognizes its share of such income to the extent it exceeds its share of previously unrecognized losses. The Company classifies distributions received from it investments in unconsolidated joint ventures using the nature of the distribution approach.

On a periodic basis, management assesses whether there are any indicators that the value of the Company's investments in unconsolidated joint ventures may be impaired. An investment is impaired only if management's estimate of the value of the investment is less than the carrying value of the investment, and such decline in value is deemed to be other than temporary. To the extent impairment has occurred, the loss shall be measured as the excess of the carrying amount of the investment over the value of the investment. The Company's estimates of value for each investment (particularly in commercial real estate joint ventures) are based on a number of assumptions that are subject to economic and market uncertainties including, among others, demand for space, competition for tenants, changes in market rental rates, and operating costs. As these factors are difficult to predict and are subject to future events that may alter management's assumptions, the values estimated by management in its impairment analyses may not be realized, and actual losses or impairment may be realized in the future. See Note 6, Investment in Unconsolidated Joint Ventures.

Transfers of Financial Assets

For a transfer of financial assets to be considered a sale, the transfer must meet the sale criteria of ASC 860, which, at the time of the transfer, require that the transferred assets qualify as recognized financial assets and the Company surrender control over the assets. Such surrender requires that the assets be isolated from the Company, even in bankruptcy or other receivership, the purchaser have the right to pledge or sell the assets transferred and the Company not have an option or obligation to reacquire the assets. If the sale criteria are not met, the transfer is considered to be a secured borrowing, the assets remain on the Company's consolidated balance sheets and the sale proceeds are recognized as a liability.

Out-of-Period Adjustments

During the first quarter of 2017, the Company recorded an out-of-period adjustment to reduce depreciation expense of $0.8 million, related to prior periods. The Company has concluded that this adjustment is not material to the financial position or results of operations for the three months ended March 31, 2017, or any prior periods; accordingly, the Company recorded the related adjustment in the three month period ended March 31, 2017.

During the first quarter of 2016, the Company had recorded the following out-of-period adjustments to correct errors from prior periods: (i) additional deferred financing cost amortization of $0.5 million relating to 2015; (ii) additional taxes of $1.2 million representing additional state taxes relating to 2015 and (iii) additional return on equity of $0.9 million from the Company's investment in an unconsolidated joint venture predominately relating to prior years. The Company has concluded that these adjustments were not material to the financial position or results of operations for the current period or any prior periods, accordingly, the Company recorded the related adjustments in the three month period ended March 31, 2016.

Recently Adopted Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"). ASU 2016-15 clarifies guidance on the classification of certain cash receipts and payments in the statement of cash flows to reduce diversity in practice with respect to (i) debt prepayment or debt extinguishment costs, (ii) settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, (iii) contingent consideration payments made after a business combination, (iv) proceeds from the settlement of insurance claims, (v) proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies, (vi) distributions received from equity method investees, (vii) beneficial interests in securitization transactions, and (viii) separately identifiable cash flows and application of the predominance principle. For a public company, ASU 2016-15 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption is permitted in any interim or annual period. The Company elected to early adopt ASU 2016-15 effective January 1, 2017. The adoption did not have a material effect on the Company's consolidated financial statements.

In October 2016, the FASB issued ASU 2016-17, *Consolidation (Topic 810): Interests Held through Related Parties That Are under Common Control* ("ASU 2016-17"). ASU 2016-17 changes how a reporting entity that is a decision maker should consider indirect interests in a VIE held through an entity under common control. If a decision maker must evaluate whether it is the primary beneficiary of a VIE, it will only need to consider its proportionate indirect interest in the VIE held through a common control party. ASU 2016-17 amends ASU 2015-02, which the Company adopted on January 1, 2016, and which currently directs the decision maker to treat the common control party's interest in the VIE as if the decision maker held the interest itself. ASU 2016-17 is effective for public business entities in fiscal years beginning after December 15, 2016, including interim periods within those fiscal years, with early adoption permitted. The Company adopted this update in the quarter ended March 31, 2017. The adoption did not have a material effect on the Company's consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* ("ASU 2016-18"). ASU 2016-18 requires the inclusion of restricted cash with cash and cash equivalents when reconciling the beginning-of-the period and end-of-period total amounts shown on the statement of cash flows. For a public company, ASU 2016-18 is effective for annual reporting periods, beginning after December 15, 2017, including interim periods within that reporting period. The Company elected to early adopt ASU 2016-18 effective January 1, 2017 and the amendment was applied on a retrospective basis for all periods presented. As a result of the adoption, the Company no longer presents the change within restricted cash in the consolidated statements of cash flows.

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Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* (“ASU 2014-09”). ASU 2014-09 is a comprehensive new revenue recognition model requiring a company to recognize revenue to depict the transfer of goods or services to a customer at an amount reflecting the consideration it expects to receive in exchange for those goods or services. In adopting ASU 2014-09, companies may use either a full retrospective or a modified retrospective approach. Additionally, this guidance requires improved disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. In August 2015, the FASB issued ASU 2015-14, *Deferral of the Effective Date* (“ASU 2015-14”), which amends ASU 2014-09. As a result, the effective date for the amendments contained in ASU 2014-09 will be the first quarter of fiscal year 2018, with early adoption permitted in the first quarter of fiscal year 2017. The FASB allows two adoption methods under ASU 2014-09. Under the full retrospective method, a company will apply the rules to contracts in all reporting periods presented, subject to certain allowable exceptions. Under the modified retrospective method, a company will apply the rules to all contracts existing as of January 1, 2018, recognizing in beginning retained earnings an adjustment for the cumulative effect of the change and providing additional disclosures comparing results to previous rules. The Company continues to evaluate the available adoption methods and has not yet selected which transition method it will apply. The Company believes the effects on its existing accounting policies will be associated with its non-leasing revenue components, specifically the amount, timing and presentation of tenant expense reimbursements revenue. The Company is also currently evaluating the impact to the amount and timing of historical real estate sales and associated gain recognition. The Company continues to evaluate other areas of the standard and is currently assessing the impact on its consolidated financial statements. The Company expects to adopt this update beginning January 1, 2018.

In March 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)* (“ASU 2016-08”). This update provides clarifying guidance regarding the application of ASU 2014-09 when another party, along with the reporting entity, is involved in providing a good or a service to a customer. In these circumstances, an entity is required to determine whether the nature of its promise is to provide that good or service to the customer (that is, the entity is a principal) or to arrange for the good or service to be provided to the customer by the other party (that is, the entity is an agent). In April 2016, the FASB issued ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing* (“ASU 2016-10”), which clarifies the identification of performance obligations and the licensing implementation guidance. In May 2016, the FASB issued ASU 2016-11, *Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815): Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 Emerging Issues Task Force (“EITF”) Meeting (SEC Update)* (“ASU 2016-11”), which rescinds SEC paragraphs pursuant to SEC staff announcements. These rescissions include changes to topics pertaining to accounting for shipping and handling fees and costs and accounting for consideration given by a vendor to a customer. In May 2016, the FASB issued ASU 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients* (“ASU 2016-12”), which provides clarifying guidance in certain narrow areas and adds some practical expedients. The effective dates for these ASUs are the same as the effective date for ASU No. 2014-09, for annual and interim periods beginning after December 15, 2017. The Company is reviewing its policies and processes to ensure compliance with the requirements in these updates.

In December 2016, the FASB issued ASU 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers* (“ASU 2016-20”). The amendments in this ASU affect the guidance in ASU 2014-09, which is not yet effective. The effective date and transition requirements for the amendments are the same as the effective date and transition requirements of Topic 606 (and any other Topic amended by Update 2014-09). ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, defers the effective date of ASU 2014-09 by one year.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* (“ASU 2016-01”). The update provides guidance to improve certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The standard is effective for public companies for fiscal years beginning after December 15, 2017, and for interim periods within those fiscal years. Early adoption by public companies for fiscal year or interim period financial statements that have not yet been issued or, by all other entities, that have not yet been made available for issuance of this guidance, is permitted as of the beginning of the fiscal year of adoption, under certain restrictions. The Company is required to apply the guidance by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The guidance related to equity securities without readily determinable fair values should be applied prospectively to equity investments that exist at the date of adoption. The Company anticipates adopting this update in the quarter ending March 31, 2018 and is currently evaluating the impact on the Company’s consolidated financial statements.

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In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* ("ASU 2016-02"), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sale-type leases, direct financing leases and operating leases. ASU 2016-02 supersedes the previous lease standard, *Leases (Topic 840)*. The standard is effective for the Company on January 1, 2019, with an early adoption permitted. The Company continues to evaluate the effect the adoption of ASU 2016-02 will have on the Company's financial position and/or results of operations. The Company currently believes that the adoption of ASU 2016-02 will not have a material impact for operating leases where it is a lessor and will continue to record revenues from rental properties for its operating leases on a straight-line basis. However, for leases where the Company is the lessee, primarily for the Company's corporate headquarters and regional offices, the Company will measure the present value of the future lease payments and recognize a right-of-use asset and corresponding lease liability on its balance sheet.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (“ASU 2016-13”). The guidance changes the impairment model for most financial assets. The new model uses a forward-looking expected loss method, which will generally result in earlier recognition of allowances for losses. ASU 2016-13 is effective for annual and interim periods beginning after December 15, 2019, and early adoption is permitted for annual and interim periods beginning after December 15, 2018. The Company must apply the amendments in this update through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. The Company is currently assessing the impact of this standard on the consolidated financial statements. In general, the allowance for credit losses is expected to increase when changing from an incurred loss to expected loss methodology. The models and methodologies that are currently used in estimating the allowance for credit losses are being evaluated to identify the changes necessary to meet the requirements of the new standard.

In January 2017, the FASB issued ASU 2017-04, *Intangibles—Goodwill and Other (Topic 350)* (“ASU 2017-04”). The ASU simplifies the accounting for goodwill impairment. The guidance removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit’s carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The guidance will be applied prospectively and is effective for annual or any interim goodwill impairment tests in years beginning after December 15, 2019 with early adoption permitted. The Company is currently assessing the impact that this guidance will have on its consolidated financial statements when adopted.

In February 2017, the FASB issued ASU 2017-05, *Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20)* (“ASU 2017-05”). Subtopic 610-20 was issued as part of the new revenue standard. It provides guidance for recognizing gains and losses from the transfer of nonfinancial assets in contracts with non-customers. The new guidance defines “in substance nonfinancial assets,” unifies guidance related to partial sales of nonfinancial assets, eliminates rules specifically addressing sales of real estate, removes exceptions to the financial asset derecognition model, and clarifies the accounting for contributions of nonfinancial assets to joint ventures. The amendments are effective for annual periods beginning after December 15, 2017 with early adoption permitted. Transition can use either the full retrospective approach or the modified retrospective approach. The Company is currently assessing the impact that this guidance will have on its consolidated financial statements when adopted.

In March 2017, the FASB issued ASU 2017-08, *Receivables-Nonrefundable Fees and Other Costs (Subtopic 310-20)* ("ASU 2017-08"). The ASU shortens the amortization period for the premium on certain purchased callable debt securities to the earliest call date. Today, entities generally amortize the premium over the contractual life of the security. The new guidance does not change the accounting for purchased callable debt securities held at a discount; the discount continues to be amortized to maturity. ASU No. 2017-08 is effective for interim and annual reporting periods beginning after December 15, 2018; early adoption is permitted. The guidance calls for a modified retrospective transition approach under which a cumulative-effect adjustment will be made to retained earnings as of the beginning of the first reporting period in which the guidance is adopted. The Company is currently assessing the impact that this guidance will have on its consolidated financial statements when adopted.

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In May 2017, the FASB issued ASU 2017-09, *Compensation-Stock Compensation (Topic 718)* ("ASU 2017-09"). The ASU provides clarification on when modification accounting should be used for changes to the terms or conditions of a share-based payment award. ASU 2017-09 does not change the accounting for modifications but clarifies that modification accounting guidance should only be applied if there is a change to the value, vesting conditions or award classification and would not be required if the changes are considered non-substantive. The amendments of this ASU are effective for reporting periods beginning after December 15, 2017, with early adoption permitted. The adoption of ASU 2017-09 is not expected to have an impact on the Company's Condensed Consolidated Financial Statements.

In July 2017, the FASB issued ASU 2017-11, *Earnings Per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480) and Derivatives and Hedging (Topic 815): I. Accounting for Certain Financial Instruments with Down Round Features; II. Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception*, ("ASU 2017-11"). Part I of this update addresses the complexity of accounting for certain financial instruments with down round features. Down round features are features of certain equity-linked instruments (or embedded features) that result in the strike price being reduced on the basis of the pricing of future equity offerings. Current accounting guidance creates cost and complexity for entities that issue financial instruments (such as warrants and convertible instruments) with down round features that require fair value measurement of the entire instrument or conversion option. Part II of this update addresses the difficulty of navigating *Topic 480, Distinguishing Liabilities from Equity*, because of the existence of extensive pending content in the FASB Accounting Standards Codification. This pending content is the result of the indefinite deferral of accounting requirements about mandatorily redeemable financial instruments of certain nonpublic entities and certain mandatorily redeemable noncontrolling interests. The amendments in Part II of this update do not have an accounting effect. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. The Company is currently assessing the potential impact of adopting ASU 2017-11 on its financial statements and related disclosures.

Any new accounting standards, not disclosed above, that have been issued or proposed by FASB that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption.

3. MORTGAGE LOAN RECEIVABLES

June 30, 2017 ($ in thousands)

	Outstanding Face Amount	Carrying Value	Weighted Average Yield (1)	Remaining Maturity (years)
Mortgage loans held by consolidated subsidiaries	$2,641,038	$2,626,732	6.94 %	1.72
Mortgage loans transferred but not considered sold(2)	601,186	599,513	4.92 %	8.67
Provision for loan losses	N/A	(4,000)		
Mortgage loan receivables held for investment, net, at amortized cost	3,242,224	3,222,245		
Mortgage loan receivables held for sale	203,231	200,726	5.15 %	7.05
Total	**$3,445,455**	**$3,422,971**	**5.62 %**	**3.25**

(1) June 30, 2017 London Interbank Offered Rate ("LIBOR") rates are used to calculate weighted average yield for floating rate loans.
(2) As more fully described below, included in mortgage loans transferred but not considered sold are 34 loans with a combined outstanding face amount of $549.0 million and a combined carrying value of $547.7 million which were sold to the LCCM 2017-LC26 securitization trust on June 29, 2017. This line also includes one non-controlling loan interest with an outstanding face amount of $52.3 million and a carrying value of $51.8 million that was previously

sold to a third party for which the controlling portion was transferred to the LCCM 2017-LC26 securitization trust on June 29, 2017. All of these transactions are considered financings for accounting purposes.

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On June 29, 2017, the Company transferred its interests in $625.7 million of loans to the LCCM 2017-LC26 securitization trust. The assets transferred to the trust were comprised of 34 loans to third parties with a combined outstanding face amount of $549.0 million and a combined carrying value of $547.7 million as well as 23 intercompany loans secured by certain of the Company's real estate assets, with a combined principal balance of $76.7 million (which had not previously been recognized for accounting purposes because they eliminated in consolidation). In connection with this transaction, pursuant to the 5% risk retention requirement of the Dodd-Frank Act described in Part 2, Item 1A "Risk Factors," in this Quarterly Report, (i) the Company retained a $12.9 million restricted "vertical interest" of approximately 2% in each class of securities issued by the trust, which must be held by the Company until the principal balance of the pool has been reduced to a level prescribed by the risk retention rules and (ii) sold an approximately 3% restricted "horizontal interest" in the form of 98% of the controlling classes (excluding the 2% included in the vertical interest) to a "Third Party Purchaser" ("TPP"), which must be held by the TPP for at least five years. In addition, the Company purchased $62.7 million in securities which are not restricted.

Transfer restrictions placed on the TPP, imposed by the risk retention rules of the Dodd-Frank Act, precluded sale accounting for these loans. Accordingly, the Company continues to recognize these loans to third parties transferred in the transaction on its consolidated balance sheets. In connection with this transaction, the Company recognized a liability of $580.0 million representing the loan sale proceeds of $655.6 million (net of issue costs) less the $75.6 million of securities purchased discussed above, not reflected in these consolidated financial statements. This liability is effectively a non-recourse borrowing secured by these securitized third party loans and the Company's real estate collateral pledged under the previously unrecognized intercompany loans. The securities purchased by the Company are not reflected in these financial statements because the sale of these loans was not recognized for accounting purposes.

As of June 30, 2017, $1.2 billion, or 36.6%, of the carrying value of our mortgage loan receivables held for investment, at amortized cost, were at fixed interest rates and $2.0 billion, or 63.4%, of the carrying value of our mortgage loan receivables held for investment, at amortized cost, were at variable interest rates, linked to LIBOR, some of which include interest rate floors. Included in the $1.2 billion of the carrying value of our mortgage loan receivables held for investment, at amortized cost, at fixed interest rates are $599.5 million of mortgage loans transferred but not considered sold. As of June 30, 2017, $200.7 million, or 100.0%, of the carrying value of our mortgage loan receivables held for sale were at fixed interest rates.

December 31, 2016 ($ in thousands)

	Outstanding Face Amount	Carrying Value	Weighted Average Yield (1)	Remaining Maturity (years)
Mortgage loans held by consolidated subsidiaries	$2,011,309	$2,000,095	7.17 %	1.66
Provision for loan losses	N/A	(4,000)		
Mortgage loan receivables held for investment, net, at amortized cost	2,011,309	1,996,095		
Mortgage loan receivables held for sale	360,518	357,882	4.20 %	4.55
Total	**2,371,827**	**2,353,977**	**6.73 %**	**2.10**

(1) December 31, 2016 LIBOR rates are used to calculate weighted average yield for floating rate loans.

As of December 31, 2016, $205.4 million, or 10.3%, of the carrying value of our mortgage loan receivables held for investment, at amortized cost, were at fixed interest rates and $1.8 billion, or 89.7%, of the carrying value of our mortgage loan receivables held for investment, at amortized cost, were at variable interest rates, linked to LIBOR, some of which include interest rate floors. As of December 31, 2016, $360.5 million, or 100%, of the carrying value of our mortgage loan receivables held for sale were at fixed interest rates.

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The following table summarizes mortgage loan receivables by loan type ($ in thousands):

	June 30, 2017		December 31, 2016	
	Outstanding Face Amount	Carrying Value	Outstanding Face Amount	Carrying Value
Mortgage loan receivables held for investment, net, at amortized cost:				
First mortgage loans	$2,479,101	$2,465,540	$1,843,006	$1,832,626
Mezzanine loans	161,937	161,192	168,303	167,469
Mortgage loans transferred but not considered sold(1)(2)	601,186	599,513	—	—
Mortgage loan receivables held for investment, net, at amortized cost	3,242,224	3,226,245	2,011,309	2,000,095
Mortgage loan receivables held for sale				
First mortgage loans	203,231	200,726	360,518	357,882
Total mortgage loan receivables held for sale	203,231	200,726	360,518	357,882
Provision for loan losses	N/A	(4,000)	N/A	(4,000)
Total	**$3,445,455**	**$3,422,971**	**$2,371,827**	**$2,353,977**

(1) As more fully described earlier in this Note, as of June 30, 2017, included in mortgage loans transferred but not considered sold are 34 loans with a combined outstanding face amount of $549.0 million and a combined carrying value of $547.7 million which were sold to the LCCM 2017-LC26 securitization trust on June 29, 2017. As of June 30, 2017, also included is one non-controlling loan interest with an outstanding face amount of $52.3 million and a carrying value of $51.8 million for which the controlling portion was transferred to the LCCM 2017-LC26 securitization trust on June 29, 2017. All of these transactions are considered financings for accounting purposes.

(2) First mortgage loans.

For the six months ended June 30, 2017 and 2016, the activity in our loan portfolio was as follows ($ in thousands):

	Mortgage loan receivables held for investment, net, at amortized cost (1)	Mortgage loan receivables held for sale
Balance, December 31, 2016	**$1,996,095**	**$ 357,882**
Origination of mortgage loan receivables	563,392	564,492
Purchases of mortgage loan receivables	94,079	—
Repayment of mortgage loan receivables	(155,325)	(1,184)
Realized gain on sale of mortgage loan receivables(2)	—	(999)
Transfer between held for investment and held for sale(3)(4)	719,465	(719,465)
Accretion/amortization of discount, premium and other fees	4,539	—
Balance, June 30, 2017	**$3,222,245**	**$ 200,726**

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	Mortgage loan receivables held for investment, net, at amortized cost (1)	Mortgage loan receivables held for sale
Balance, December 31, 2015	**$1,738,645**	**$571,764**
Origination of mortgage loan receivables	211,359	361,324
Repayment of mortgage loan receivables	(410,735)	(699)
Proceeds from sales of mortgage loan receivables	—	(359,561)
Realized gain on sale of mortgage loan receivables	—	10,625
Accretion/amortization of discount, premium and other fees	4,914	—
Loan loss provision	(300)	—
Balance, June 30, 2016	**$1,543,883**	**$583,453**

(1) Includes provision for loan losses of $4.0 million as of each of June 30, 2017 and 2016.

(2) Includes $1.0 million of realized losses on loans recorded as other than temporary impairments related to lower of cost or market adjustments for the six months ended June 30, 2017.

(3) During the six months ended June 30, 2017, the Company reclassified from mortgage loan receivables held for sale to mortgage loan receivables held for investment, net, at amortized cost, a loan with an outstanding face amount of $120.0 million, a book value of $119.9 million (fair value at date of reclassification) and a remaining maturity of three years. The loan had been recorded at lower of cost or market prior to its reclassification. The discount to fair value is the result of an increase in market interest rates since the loan's origination and not a deterioration in credit of the borrower or collateral coverage and the Company expects to collect all amounts due under the loan. The transfer has been reflected as a non-cash item on the consolidated statement of cash flows for the six months ended June 30, 2017.

(4) As discussed earlier in this Note, on June 29, 2017, the Company sold 34 loans with a combined outstanding face amount of $549.0 million and a combined carrying value of $547.7 million to the LCCM 2017-LC26 securitization trust. These loans were previously classified as held for sale, however, because they were transferred in a transaction for which sale accounting was precluded, they have been reclassified to loans held for investment.

At June 30, 2017 and December 31, 2016, there was $1.6 million and $0.6 million, respectively, of unamortized discounts included in our mortgage loan receivables held for investment, at amortized cost, on our consolidated balance sheets.

The Company evaluates each of its loans for potential losses at least quarterly. Its loans are typically collateralized by real estate directly or indirectly. As a result, the Company regularly evaluates the extent and impact of any credit deterioration associated with the performance and/or value of the underlying collateral property, as well as the financial and operating capability of the borrower. Specifically, a property's operating results and any cash reserves are analyzed and used to assess (i) whether cash flow from operations is sufficient to cover the debt service requirements currently and into the future, (ii) the ability of the borrower to refinance the loan at maturity, and/or (iii) the property's liquidation value. The Company also evaluates the financial wherewithal of any loan guarantors as well as the borrower's competency in managing and operating the properties. In addition, the Company considers the overall economic environment, real estate sector, and geographic sub-market in which the collateral property is located. Such impairment analyses are completed and reviewed by asset management personnel, who utilize various data sources, including (i) periodic financial data such as property occupancy, tenant profile, rental rates, operating expenses, the borrowers' business plan, and capitalization and discount rates, (ii) site inspections, and (iii) current credit spreads and other market data. As a result of this analysis, the Company has concluded that none of its loans are individually impaired as of June 30, 2017 and December 31, 2016.

However, based on the inherent risks shared among the loans as a group, it is probable that the loans had incurred an impairment due to common characteristics and inherent risks in the portfolio. Therefore, the Company has recorded a reserve, based on a targeted percentage level which it seeks to maintain over the life of the portfolio, as disclosed in the tables below. Historically, the Company has not incurred losses on any originated loans.

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As of June 30, 2017, two of the Company's loans, which were originated simultaneously as part of a single transaction, and had a carrying value of $26.9 million, were in default. The borrower is currently in bankruptcy court; however, the Company determined that no impairment was necessary and continues to accrue interest on these loans because the loans' collateral value was in excess of the outstanding balances and pursue its legal remedies. As of June 30, 2017, accrued but unpaid interest totaled $6.0 million, which included $3.5 million of default interest. As of December 31, 2016, the same two loans mentioned above were in default. As of December 31, 2016, accrued but unpaid interest totaled $3.5 million, which included $2.2 million of default interest.

As of June 30, 2017 and December 31, 2016 there were no loans on non-accrual status.

Provision for Loan Losses ($ in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	**2016**	**2017**	**2016**
Provision for loan losses at beginning of period	$4,000	$3,850	$4,000	$3,700
Provision for loan losses	—	150	—	300
Provision for loan losses at end of period	**$4,000**	**$4,000**	**$4,000**	**$4,000**

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4. REAL ESTATE SECURITIES

Commercial mortgage backed securities ("CMBS"), CMBS interest-only securities, Agency securities, Government National Mortgage Association ("GNMA") construction securities and Government National Mortgage Association ("GNMA") permanent securities are classified as available-for-sale and reported at fair value with changes in fair value recorded in the current period in other comprehensive income. GNMA and Federal Home Loan Mortgage Corp ("FHLMC") securities (collectively, "Agency interest-only securities") are recorded at fair value with changes in fair value recorded in current period earnings. The following is a summary of the Company's securities at June 30, 2017 and December 31, 2016 ($ in thousands):

June 30, 2017

			Gross Unrealized				Weighted Average			
Asset Type	**Outstanding Face Amount**	**Amortized Cost Basis**	**Gains**	**Losses**	**Carrying Value**	**# of Securities**	**Rating (1)**	**Coupon %**	**Yield %**	**Remaining Duration (years)**
CMBS(2)	$ 1,135,560	$ 1,150,404	$ 8,494	$ (3,506)	$ 1,155,392	114	AAA	3.22 %	2.72 %	3.05
CMBS interest-only(2)	5,093,725 (3)	199,388	2,678	(142)	201,924	48	AAA	0.87 %	3.45 %	2.98
GNMA interest-only(4)	416,931 (3)	14,976	217	(1,934)	13,259	16	AA+	0.71 %	4.28 %	4.19
Agency securities(2)	748	773	—	(11)	762	2	AA+	2.86 %	1.87 %	3.22
GNMA permanent securities(2)	34,989	35,670	792	(254)	36,208	7	AA+	4.06 %	3.71 %	5.90
Total	**$ 6,681,953**	**$ 1,401,211**	**$ 12,181**	**$ (5,847)**	**$ 1,407,545**	**187**		**1.28 %**	**2.86 %**	**3.13**

December 31, 2016

			Gross Unrealized				Weighted Average			
Asset Type	**Outstanding Face Amount**	**Amortized Cost Basis**	**Gains**	**Losses**	**Carrying Value**	**# of Securities**	**Rating (1)**	**Coupon %**	**Yield %**	**Remaining Duration (years)**
CMBS(2)	$ 1,676,680	$ 1,698,616	$ 10,880	$ (8,101)	$ 1,701,395	131	AAA	3.26 %	2.81 %	3.55
CMBS interest-only(2)	8,160,458 (3)	343,438	1,273	(2,540)	342,171	60	AAA	0.87 %	3.45 %	2.99
GNMA interest-only(4)	478,577 (3)	18,994	159	(2,332)	16,821	17	AA+	0.73 %	4.19 %	4.44
Agency securities(2)	774	802	—	(22)	780	2	AA+	2.90 %	1.29 %	3.27
GNMA permanent securities(2)	38,327	39,144	882	(246)	39,780	9	AA+	4.09 %	3.80 %	10.30
Total	**$ 10,354,816**	**$ 2,100,994**	**$ 13,194**	**$ (13,241)**	**$ 2,100,947**	**219**		**1.27 %**	**2.94 %**	**3.60**

(1) Represents the weighted average of the ratings of all securities in each asset type, expressed as an S&P equivalent rating. For each security rated by multiple rating agencies, the highest rating is used. Ratings provided were determined by third-party rating agencies as of a particular date, may not be current and are subject to change (including the assignment of a "negative outlook" or "credit watch") at any time.

(2) CMBS, CMBS interest-only securities, Agency securities, and GNMA permanent securities are classified as available-for-sale and reported at fair value with changes in fair value recorded in the current period in other comprehensive income.

(3) The amounts presented represent the principal amount of the mortgage loans outstanding in the pool in which the interest-only securities participate.

(4) Agency interest-only securities are recorded at fair value with changes in fair value recorded in current period earnings. The Company's Agency interest-only securities are considered to be hybrid financial instruments that contain embedded derivatives. As a result, the Company accounts for them as hybrid instruments in their entirety at

fair value with changes in fair value recognized in unrealized gain (loss) on Agency interest-only securities in the consolidated statements of income in accordance with ASC 815.

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The following is a breakdown of the carrying value of the Company's securities by remaining maturity based upon expected cash flows at June 30, 2017 and 2016 ($ in thousands):

June 30, 2017

Asset Type	Within 1 year	1-5 years	5-10 years	After 10 years	Total
CMBS(1)	$ 73,800	$943,826	$137,766	$ —	$1,155,392
CMBS interest-only(1)	2,224	199,700	—	—	201,924
GNMA interest-only(2)	124	12,570	408	157	13,259
Agency securities(1)	—	762	—	—	762
GNMA permanent securities(1)	—	2,675	33,533	—	36,208
Total	**$ 76,148**	**$1,159,533**	**$171,707**	**$ 157**	**$1,407,545**

December 31, 2016

Asset Type	Within 1 year	1-5 years	5-10 years	After 10 years	Total
CMBS(1)	$ 132,730	$1,156,026	$412,639	$ —	$1,701,395
CMBS interest-only(1)	11,188	330,983	—	—	342,171
GNMA interest-only(2)	—	15,914	724	183	16,821
Agency securities(1)	—	780	—	—	780
GNMA permanent securities(1)	—	4,488	27,675	7,617	39,780
Total	**$ 143,918**	**$1,508,191**	**$441,038**	**$ 7,800**	**$2,100,947**

(1) CMBS, CMBS interest-only securities, Agency securities, and GNMA permanent securities are classified as available-for-sale and reported at fair value with changes in fair value recorded in the current period in other comprehensive income.

(2) Agency interest-only securities are recorded at fair value with changes in fair value recorded in current period earnings.

There were $1.0 million and $0.6 million realized losses on securities recorded as other than temporary impairments for the six months ended June 30, 2017 and 2016, respectively. The determination of whether a security is other-than-temporarily impaired involves judgments and assumptions based on subjective and objective factors. Consideration is given to (i) the length of time and the extent to which the fair value has been less than amortized cost, (ii) the financial condition and near-term prospects of recovery in fair value of the security, and (iii) the Company's intent to sell the security and whether it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis. The Company has no intention to sell the securities before recovery of its amortized cost basis. For cash flow statement purposes, all receipts of interest from interest-only real estate securities are treated as part of cash flows from operations.

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5. REAL ESTATE AND RELATED LEASE INTANGIBLES, NET

The following tables present additional detail related to our real estate portfolio ($ in thousands):

	June 30, 2017	December 31, 2016
Land	$204,857	$143,286
Building	759,369	646,372
In-place leases and other intangibles	182,355	154,687
Less: Accumulated depreciation and amortization	(140,295)	(122,007)
Real estate and related lease intangibles, net	**$1,006,286**	**$822,338**
Below market lease intangibles, net (other liabilities)	$(42,136)	$(16,506)

The following table presents depreciation and amortization expense on real estate recorded by the Company ($ in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Depreciation expense (1)	$7,126	$6,164	$12,846	$12,268
Amortization expense	2,976	3,038	5,824	6,732
Total real estate depreciation and amortization expense	**$10,102**	**$9,202**	**$18,670**	**$19,000**

(1) Depreciation expense on the consolidated statements of income also includes $23 thousand and $52 thousand of depreciation on corporate fixed assets for the three months ended June 30, 2017 and 2016, respectively, and $47 thousand and $57 thousand of depreciation on corporate fixed assets for the six months ended June 30, 2017 and 2016, respectively.

The Company's intangible assets are comprised of in-place leases, favorable leases compared to market leases and other intangibles. At June 30, 2017, gross intangible assets totaled $182.4 million with total accumulated amortization of $54.3 million, resulting in net intangible assets of $128.0 million, including $8.3 million of unamortized favorable lease intangibles which are included in real estate and related lease intangibles, net on the consolidated balance sheets. At December 31, 2016, gross intangible assets totaled $154.7 million with total accumulated amortization of $48.1 million, resulting in net intangible assets of $106.6 million, including $7.0 million of unamortized favorable lease intangibles which are included in real estate and related lease intangibles, net on the consolidated balance sheets. For the three and six months ended June 30, 2017, the Company recorded a net increase (reduction) in operating lease income of $(0.2) million and $(0.5) million, respectively, for amortization of above market lease intangibles acquired, compared to $(0.3) million and $(0.7) million for the three and six months ended June 30, 2016, respectively. For the three and six months ended June 30, 2017, the Company recorded a net increase (reduction) in operating lease income of $0.4 million and $0.7 million respectively, for amortization of below market lease intangibles acquired, compared to $0.4 million and $0.8 million, for the three and six months ended June 30, 2016, respectively.

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The following table presents expected amortization expense during the next five years and thereafter related to the acquired in-place lease intangibles for property owned as of June 30, 2017 ($ in thousands):

Period Ending December 31,	**Amount**
2017 (last 6 months)	$5,244
2018	10,488
2019	10,488
2020	10,488
2021	10,328
Thereafter	81,103
Total	**$128,139**

There were $0.4 million and $0.7 million of unbilled rent receivables included in other assets on the consolidated balance sheets as of June 30, 2017 and December 31, 2016, respectively.

There was unencumbered real estate of $94.1 million and $70.3 million as of June 30, 2017 and December 31, 2016, respectively.

The following is a schedule of non-cancellable, contractual, future minimum rent under leases (excluding property operating expenses paid directly by tenant under net leases or rent escalations under other leases from tenants) at June 30, 2017 ($ in thousands):

Period Ending December 31,	**Amount**
2017 (last 6 months)	$44,472
2018	85,812
2019	80,655
2020	78,858
2021	74,150
Thereafter	636,693
Total	**$1,000,640**

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Acquisitions

During the six months ended June 30, 2017, the Company acquired the following properties ($ in thousands):

Acquisition Date	Type	Primary Location(s)	Purchase Price	Ownership Interest (1)
February 2017	Net Lease	Carmi, IL	$1,411	100.0%
February 2017	Net Lease	Peoria, IL	1,183	100.0%
March 2017	Net Lease	Ridgedale, MO	1,298	100.0%
April 2017	Net Lease	Hanna City, IL	1,141	100.0%
April 2017	Other(2)	El Monte, CA	54,110	70.0%
May 2017	Net Lease	Jessup, IA	1,163	100.0%
May 2017	Net Lease	Shelbyville, IL	1,132	100.0%
May 2017	Other	Jacksonville, FL	115,641	100.0%
May 2017	Net Lease	Wabasha, MN	1,280	100.0%
May 2017	Net Lease	Port O'Connor, TX	1,255	100.0%
May 2017	Net Lease	Denver, IA	1,183	100.0%
June 2017	Net Lease	Jefferson City, MO	1,241	100.0%
Total			**$182,038**	

(1) Properties were consolidated as of acquisition date.
(2) Joint venture partner contributed $5.3 million to partnership.

On October 1, 2016, the Company early adopted Accounting Standards Update ("ASU") 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business* ("ASU 2017-01"). As a result of this adoption, acquisitions of real estate may not meet the revised definition of a business and may be treated as asset acquisitions rather than business combinations. The measurement of assets and liabilities acquired will no longer be recorded at fair value and the Company will now allocate purchase consideration based on relative fair values. Real estate acquisition costs are no longer expensed as incurred and will now be capitalized as a component of the cost of the assets acquired. During the six months ended June 30, 2017, all acquisitions were determined to be asset acquisitions.

The purchase prices were allocated to the net assets acquired, which also include asset acquisitions occurring after October 1, 2016, during the six months ended June 30, 2017, as follows ($ in thousands):

	Purchase Price Allocation
Land	$62,043
Building	118,462
Intangibles	27,835
Below Market Lease Intangibles	(26,302)
Total purchase price	**$182,038**

The weighted average amortization period for intangible assets acquired during the six months ended June 30, 2017 was 31.9 years. The Company recorded $1.9 million in revenues for the three and six months ended June 30, 2017, which are included in our consolidated statements of income. The Company recorded $1.5 million and $1.6 million in earnings (losses) from its 2017 acquisitions for the three and six months ended June 30, 2017, respectively, which are included in our consolidated statements of income.

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During the six months ended June 30, 2016, the Company acquired the following properties ($ in thousands):

Acquisition Date	**Type**	**Primary Location(s)**	**Purchase Price**	**Ownership Interest (1)**
April 2016	Land	St. Paul, MN	$ 200	100.0%
April 2016	Net Lease	Dimmitt, TX	1,319	100.0%
April 2016	Net Lease	Philo, IL	1,156	100.0%
April 2016	Net Lease	St. Charles, MN	1,198	100.0%
May 2016	Net Lease	San Antonio, TX	1,096	100.0%
May 2016	Net Lease	Borger, TX	978	100.0%
June 2016	Net Lease	Champaign, IL	1,324	100.0%
June 2016	Net Lease	Decatur-Sunnyside, IL	1,181	100.0%
June 2016	Net Lease	Flora Vista, NM	1,305	100.0%
June 2016	Net Lease	Mountain Grove, MO	1,279	100.0%
June 2016	Net Lease	Rantoul, IL	1,204	100.0%
June 2016	Net Lease	Decatur-Pershing, IL	1,365	100.0%
June 2016	Net Lease	Cape Girardeau, MO	1,281	100.0%
June 2016	Net Lease	Linn, MO	1,122	100.0%
Total			**$ 16,008**	

(1) Properties were consolidated as of acquisition date.

The purchase prices were allocated to the net assets acquired during the six months ended June 30, 2016, as follows ($ in thousands):

	Purchase Price Allocation
Land	$ 2,984
Building	11,639
Intangibles	2,458
Below Market Lease Intangibles	(1,073)
Total purchase price	**$ 16,008**

The weighted average amortization period for intangible assets acquired during the six months ended June 30, 2016 was 37.0 years. The Company recorded $0.1 million and $0.1 million in revenues for the three and six months ended June 30, 2016, respectively, which are included in our consolidated statements of income. The Company recorded $(0.3) million and $(0.3) million in earnings (losses) from its 2016 acquisitions for the three and six months ended June 30, 2016, respectively, which are included in our consolidated statements of income.

Sales

The Company sold the following properties during the six months ended June 30, 2017 ($ in thousands):

Sales Date	**Type**	**Primary Location(s)**	**Net Sales Proceeds**	**Net Book Value**	**Realized Gain/(Loss)**	**Properties**	**Units Sold**	**Units Remaining**

Various	Condominium	Las Vegas, NV	$ 7,935	$ 4,371	$ 3,564	—	21	38
Various	Condominium	Miami, FL	4,655	3,656	999	—	16	72
Totals			**$ 12,590**	**$ 8,027**	**$ 4,563**			

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The Company sold the following properties during the six months ended June 30, 2016 ($ in thousands):

Sales Date	**Type**	**Primary Location(s)**	**Net Sales Proceeds**	**Net Book Value**	**Realized Gain/(Loss)**	**Properties**	**Units Sold**	**Units Remaining**
Mar 2016	Net Lease	Rockland, MA	$ 9,148	$ 8,436	$ 712	1	—	—
Various	Condominium	Las Vegas, NV	17,288	9,608	7,680	—	40	92
Various	Condominium	Miami, FL	11,178	8,602	2,576	—	38	115
Totals			**$ 37,614**	**$ 26,646**	**$ 10,968**			

Real Estate Sold or Classified as Held for Sale

On January 1, 2014, the Company early adopted ASU 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*, and as the properties sold or classified as real estate held for sale in the six months ended June 30, 2017 and 2016 did not represent a strategic shift (as the Company is not entirely exiting markets or property types), they have not been reflected as part of discontinued operations.

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6. INVESTMENT IN UNCONSOLIDATED JOINT VENTURES

As of June 30, 2017, the Company had an aggregate investment of $34.5 million in its equity method joint ventures with unaffiliated third parties.

Included in the Company’s investments in unconsolidated joint ventures as of June 30, 2017 is one unconsolidated joint venture, which is a VIE for which the Company is not the primary beneficiary. This joint venture is primarily established to develop real estate property for long-term investment and was deemed to be a VIE primarily based on the fact there are disproportionate voting and economic rights within the joint venture. The Company determined that it was not the primary beneficiary of this VIE based on the fact that the Company has shared control of this entity along with the entity’s partner and therefore does not have controlling financial interests in this VIE. The Company’s aggregate investment in this VIE was $30.3 million. The Company’s maximum exposure to loss is limited to its investment in the VIE. The Company has not provided financial support to this VIE that it was not previously contractually required to provide. In general, future costs of development not financed through a third party will be funded with capital contributions from the Company and its outside partner in accordance with their respective ownership percentages.

The following is a summary of the Company’s investments in unconsolidated joint ventures, which we account for using the equity method, as of June 30, 2017 and December 31, 2016 ($ in thousands):

Entity	June 30, 2017	December 31, 2016
Grace Lake JV, LLC	4,227	3,719
24 Second Avenue Holdings LLC	30,293	30,306
Investment in unconsolidated joint ventures	**$34,520**	**$ 34,025**

The following is a summary of the Company’s allocated earnings (losses) based on its ownership interests from investment in unconsolidated joint ventures for the three and six months ended June 30, 2017 and 2016 ($ in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
Entity	2017	2016	2017	2016
Ladder Capital Realty Income Partnership I LP	$—	$—	$—	$892
Grace Lake JV, LLC	269	235	508	460
24 Second Avenue Holdings LLC	(259)	(403)	(571)	(726)
Earnings (loss) from investment in unconsolidated joint ventures	**$10**	**$(168)**	**$(63)**	**$626**

Ladder Capital Realty Income Partnership I LP

On April 15, 2011, the Company entered into a limited partnership agreement, becoming the general partner and acquiring a 10% limited partnership interest in LCRIP I to invest in first mortgage loans held for investment and acted as general partner and manager to LCRIP I. The Company accounted for its interest in LCRIP I using the equity method of accounting, as it exerted significant influence but the unrelated limited partners had substantive participating rights, as well as kick-out rights. During the quarter ended June 30, 2015, the last loan held by LCRIP I was repaid. The term of the partnership expired on April 15, 2016. At that time, LCRIP I made distributions to the partners in the aggregate amounts determined by the general partner in accordance with the Limited Partnership Agreement. Simultaneously with the execution of the LCRIP I Partnership Agreement, the Company was engaged as the manager of LCRIP I and was entitled to a fee based upon the average net equity invested in LCRIP I, which was subject to a fee reduction in the event average net equity invested in LCRIP I exceeded $100.0 million. As discussed in “Out-of-Period Adjustments” in Note 2. Significant Accounting Policies, during the first quarter of 2016, the Company recorded an additional return on equity of $0.9 million in this investment in unconsolidated joint venture predominately relating to prior years. During the three and six months ended June 30, 2017, the Company recorded no management fees. During the three and six months ended June 30, 2016, the Company recorded $0 and $6,905 in management fees, respectively, which is reflected in fee and other income in the consolidated statements of income.

Grace Lake JV, LLC

In connection with the origination of a loan in April 2012, the Company received a 25% equity kicker with the right to convert upon a capital event. On March 22, 2013, the loan was refinanced, and the Company converted its interest into a 25% limited liability company membership interest in Grace Lake JV, LLC (“Grace Lake LLC”), which holds an investment in an office building complex. After taking into account the preferred return of 8.25% and the return of all equity remaining in the property to the Company’s operating partner, the Company is entitled to 25% of the distribution of all excess cash flows and all disposition proceeds upon any sale. The Company is not legally required to provide any future funding to Grace Lake JV. The Company accounts for its interest in Grace Lake JV using the equity method of accounting, as it has a 25% investment, compared to the 75% investment of its operating partner and does not control the entity.

24 Second Avenue Holdings LLC

On August 7, 2015, the Company entered into a joint venture, 24 Second Avenue Holdings LLC (“24 Second Avenue”), with an operating partner to invest in a ground-up condominium construction and development project located at 24 Second Avenue, New York, NY. The Company accounts for its interest in 24 Second Avenue using the equity method of accounting as its joint venture partner is the managing member of 24 Second Avenue and has substantive participating rights. The Company contributed $31.1 million for a 73.8% interest, with the operating partner holding the remaining 26.2% interest. The Company is entitled to income allocations and distributions based upon its membership interest of 73.8% until the Company achieves a 1.70x profit multiple, after which, income is allocated and distributed 50% to the Company and 50% to the operating partner.

During the three and six months ended June 30, 2017, the Company recorded $0.3 million and $0.6 million, respectively, in expenses, which is recorded in earnings (loss) from investment in unconsolidated joint ventures in the consolidated statements of income. During the three and six months ended June 30, 2016 the Company recorded $0.4 million and $0.7 million, respectively, in expenses, which is recorded in earnings (loss) from investment in unconsolidated joint ventures in the consolidated statements of income. The Company capitalizes interest related to the cost of its investment, as 24 Second Avenue has activities in progress necessary to construct and ultimately sell condominium units. During the three and six months ended June 30, 2017, the Company capitalized $0.3 million and $0.6 million, respectively, of interest expense, using a weighted average interest rate, which is recorded in investment in unconsolidated joint ventures in the consolidated balance sheets. During the three and six months ended June 30, 2016, the Company capitalized $0.2 million and $0.4 million, respectively, of interest expense, using a weighted average interest rate, which is recorded in investment in unconsolidated joint ventures in the consolidated balance sheets.

As of June 30, 2017 and December 31, 2016, 24 Second Avenue had $27.9 million and $21.6 million, respectively, of loans payable. As of June 30, 2017, the existing building has been demolished and we are anticipating completion in 2018. Our operating partner entered into a construction loan in the amount of $50.5 million to fund the project. As of June 30, 2017, draws of $27.9 million have been taken against the construction loan. The Company has no remaining capital commitment to our operating partner.

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Combined Summary Financial Information for Unconsolidated Joint Ventures

The following is a summary of the combined financial position of the unconsolidated joint ventures in which the Company had investment interests as of June 30, 2017 and December 31, 2016 ($ in thousands):

	June 30, 2017	December 31, 2016
Total assets	$144,860	$138,298
Total liabilities	99,973	94,964
Partners'/members' capital	$44,887	$43,334

The following is a summary of the combined results from operations of the unconsolidated joint ventures for the period in which the Company had investment interests during the three and six months ended June 30, 2017 and 2016 ($ in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Total revenues	$4,953	$3,977	$8,743	$8,214
Total expenses	1,686	3,496	7,484	7,912
Net income (loss)	**$3,267**	**$481**	**$1,259**	**$302**

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7. DEBT OBLIGATIONS, NET

The details of the Company’s debt obligations at June 30, 2017 and December 31, 2016 are as follows ($ in thousands):

June 30, 2017

Debt Obligations	Committed Financing	Debt Obligations Outstanding	Committed but Unfunded	Interest Rate at June 30, 2017(1)	Current Term Maturity	Remaining Extension Options	Eligible Collateral	Carrying Amount of Collateral	Fair Value of Collateral	
Committed Loan Repurchase Facility	$600,000	$ 338,869	$261,131	2.91% - 3.66%	10/30/2018	(2)	(3)	$530,153	$534,040	
Committed Loan Repurchase Facility	450,000	230,806	219,194	3.16% - 3.91%	5/24/2018	(4)	(3)	397,876	399,740	
Committed Loan Repurchase Facility	300,000	100,608	199,392	3.41% - 4.41%	4/10/2018	(5)	(6)	210,971	210,971	
Committed Loan Repurchase Facility	200,000	137,821	62,179	3.38% - 4.13%	2/29/2020	(7)	(3)	175,101	207,247	(8)
Committed Loan Repurchase Facility	100,000	40,458	59,542	3.66% - 3.67%	6/28/2019	—	(3)	58,835	58,835	
Total Committed Loan Repurchase Facilities	1,650,000	848,562	801,438					1,372,936	1,410,833	
Committed Securities Repurchase Facility	400,000	107,965	292,035	1.23% - 2.31%	7/1/2018	N/A	(9)	178,166	178,166	
Uncommitted Securities Repurchase Facility	N/A (10)	193,078	N/A (10)	1.35% - 3.05%	7/2017 - 9/2017	N/A	(9)	223,524	223,524	(11)
Total Repurchase Facilities	2,050,000	1,149,605	1,093,473					1,774,626	1,812,523	
Revolving Credit Facility	168,520	100,000	68,520	4.55% - 6.50%	2/11/2018	(12)	N/A (13)	N/A (13)	N/A (13)	
Mortgage Loan Financing	588,359	588,359	—	4.25% - 6.75%	2018 - 2026	N/A	(14)	742,740	877,846	(15)
Participation Financing - Mortgage Loan Receivable	3,834	3,834	—	17.00%	12/6/2017	N/A	(3)	3,834	3,834	
Borrowings from the FHLB	2,000,000	1,400,500	599,500	0.87% - 2.74%	2017 - 2024	N/A	(16)	1,824,470	1,828,620	
Senior Unsecured Notes	766,201	756,503 (17)	—	5.250% - 5.875%	2017 - 2022	N/A	N/A (18)	N/A (18)	N/A (18)	
Total Secured and Unsecured Debt Obligations	5,576,914	3,998,801	1,761,493					4,345,670	4,522,823	
Liability for transfers not considered sales	632,130	632,130	—	4.10% - 5.88%	2017 -2027	N/A	(3) (14)	723,046	717,470	
Total Debt Obligations	**$6,209,044**	**$ 4,630,931**	**$1,761,493**					**$5,068,716**	**$5,240,293**	

(1) June 30, 2017 LIBOR rates are used to calculate interest rates for floating rate debt.
(2) Three additional 12-month periods at Company’s option. No new advances are permitted after the initial maturity date, or if the lender consents, October 30, 2019, the initial extended maturity date.
(3) First mortgage commercial real estate loans. It does not include the real estate collateralizing such loans.
(4) Three additional 12-month periods at Company’s option.
(5) Two additional 364-day periods at Company’s option andone additional 364-day period with Bank’s consent.
(6) First mortgage and mezzanine commercial real estate loans. It does not include the real estate collateralizing such loans.
(7) One additional 12-month extension period and two additional 6-month extension periods at Company’s option.
(8) Includes $32.1 million of loans made to consolidated subsidiaries which are not reflected in these consolidated financial statements.
(9) Commercial real estate securities. It does not include the real estate collateralizing such securities.
(10) Represents uncommitted securities repurchase facilities for which there is no committed amount subject to future advances.
(11)

As more fully described in Note 3, securities which were purchased from the LCCM LC-26 securitization trust are not reflected in these consolidated financial statements. Includes $35.5 million of such securities.

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(12) Three additional 12-month extension periods at Company's option.
(13) The obligations under the Revolving Credit Facility are guaranteed by the Company and certain of its subsidiaries and secured by equity pledges in certain Company subsidiaries.
(14) Real estate.
(15) Using undepreciated carrying value of commercial real estate to approximate fair value.
(16) First mortgage commercial real estate loans and investment grade commercial real estate securities. It does not include the real estate collateralizing such loans and securities.
(17) Presented net of unamortized debt issuance costs of $9.7 million at June 30, 2017.
(18) The obligations under the senior unsecured notes are guaranteed by the Company and certain of its subsidiaries.

December 31, 2016

Debt Obligations	Committed Financing	Debt Obligations Outstanding	Committed but Unfunded	Interest Rate at December 31, 2016(1)	Current Term Maturity	Remaining Extension Options	Eligible Collateral	Carrying Amount of Collateral	Fair Value of Collateral
Committed Loan Repurchase Facility	$ 600,000	$ 183,604	$ 416,396	2.45% - 3.27%	10/30/2018	(2)	(3)	$ 292,628	$ 293,618
Committed Loan Repurchase Facility	450,000	184,158	265,842	2.95% - 3.70%	5/24/2017	(4)	(3)	286,848	288,267
Committed Loan Repurchase Facility	400,000	100,979	299,021	2.95% - 3.99%	4/9/2017	(5)	(6)	235,878	236,696
Committed Loan Repurchase Facility	100,000	27,132	72,868	2.90% - 3.13%	6/28/2019	—	(3)	36,166	36,410
Committed Loan Repurchase Facility	100,000	71,290	28,710	2.93% - 3.68%	8/2/2019	(7)	(3)	110,271	110,897
Total Committed Loan Repurchase Facilities	1,650,000	567,163	1,082,837					961,791	965,888
Committed Securities Repurchase Facility	400,000	228,317	171,683	1.00% - 2.59%	7/1/2018	N/A	(8)	272,402	272,402
Uncommitted Securities Repurchase Facility	N/A (9)	311,705	N/A (9)	1.00% - 2.41%	1/2017 - 3/2017	N/A	(8)	368,638	368,638
Total Repurchase Facilities	2,050,000	1,107,185	1,254,520					1,602,831	1,606,928
Revolving Credit Facility	143,000	25,000	118,000	3.16%	2/11/2017	(10)	N/A (11)	N/A (11)	N/A (11)
Mortgage Loan Financing	590,106	590,106	—	4.25% - 6.75%	2018 - 2026	N/A	(12)	757,468	875,160 (13)
Borrowings from the FHLB	1,998,931	1,660,000	338,931	0.43% - 2.74%	2017 - 2024	N/A	(14)	2,162,779	2,167,017
Senior Unsecured Notes	563,872	559,847 (15)	—	5.875% - 7.375%	2017 - 2021	N/A	N/A (16)	N/A (16)	N/A (16)
Total Secured and Unsecured Debt Obligations	5,345,909	3,942,138	1,711,451					4,523,078	4,649,105
Total Debt Obligations	**$ 5,345,909**	**$ 3,942,138**	**$ 1,711,451**					**$ 4,523,078**	**$ 4,649,105**

(1) December 31, 2016 LIBOR rates are used to calculate interest rates for floating rate debt.
(2) Three additional 12-month periods at Company's option. No new advances are permitted after the initial maturity date, or if the lender consents, October 30, 2019, the initial extended maturity date.
(3) First mortgage commercial real estate loans. It does not include the real estate collateralizing such loans.
(4) Three additional 12-month periods at Company's option.
(5) Two additional 364-day periods at Company's option.
(6) First mortgage and mezzanine commercial real estate loans. It does not include the real estate collateralizing such loans.
(7) One additional 12-month extension period and two additional 6-month extension periods at Company's option.
(8) Commercial real estate securities. It does not include the real estate collateralizing such securities.
(9) Represents uncommitted securities repurchase facilities for which there is no committed amount subject to future advances.
(10) Two additional 12-month extension periods at Company's option.

(11) The obligations under the Revolving Credit Facility are guaranteed by the Company and certain of its subsidiaries and secured by equity pledges in certain Company subsidiaries.
(12) Real estate.

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(13) Using undepreciated carrying value of commercial real estate to approximate fair value.
(14) First mortgage commercial real estate loans and investment grade commercial real estate securities. It does not include the real estate collateralizing such loans and securities.
(15) Presented net of unamortized debt issuance costs of $4.0 million at December 31, 2016.
(16) The obligations under the senior unsecured notes are guaranteed by the Company and certain of its subsidiaries.

Committed Loan and Securities Repurchase Facilities

The Company has entered into multiple committed master repurchase agreements in order to finance its lending activities. The Company has entered into five committed master repurchase agreements, as outlined in the June 30, 2017 table above, totaling $1.7 billion of credit capacity. Assets pledged as collateral under these facilities are limited to whole mortgage loans or participation interests in mortgage loans collateralized by first liens on commercial properties and mezzanine debt. The Company also has a term master repurchase agreement with a major U.S. bank to finance CMBS totaling $400.0 million. The Company's repurchase facilities include covenants covering net worth requirements, minimum liquidity levels, and maximum leverage ratios. The Company believes it was in compliance with all covenants as of June 30, 2017 and December 31, 2016.

The Company has the option to extend some of the current facilities subject to a number of conditions, including satisfaction of certain notice requirements, no event of default exists, and no margin deficit exists, all as defined in the repurchase facility agreements. The lenders have sole discretion with respect to the inclusion of collateral in these facilities, to determine the market value of the collateral on a daily basis, to be exercised on a good faith basis, and have the right to require additional collateral, a full and/or partial repayment of the facilities (margin call), or a reduction in unused availability under the facilities, sufficient to rebalance the facilities if the estimated market value of the included collateral declines.

On April 19, 2016, the Company entered into an amendment to its committed loan repurchase facility with one of its multiple major banking institutions, adding two one-year extension options and extending the maximum term of such facility to May 24, 2020.

On May 26, 2016, the Company entered into an amendment to its committed repurchase facility with a major banking institution to memorialize the replacement of the servicer under such facility.

On June 27, 2016, the Company executed an amendment and extension of one of its credit facilities with a major banking institution, with an effective date of July 1, 2016, providing for, among other things, the extension of the maximum term of the facility to July 1, 2018 and increasing the maximum funding capacity to $400.0 million.

On June 28, 2016, the Company entered into a committed loan repurchase facility with a major banking institution with total capacity of $100.0 million and a final maturity date of June 28, 2019.

On August 3, 2016, the Company executed a committed loan repurchase facility with a major banking institution with total capacity of $100.0 million and an initial maturity date of August 2, 2019, with one twelve-month extension period, followed by two six-month extension periods. In connection with the execution of this new facility, the Company terminated its existing committed loan repurchase facility with total capacity of $35.0 million.

On November 9, 2016, the Company entered into an amendment to its committed repurchase facility with a major banking institution to, among other things, extend the initial term to October 30, 2018 and add three (3) additional one year extension options to the term thereof, provided that the Company will not be permitted to obtain advances under such facility after October 30, 2018, or if the lender thereunder consents, October 30, 2019.

On February 22, 2017, the Company exercised a one year extension option on one of its committed loan repurchase facilities. In connection with this extension, the Company elected to reduce the maximum capacity of the facility to $300.0 million. In addition, on March 21, 2017, the Company amended this committed loan repurchase facility to, among other things, add one additional 364-day extension period at Company's option and one additional 364-day extension period permitted with lender's consent.

On March 1, 2017, the Company executed an amendment and extension of one of its credit facilities with a major banking institution, providing for, among other things, the extension of the maximum term of the facility to February 28, 2022 and increasing the maximum funding capacity to $200.0 million.

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On May 1, 2017, the Company executed an amendment to one of its credit facilities with a major banking institution to, among other things, extend the maximum term by an additional year to May 24, 2021.

As of June 30, 2017, we had repurchase agreements with nine counterparties, with total debt obligations outstanding of $1.1 billion. As of June 30, 2017, three counterparties, Deutsche Bank, J.P. Morgan and Wells Fargo, held collateral that exceeded the amounts borrowed under the related repurchase agreements by more than $73.4 million, or 5% of our total equity. As of June 30, 2017, the weighted average haircut, or the percent of collateral value in excess of the loan amount, under our repurchase agreements was 36.6%. There have been no significant fluctuations in haircuts across asset classes on our repurchase facilities.

Revolving Credit Facility

On February 11, 2014, the Company entered into a revolving credit facility (the "Revolving Credit Facility"), which was subsequently amended on February 26, 2016, March 1, 2017 and March 23, 2017, to add additional banks to our syndicate, add two additional one-year extension options and increase its maximum funding capacity. The Revolving Credit Facility provides for an aggregate maximum borrowing amount of $168.5 million, including a $25.0 million sublimit for the issuance of letters of credit. The Revolving Credit Facility is available on a revolving basis to finance the Company's working capital needs and for general corporate purposes. The Revolving Credit Facility has a three-year maturity, which may be extended by four 12-month periods subject to the satisfaction of customary conditions, including the absence of default. Interest on the Revolving Credit Facility is one-month LIBOR plus 3.50% per annum payable monthly in arrears.

The obligations under the Revolving Credit Facility are guaranteed by the Company and certain of its subsidiaries. The Revolving Credit Facility is secured by a pledge of the shares of (or other ownership or equity interests in) certain subsidiaries to the extent the pledge is not restricted under existing regulations, law or contractual obligations.

LCFH is subject to customary affirmative covenants and negative covenants, including limitations on the incurrence of additional debt, liens, restricted payments, sales of assets and affiliate transactions. In addition, under the Revolving Credit Facility, LCFH is required to comply with financial covenants relating to minimum net worth, maximum leverage, minimum liquidity, and minimum fixed charge coverage, consistent with our other credit facilities. The Company's ability to borrow under the Revolving Credit Facility is dependent on, among other things, LCFH's compliance with the financial covenants. The Revolving Credit Facility contains customary events of default, including non-payment of principal or interest, fees or other amounts, failure to perform or observe covenants, cross-default to other indebtedness, the rendering of judgments against the Company or certain of our subsidiaries to pay certain amounts of money and certain events of bankruptcy or insolvency.

Debt Issuance Costs

As discussed in Note 2, Significant Accounting Policies in the Annual Report, the Company considers its committed loan master repurchase facilities and Revolving Credit Facility to be revolving debt arrangements. As such, the Company continues to defer and present costs associated with these facilities as an asset, subsequently amortizing those costs ratably over the term of each revolving debt arrangement. As of June 30, 2017 and December 31, 2016, the amount of unamortized costs relating to such facilities are $6.2 million and $4.9 million, respectively, and are included in other assets in the consolidated balance sheets.

Uncommitted Securities Repurchase Facilities

The Company has also entered into multiple master repurchase agreements with several counterparties collateralized by real estate securities. The borrowings under these agreements have typical advance rates between 70% and 95% of the fair value of collateral.

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Mortgage Loan Financing

During the six months ended June 30, 2017, the Company executed no term debt agreements to finance properties in its real estate portfolio. During the six months ended June 30, 2016, the Company executed 4 term debt agreements to finance properties in its real estate portfolio. These non-recourse debt agreements provide for fixed rate financing at rates, ranging from 4.25% to 6.75%, maturing between 2018 - 2026 as of June 30, 2017. These loans have carrying amounts of $588.4 million and $590.1 million, net of unamortized premiums of $5.1 million and $5.6 million at June 30, 2017 and December 31, 2016, respectively, representing proceeds received upon financing greater than the contractual amounts due under these agreements. The premiums are being amortized over the remaining life of the respective debt instruments using the effective interest method. The Company recorded $0.2 million and $0.5 million of premium amortization, which decreased interest expense, for the three and six months ended June 30, 2017, respectively. The Company recorded $0.2 million and $0.4 million of premium amortization, which decreased interest expense, for the three and six months ended June 30, 2016, respectively. The loans are collateralized by real estate and related lease intangibles, net, of $742.7 million and $757.5 million as of June 30, 2017 and December 31, 2016, respectively.

Participation Financing - Mortgage Loan Receivable

During the six months ended June 30, 2017, the Company sold a participating interest in a first mortgage loan receivable to a third party. The sales proceeds of $4.0 million are considered non-recourse secured borrowings and are recognized in debt obligations on the Company’s consolidated balance sheets. The Company recorded $0.2 million of interest expense for the three and six months ended June 30, 2017.

Borrowings from the Federal Home Loan Bank (“FHLB”)

On July 11, 2012, Tuebor Captive Insurance Company LLC (“Tuebor”), a consolidated subsidiary of the Company, became a member of the FHLB and subsequently drew its first secured funding advances from the FHLB. On January 13, 2017, Tuebor’s advance limit was updated to the lowest of $2.0 billion, 40% of Tuebor’s total assets or 150% of the Company’s total equity.

As of June 30, 2017, Tuebor had $1.4 billion of borrowings outstanding (with an additional $599.5 million of committed term financing available from the FHLB), with terms of overnight to seven years (with a weighted average of 2.6 years), interest rates of 0.87% to 2.74% (with a weighted average of 1.40%), and advance rates of 56.0% to 100% of the collateral. As of June 30, 2017, collateral for the borrowings was comprised of $1.0 billion of CMBS and U.S. Agency Securities and $770.4 million of first mortgage commercial real estate loans.

As of December 31, 2016, Tuebor had $1.7 billion of borrowings outstanding (with an additional $338.9 million of committed term financing available from the FHLB), with terms of overnight to seven years (with a weighted average of 2.4 years), interest rates of 0.43% to 2.74% (with a weighted average of 1.12%), and advance rates of 49.6% to 95.2% of the collateral. As of December 31, 2016, collateral for the borrowings was comprised of $1.4 billion of CMBS and U.S. Agency Securities and $724.0 million of first mortgage commercial real estate loans.

Tuebor is subject to state regulations which require that dividends (including dividends to the Company as its parent) may only be made with regulatory approval. However, there can be no assurance that we would obtain such approval if sought. Largely as a result of this restriction, approximately $331.6 million of the member’s capital was restricted from transfer to Tuebor’s parent without prior approval of state insurance regulators at June 30, 2017.

Effective February 19, 2016, the Federal Housing Finance Agency (the “FHFA’’), regulator of the FHLB, adopted a final rule amending its regulation regarding the eligibility of captive insurance companies for FHLB membership.

According to the final rule, Ladder's captive insurance company subsidiary, Tuebor may remain as a member of the FHLB through February 19, 2021 (the "Transition Period"). During the Transition Period, Tuebor is eligible to continue to draw new additional advances, extend the maturities of existing advances, and pay off outstanding advances on the same terms as non-captive insurance company FHLB members with the following two exceptions:

1. New advances (including any existing advances that are extended during the Transition Period) will have maturity dates on or before February 19, 2021; and
2. The FHLB will make new advances to Tuebor subject to a requirement that Tuebor's total outstanding advances do not exceed 40% of Tuebor's total assets.

Tuebor has executed new advances since the effective date of the new rule in the ordinary course of business.

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FHLB advances amounted to 30.2% of the Company’s outstanding debt obligations as of June 30, 2017. The Company does not anticipate that the FHFA’s final regulation will materially impact its operations as it will continue to access FHLB advances during the five-year Transition Period.

There is no assurance that the FHFA or the FHLB will not take actions that could adversely impact Tuebor’s membership in the FHLB and continuing access to new or existing advances prior to February 19, 2021.

Senior Unsecured Notes
LCFH issued the 2022 Notes, the 2021 Notes and the 2017 Notes (each as defined below, and collectively, the “Notes”) with Ladder Capital Finance Corporation (“LCFC”), as co-issuers on a joint and several basis. LCFC is a 100% owned finance subsidiary of Series TRS of LCFH with no assets, operations, revenues or cash flows other than those related to the issuance, administration and repayment of the Notes. The Company and certain subsidiaries of LCFH currently guarantee the obligations under the Notes and the indenture. The Company is the general partner of LCFH and, through LCFH and its subsidiaries, operates the Ladder Capital business. As of June 30, 2017, the Company has a 77.7% economic and voting interest in LCFH and controls the management of LCFH as a result of its ability to appoint board members. Accordingly, the Company consolidates the financial results of LCFH and records noncontrolling interest for the economic interest in LCFH held by the Continuing LCFH Limited Partners. In addition, the Company, through certain subsidiaries which are treated as TRSs, is indirectly subject to U.S. federal, state and local income taxes. Other than the noncontrolling interest in the Operating Partnership and federal, state and local income taxes, there are no material differences between the Company’s consolidated financial statements and LCFH’s consolidated financial statements.

Unamortized debt issuance costs of $9.7 million and $4.0 million are included in senior unsecured notes as of June 30, 2017 and December 31, 2016, respectively, in accordance with GAAP.

2017 Notes

On September 19, 2012, LCFH issued $325.0 million in aggregate principal amount of 7.375% senior notes due October 1, 2017 (the “2017 Notes”). The 2017 Notes required interest payments semi-annually in cash in arrears on April 1 and October 1 of each year, beginning on September 19, 2012. The 2017 Notes were unsecured and subject to incurrence-based covenants, including limitations on the incurrence of additional debt, restricted payments, liens, sales of assets, affiliate transactions and other covenants typical for financings of this type. At any time on or after April 1, 2017, the 2017 Notes were redeemable at the option of the Company, in whole or in part, upon not less than 30 nor more than 60 days’ notice, without penalty. On November 5, 2014, the board of directors authorized the Company to make up to $325.0 million in repurchases of the 2017 Notes from time to time without further approval.

On December 17, 2014, the Company retired $5.4 million of principal of the 2017 Notes for a repurchase price of $5.6 million recognizing a $0.2 million loss on extinguishment of debt. During the year ended December 31, 2016, the Company retired $21.9 million of principal of the 2017 Notes for a repurchase price of $21.4 million, recognizing a $0.3 million net gain on extinguishment of debt after recognizing $(0.2) million of unamortized debt issuance costs associated with the retired debt. During the six months ended June 30, 2017, the Company retired the remaining $297.7 million of principal of the 2017 Notes for a repurchase price of $297.7 million, recognizing a $53,547 net loss on extinguishment of debt after recognizing $(22,847) of unamortized debt issuance costs associated with the retired debt.

On March 1, 2017, the Company delivered a notice of conditional full redemption to holders of the 2017 Notes, pursuant to which the Company redeemed all outstanding 2017 Notes at 100% of the principal amount thereof (plus any accrued and unpaid interest to the redemption date) as of April 1, 2017. The redemption was conditional on the completion by the Company of a senior notes offering with gross proceeds of not less than $500 million. The Company's offering of the 2022 Notes, described below, satisfied this condition. On April 3, 2017, the Company repaid the remaining aggregate principal amount of the 2017 Notes outstanding (including accrued and unpaid interest as of that date).

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2021 Notes

On August 1, 2014, LCFH issued $300.0 million in aggregate principal amount of 5.875% senior notes due August 1, 2021 (the “2021 Notes”). The 2021 Notes require interest payments semi-annually in cash in arrears on February 1 and August 1 of each year, beginning on February 1, 2015. The 2021 Notes will mature on August 1, 2021. The 2021 Notes are unsecured and are subject to incurrence-based covenants, including limitations on the incurrence of additional debt, restricted payments, liens, sales of assets, affiliate transactions and other covenants typical for financings of this type. At any time on or after August 1, 2020, the 2021 Notes are redeemable at the option of the Company, in whole or in part, upon not less than 30 nor more than 60 days’ notice, without penalty. On February 24, 2016, the board of directors authorized the Company to make up to $100.0 million in repurchases of the 2021 Notes from time to time without further approval.

During the year ended December 31, 2016, the Company retired $33.8 million of principal of the 2021 Notes for a repurchase price of $28.2 million, recognizing a $5.1 million net gain on extinguishment of debt after recognizing $(0.4) million of unamortized debt issuance costs associated with the retired debt. As of June 30, 2017, the remaining $266.2 million in aggregate principal amount of the 2021 Notes is due August 1, 2021.

2022 Notes

On March 16, 2017, LCFH issued $500.0 million in aggregate principal amount of 5.250% senior notes due March 15, 2022 (the “2022 Notes”). The 2022 Notes require interest payments semi-annually in cash in arrears on March 15 and September 15 of each year, beginning on September 15, 2017. The 2022 Notes will mature on March 15, 2022. The 2022 Notes are unsecured and are subject to an unencumbered assets to unsecured debt covenant. At any time on or after September 15, 2021, the 2022 Notes are redeemable at the option of the Company, in whole or in part, upon not less than 15 nor more than 60 days’ notice, without penalty.

Liability for Transfers Not Considered Sales (Non-Recourse)

As more fully described in Note 3, the Company sold its interests in $625.7 million of loans to the LCCM 2017-LC26 securitization trust. The assets sold to the trust were comprised of 34 loans to third parties with a combined outstanding face amount of $549.0 million and a combined carrying value of $547.7 million as well as 23 intercompany loans secured by certain of the Company’s real estate assets with a combined principal balance of $76.7 million (which had not previously been recognized for accounting purposes because they eliminated in consolidation). In connection with this transaction, pursuant to the 5% risk retention requirement of the Dodd-Frank Act described in Part 2, Item 1A “Risk Factors,” in this Quarterly Report, (i) the Company retained a $12.9 million restricted “vertical interest” of approximately 2% in each class of securities issued by the trust, which must be held by the Company until the principal balance of the pool has been reduced to a level prescribed by the risk retention rules and (ii) sold an approximately 3% restricted “horizontal interest” in the form of 98% of the controlling classes (excluding the 2% included in the vertical interest) to a “Third Party Purchaser” (“TPP”), which must be held by the TPP for at least five years. In addition, the Company purchased $62.7 million in securities which are not restricted. The securities purchased by the Company are not reflected in these financial statements because the sale of these loans was not recognized for accounting purposes. Transfer restrictions placed on the TPP, imposed by the risk retention rules of the Dodd-Frank Act, precluded sale accounting for these loans. Accordingly, the Company continues to recognize these loans to third parties transferred in the transaction on its consolidated balance sheets. In connection with this transaction, the Company recognized a liability of $580.0 million representing the loan sale proceeds of $655.6 million (net of issue costs) less the $75.6 million of securities purchased discussed above, not reflected in these consolidated financial statements. This liability is effectively a non-recourse borrowing secured by these securitized third-party loans and the Company’s real estate collateral pledged under the previously unrecognized intercompany loans. This obligation bears effective interest of 4.30% per annum (based on contractual payments to third parties) and requires principal payments upon repayment of the underlying mortgage loans receivable, which have a weighted average term of 9.05 years with the final loan maturing in 2027.

This liability also includes $52.1 million for a non-participating loan interest previously sold to a third party, for which the controlling portion was transferred to the LCCM 2017-LC26 securitization trust on June 29, 2017, which also precluded sale accounting on the original transaction. This liability bears an effective interest rate of 5.29% per annum and matures contemporaneously with the underlying mortgage loan receivable. This transaction was considered a financing for accounting purposes.

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Combined Maturity of Debt Obligations

The following schedule reflects the Company’s contractual payments under all borrowings by maturity ($ in thousands):

Period ending December 31,	**Borrowings by Maturity (1)**
2017 (last 6 months)	$ 682,611
2018	1,221,376
2019	216,350
2020	118,377
2021	426,923
Thereafter	1,974,746
Subtotal	**$ 4,640,383**
Debt issuance costs included in senior unsecured notes	(9,698)
Debt issuance costs included in liability for transfers not considered sales	(4,872)
Premiums included in mortgage loan financing	5,118
Total	**4,630,931**

(1) Includes principal payments for the liability for transfers not considered sales (see Note 3 and Note 7), i.e., payments required to be made on the underlying loans receivable based on their contractual maturities.

The Company’s debt facilities are subject to covenants which require the Company to maintain a minimum level of total equity. Largely as a result of this restriction, approximately $899.4 million of the total equity is restricted from payment as a dividend by the Company at June 30, 2017.

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8. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is based upon market quotations, broker quotations, counterparty quotations or pricing services quotations, which provide valuation estimates based upon reasonable market order indications and are subject to significant variability based on market conditions, such as interest rates, credit spreads and market liquidity. The fair value of the mortgage loan receivables held for sale is based upon a securitization model utilizing market data from recent securitization spreads and pricing.

Fair Value Summary Table

The carrying values and estimated fair values of the Company's financial instruments, which are both reported at fair value on a recurring basis (as indicated) or amortized cost/par, at June 30, 2017 and December 31, 2016 are as follows ($ in thousands):

June 30, 2017

	Outstanding Face Amount	Amortized Cost Basis	Fair Value	Fair Value Method	Weighted Average Yield %	Weighted Average Remaining Maturity/Duration (years)
Assets:						
CMBS(1)	$ 1,135,560	$ 1,150,404	$ 1,155,392	Internal model, third-party inputs	2.72 %	3.05
CMBS interest-only(1)	5,093,725 (2)	199,388	201,924	Internal model, third-party inputs	3.45 %	2.98
GNMA interest-only(3)	416,931 (2)	14,976	13,259	Internal model, third-party inputs	4.28 %	4.19
Agency securities(1)	748	773	762	Internal model, third-party inputs	1.87 %	3.22
GNMA permanent securities(1)	34,989	35,670	36,208	Internal model, third-party inputs	3.71 %	5.90
Mortgage loan receivables held for investment, net, at amortized cost:						
Mortgage loan receivables held for investment, net, at amortized cost	2,641,038	2,626,732	2,634,179	Discounted Cash Flow(4)	6.94 %	1.72
Mortgage loans transferred but not considered sold	601,186	599,513	610,948	Discounted Cash Flow(4)	4.92 %	8.67
Provision for loan losses	N/A	(4,000)	(4,000)	(5)	N/A	N/A
Mortgage loan receivables held for sale	203,231	200,726	207,063	Internal model, third-party inputs(6)	5.15 %	7.05
FHLB stock(7)	77,915	77,915	77,915	(7)	4.25 %	N/A
Nonhedge derivatives(1)(8)	655,100	N/A	4,554	Counterparty quotations	N/A	0.27
Liabilities:						
Repurchase agreements - short-term	545,562	545,562	545,562	Discounted Cash Flow(9)	2.88 %	0.55
Repurchase agreements - long-term	604,043	604,043	604,043	Discounted Cash Flow(10)	2.64 %	1.39
Revolving credit facility	100,000	100,000	100,000	Discounted Cash Flow(11)	4.57 %	0.02
Mortgage loan financing	589,152	588,359	596,686	Discounted Cash Flow(10)	4.85 %	6.65
Participation Financing - Mortgage Loan Receivable	3,834	3,834	3,834	Discounted Cash Flow(12)	17.00 %	0.44
Borrowings from the FHLB	1,400,500	1,400,500	1,402,623	Discounted Cash Flow	1.40 %	2.63
Senior unsecured notes	766,201	756,503	787,191	Broker quotations, pricing services	5.47 %	4.49
Liability for transfers not considered sales	637,002	632,130	632,130	Discounted Cash Flow(13)	4.37 %	8.67
Nonhedge derivatives(1)(8)	83,500	N/A	4,276	Counterparty quotations	N/A	2.94

(1) Measured at fair value on a recurring basis with the net unrealized gains or losses recorded as a component of other comprehensive income (loss) in equity.
(2) Represents notional outstanding balance of underlying collateral.

(3) Measured at fair value on a recurring basis with the net unrealized gains or losses recorded in current period earnings.

(4) Fair value for floating rate mortgage loan receivables, held for investment is estimated to approximate the outstanding face amount given the short interest rate reset risk (30 days) and no significant change in credit risk. Fair value for fixed rate mortgage loan receivables, held for investment is measured using a hypothetical securitization model utilizing market data from recent securitization spreads and pricing.

(5) Fair value is estimated to equal par value.

(6) Fair value for mortgage loan receivables, held for sale is measured using a hypothetical securitization model utilizing market data from recent securitization spreads and pricing.

(7) Fair value of the FHLB stock approximates outstanding face amount as the Company's captive insurance subsidiary is restricted from trading the stock and can only put the stock back to the FHLB, at the FHLB's discretion, at par.

(8) The outstanding face amount of the nonhedge derivatives represents the notional amount of the underlying contracts.

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(9) Fair value for repurchase agreement liabilities is estimated to approximate carrying amount primarily due to the short interest rate reset risk (30 days) of the financings and the high credit quality of the assets collateralizing these positions. If the collateral is determined to be impaired, the related financing would be revalued accordingly. There are no impairments on any positions.

(10) For repurchase agreements - long term and mortgage loan financing, the carrying value approximates the fair value discounting the expected cash flows at current market rates. If the collateral is determined to be impaired, the related financing would be revalued accordingly. There are no impairments on any positions.

(11) Fair value for borrowings under the revolving credit facility is estimated to approximate carrying amount primarily due to the short interest rate reset risk (30 days) of the financings and the high credit quality of the assets collateralizing these positions.

(12) Fair value for Participation Financing - Mortgage Loan Receivable approximates amortized cost as this is a loan participation to a third party.

(13) Fair value for liability for transfers not considered sales approximates amortized cost basis which represents fair value on the latest pricing date.

December 31, 2016

					Weighted Average	
	Outstanding Face Amount	**Amortized Cost Basis**	**Fair Value**	**Fair Value Method**	**Yield %**	**Remaining Maturity/Duration (years)**
Assets:						
CMBS(1)	$ 1,676,680	$ 1,698,276	$ 1,701,395	Internal model, third-party inputs	2.81 %	3.55
CMBS interest-only(1)	8,160,458 (2)	343,534	342,171	Internal model, third-party inputs	3.45 %	2.99
GNMA interest-only(3)	478,577 (2)	18,994	16,821	Internal model, third-party inputs	4.19 %	4.44
Agency securities(1)	774	802	780	Internal model, third-party inputs	1.29 %	3.27
GNMA permanent securities(1)	38,327	39,145	39,780	Internal model, third-party inputs	3.80 %	10.30
Mortgage loan receivables held for investment, net, at amortized cost:						
Mortgage loan receivables held for investment, net, at amortized cost	2,011,309	2,000,095	2,018,973	Discounted Cash Flow(4)	7.17 %	1.66
Provision for loan losses	N/A	(4,000)	(4,000)	(5)	N/A	N/A
Mortgage loan receivables held for sale	360,518	357,882	359,897	Internal model, third-party inputs(6)	4.20 %	4.55
FHLB stock(7)	77,915	77,915	77,915	(7)	4.25 %	N/A
Nonhedge derivatives(1)(8)	847,000	N/A	5,018	Counterparty quotations	N/A	0.25
Liabilities:						
Repurchase agreements - short-term	629,430	629,430	629,430	Discounted Cash Flow(9)	2.10 %	0.18
Repurchase agreements - long-term	477,756	477,756	477,756	Discounted Cash Flow(10)	2.00 %	1.70
Revolving credit facility	25,000	25,000	25,000	Discounted Cash Flow(11)	3.16 %	0.12
Mortgage loan financing	589,152	590,106	595,778	Discounted Cash Flow(10)	4.85 %	7.15
Borrowings from the FHLB	1,660,000	1,660,000	1,662,178	Discounted Cash Flow	1.12 %	2.42
Senior unsecured notes	563,872	559,847	550,562	Broker quotations, pricing services	6.67 %	2.81
Nonhedge derivatives(1)(8)	100,400	N/A	3,446	Counterparty quotations	N/A	3.21

(1) Measured at fair value on a recurring basis with the net unrealized gains or losses recorded as a component of other comprehensive income (loss) in equity.

(2) Represents notional outstanding balance of underlying collateral.

(3) Measured at fair value on a recurring basis with the net unrealized gains or losses recorded in current period earnings.

(4) Fair value for floating rate mortgage loan receivables, held for investment is estimated to approximate the outstanding face amount given the short interest rate reset risk (30 days) and no significant change in credit risk. Fair value for fixed rate mortgage loan receivables, held for investment is measured using a hypothetical securitization model utilizing market data from recent securitization spreads and pricing.

(5) Fair value is estimated to equal par value.

(6) Fair value for mortgage loan receivables, held for sale is measured using a hypothetical securitization model utilizing market data from recent securitization spreads and pricing.

(7) Fair value of the FHLB stock approximates outstanding face amount as the Company's captive insurance subsidiary is restricted from trading the stock and can only put the stock back to the FHLB, at the FHLB's discretion, at par.

(8) The outstanding face amount of the nonhedge derivatives represents the notional amount of the underlying contracts.

(9) Fair value for repurchase agreement liabilities is estimated to approximate carrying amount primarily due to the short interest rate reset risk (30 days) of the financings and the high credit quality of the assets collateralizing these positions. If the collateral is determined to be impaired, the related financing would be revalued accordingly. There are no impairments on any positions.

(10) For repurchase agreements - long term and mortgage loan financing, the carrying value approximates the fair value discounting the expected cash flows at current market rates. If the collateral is determined to be impaired, the related financing would be revalued accordingly. There are no impairments on any positions.

(11) Fair value for borrowings under the revolving credit facility is estimated to approximate carrying amount primarily due to the short interest rate reset risk (30 days) of the financings and the high credit quality of the assets collateralizing these positions.

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The following table summarizes the Company's financial assets and liabilities, which are both reported at fair value on a recurring basis (as indicated) or amortized cost/par, at June 30, 2017 and 2016 ($ in thousands):

June 30, 2017

Financial Instruments Reported at Fair Value on Consolidated Statements of Financial Condition	Outstanding Face Amount	Fair Value Level 1	Level 2	Level 3	Total
Assets:					
CMBS(1)	$ 1,135,560	$—	$—	$1,155,392	$1,155,392
CMBS interest-only(1)	5,093,725 (2)	—	—	201,924	201,924
GNMA interest-only(3)	416,931 (2)	—	—	13,259	13,259
Agency securities(1)	748	—	—	762	762
GNMA permanent securities(1)	34,989	—	—	36,208	36,208
Nonhedge derivatives(4)	655,100	—	4,554	—	4,554
		$—	$4,554	$1,407,545	$1,412,099
Liabilities:					
Nonhedge derivatives(4)	83,500	$—	$4,276	$—	$4,276

Financial Instruments Not Reported at Fair Value on Consolidated Statements of Financial Condition	Outstanding Face Amount	Fair Value Level 1	Level 2	Level 3	Total
Assets:					
Mortgage loan receivable held for investment, net, at amortized cost:					
Mortgage loans held by consolidated subsidiaries	$ 2,641,038	$—	$—	$2,634,179	$2,634,179
Mortgage loans transferred but not considered sold	601,186	—	—	610,948	610,948
Provision for loan losses	N/A	—	—	(4,000)	(4,000)
Mortgage loan receivable held for sale	203,231	—	—	207,063	207,063
FHLB stock	77,915	—	—	77,915	77,915
		$—	$—	$3,526,105	$3,526,105
Liabilities:					0
Repurchase agreements - short-term	545,562	$—	$—	$545,562	$545,562
Repurchase agreements - long-term	604,043	—	—	604,043	604,043
Revolving credit facility	100,000	—	—	100,000	100,000
Mortgage loan financing	589,152	—	—	596,686	596,686
Participation Financing - Mortgage Loan Receivable	3,834	—	—	3,834	3,834
Borrowings from the FHLB	1,400,500	—	—	1,402,623	1,402,623
Senior unsecured notes	766,201	—	—	787,191	787,191
Liability for transfers not considered sales	637,002	—	—	632,130	632,130
		$—	$—	$4,672,069	$4,672,069

(1) Measured at fair value on a recurring basis with the net unrealized gains or losses recorded as a component of other comprehensive income (loss) in equity.
(2) Represents notional outstanding balance of underlying collateral.

(3) Measured at fair value on a recurring basis with the net unrealized gains or losses recorded in current period earnings.

(4) Measured at fair value on a recurring basis with the net unrealized gains or losses recorded in current period earnings. The outstanding face amount of the nonhedge derivatives represents the notional amount of the underlying contracts.

December 31, 2016

Financial Instruments Reported at Fair Value on Consolidated Statements of Financial Condition	Outstanding Face Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Assets:					
CMBS(1)	$ 1,676,680	$—	$—	$1,701,395	$1,701,395
CMBS interest-only(1)	8,160,458 (2)	—	—	342,171	342,171
GNMA interest-only(3)	478,577 (2)	—	—	16,821	16,821
Agency securities(1)	774	—	—	780	780
GNMA permanent securities(1)	38,327	—	—	39,780	39,780
Nonhedge derivatives(4)	847,000	—	5,018	—	5,018
		$—	$5,018	$2,100,947	$2,105,965
Liabilities:					
Nonhedge derivatives(4)	$ 100,400	$—	$3,446	$—	$3,446

Financial Instruments Not Reported at Fair Value on Consolidated Statements of Financial Condition	Outstanding Face Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Assets:					
Mortgage loan receivable held for investment, net, at amortized cost:					
Mortgage loans held by consolidated subsidiaries	$ 2,011,309	$—	$—	$2,018,973	$2,018,973
Provision for loan losses	N/A	—	—	(4,000)	(4,000)
Mortgage loan receivables held for sale	360,518	—	—	359,897	359,897
FHLB stock	77,915	—	—	77,915	77,915
		$—	$—	$2,452,785	$2,452,785
Liabilities:					
Repurchase agreements - short-term	629,430	$—	$—	$629,430	$629,430
Repurchase agreements - long-term	477,756	—	—	477,756	477,756
Revolving credit facility	25,000	—	—	25,000	25,000
Mortgage loan financing	589,152	—	—	595,778	595,778
Borrowings from the FHLB	1,660,000	—	—	1,662,178	1,662,178
Senior unsecured notes	563,872	—	—	550,562	550,562
		$—	$—	$3,940,704	$3,940,704

(1) Measured at fair value on a recurring basis with the net unrealized gains or losses recorded as a component of other comprehensive income (loss) in equity.

(2) Represents notional outstanding balance of underlying collateral.

(3)

Measured at fair value on a recurring basis with the net unrealized gains or losses recorded in current period earnings.

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(4) Measured at fair value on a recurring basis with the net unrealized gains or losses recorded in current period earnings. The outstanding face amount of the nonhedge derivatives represents the notional amount of the underlying contracts.

The following table summarizes changes in Level 3 financial instruments reported at fair value on the consolidated statements of financial condition for the six months ended June 30, 2017 and 2016 ($ in thousands):

Level 3	**2017**	**2016**
Balance at January 1,	**$2,100,947**	**$2,407,217**
Transfer from level 2	—	—
Purchases	75,931	530,506
Sales	(669,807)	(129,633)
Paydowns/maturities	(81,747)	(135,614)
Amortization of premium/discount	(36,656)	(36,591)
Unrealized gain/(loss)	6,383	61,927
Realized gain/(loss) on sale(1)	12,494	2,398
Balance at June 30,	**$1,407,545**	**$2,700,210**

(1) Includes realized losses on securities recorded as other than temporary impairments.

The following is quantitative information about significant unobservable inputs in our Level 3 measurements for those assets and liabilities measured at fair value on a recurring basis ($ in thousands):

June 30, 2017

Financial Instrument	**Carrying Value**	**Valuation Technique**	**Unobservable Input**	**Minimum**	**Weighted Average**	**Maximum**
CMBS (1)	$1,155,392	Discounted cash flow	Yield (4)	— %	2.76 %	8.47 %
			Duration (years)(5)	0.06	3.31	8.05
CMBS interest-only (1)	201,924 (2)	Discounted cash flow	Yield (4)	2.53 %	3.37 %	4.09 %
			Duration (years)(5)	0.06	2.97	4.11
			Prepayment speed (CPY)(5)	100.00	100.00	100.00
GNMA interest-only (3)	13,259 (2)	Discounted cash flow	Yield (4)	— %	8.66 %	62.68 %
			Duration (years)(5)	0.63	2.26	5.32
			Prepayment speed (CPJ)(5)	5.00	13.87	35.00
Agency securities (1)	762	Discounted cash flow	Yield (4)	1.4 %	1.99 %	2.3 %
			Duration (years)(5)	4.17	4.82	5.16
GNMA permanent securities (1)	36,208	Discounted cash flow	Yield (4)	2.7 %	3.69 %	6.78 %
			Duration (years)(5)	1.65	6.15	6.47
Total	**$1,407,545**					

(1) CMBS, CMBS interest-only securities, Agency securities, GNMA construction securities, and GNMA permanent securities are classified as available-for-sale and reported at fair value with changes in fair value recorded in the current period in other comprehensive income.

(2) The amounts presented represent the principal amount of the mortgage loans outstanding in the pool in which the interest-only securities participate.

(3)

Agency interest-only securities are recorded at fair value with changes in fair value recorded in current period earnings.

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Sensitivity of the Fair Value to Changes in the Unobservable Inputs

(4) Significant increase (decrease) in the unobservable input in isolation would result in significantly lower (higher) fair value measurement.

(5) Significant increase (decrease) in the unobservable input in isolation would result in either a significantly lower or higher (lower or higher) fair value measurement depending on the structural features of the security in question.

December 31, 2016

Financial Instrument	Carrying Value		Valuation Technique	Unobservable Input	Minimum		Weighted Average		Maximum	
CMBS (1)	$ 1,701,395		Discounted cash flow	Yield (3)	1.35	%	2.87	%	9.18	%
				Duration (years)(4)	0.04		3.55		9.01	
CMBS interest-only (1)	342,171	(2)	Discounted cash flow	Yield (3)	2.84	%	4.04	%	4.8	%
				Duration (years)(4)	0.00		2.99		4.37	
				Prepayment speed (CPY)(4)	100.00		100.00		100.00	
GNMA interest-only (3)	16,821	(2)	Discounted cash flow	Yield (4)	0.87	%	7.22	%	48.64	%
				Duration (years)(5)	1.69		4.44		20.66	
				Prepayment speed (CPJ)(5)	5.00		13.80		35.00	
Agency securities (1)	780		Discounted cash flow	Yield (4)	1.4	%	2.17	%	2.63	%
				Duration (years)(5)	2.61		3.27		4.39	
GNMA permanent securities (1)	39,780		Discounted cash flow	Yield (4)	2.63	%	3.65	%	6.92	%
				Duration (years)(5)	1.92		10.30		15.66	
Total	**$ 2,100,947**									

(1) CMBS, CMBS interest-only securities, GNMA construction securities, and GNMA permanent securities are classified as available-for-sale and reported at fair value with changes in fair value recorded in the current period in other comprehensive income.

(2) The amounts presented represent the principal amount of the mortgage loans outstanding in the pool in which the interest-only securities participate.

(3) Agency interest-only securities are recorded at fair value with changes in fair value recorded in current period earnings.

Sensitivity of the Fair Value to Changes in the Unobservable Inputs

(4) Significant increase (decrease) in the unobservable input in isolation would result in significantly lower (higher) fair value measurement.

(5) Significant increase (decrease) in the unobservable input in isolation would result in either a significantly lower or higher (lower or higher) fair value measurement depending on the structural features of the security in question.

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9. DERIVATIVE INSTRUMENTS

The Company uses derivative instruments primarily to economically manage the fair value variability of fixed rate assets caused by interest rate fluctuations and overall portfolio market risk. The following is a breakdown of the derivatives outstanding as of June 30, 2017 and December 31, 2016 ($ in thousands):

June 30, 2017

Contract Type	Notional	Fair Value Asset(1)	Liability(1)	Remaining Maturity (years)
Futures				
5-year Swap	$363,700	$1,971	$ —	0.25
10-year Swap	260,800	2,471	—	0.25
5-year U.S. Treasury Note	17,400	73	—	0.25
10-year U.S. Treasury Note Ultra	3,200	22	—	0.25
Variation Margin	—	—	1,451	
Total futures	**645,100**	**4,537**	**1,451**	
Swaps				
3 Month LIBOR(2)	**50,000**	**—**	**2,399**	3.20
Credit derivatives				
CMBX	10,000	17	—	4.63
CDX	33,500	—	426	1.46
Total credit derivatives	**43,500**	**17**	**426**	
Total derivatives	**$738,600**	**$4,554**	**$ 4,276**	

(1) Shown as derivative instruments, at fair value, in the accompanying consolidated balance sheets.
(2) The Company is paying fixed interest rates on these swaps.

December 31, 2016

Contract Type	Notional	Fair Value Asset(1)	Liability(1)	Remaining Maturity (years)
Futures				
5-year Swap	602,200	3,210	2	0.25
10-year Swap	226,700	1,674	266	0.25
5-year U.S. Treasury Note	21,800	93	—	0.25
10-year U.S. Treasury Note	3,200	38	—	0.25
Total futures	**853,900**	**5,015**	**268**	
Swaps				
3 Month LIBOR(2)	**50,000**	**—**	**2,697**	3.72
Credit Derivatives				
CMBX	10,000	3	—	5.08
CDX	33,500	—	481	1.97
Total credit derivatives	**43,500**	**3**	**481**	
Total derivatives	**$947,400**	**$5,018**	**$ 3,446**	

(1) Shown as derivative instruments, at fair value, in the accompanying consolidated balance sheets.
(2) The Company is paying fixed interest rates on these swaps.

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The following table indicates the net realized gains (losses) and unrealized appreciation (depreciation) on derivatives, by primary underlying risk exposure, as included in net result from derivatives transactions in the consolidated statements of operations for the six months ended June 30, 2017 and 2016($ in thousands):

	Three Months Ended June 30, 2017			Six Months Ended June 30, 2017		
	Unrealized Gain/(Loss)	Realized Gain/(Loss)	Net Result from Derivative Transactions	Unrealized Gain/(Loss)	Realized Gain/(Loss)	Net Result from Derivative Transactions
Contract Type						
Futures	$4,182	$(19,805)	$(15,623)	$(1,661)	$(15,762)	$(17,423)
Swaps	(16)	(260)	(276)	285	(539)	(254)
Credit Derivatives	174	(297)	(123)	67	(393)	(326)
Total	**$4,340**	**$(20,362)**	**$(16,022)**	**$(1,309)**	**$(16,694)**	**$(18,003)**

	Three Months Ended June 30, 2016			Six Months Ended June 30, 2016		
	Unrealized Gain/(Loss)	Realized Gain/(Loss)	Net Result from Derivative Transactions	Unrealized Gain/(Loss)	Realized Gain/(Loss)	Net Result from Derivative Transactions
Contract Type						
Futures	$(13,712)	$(10,221)	$(23,933)	$(22,276)	$(51,017)	$(73,293)
Swaps	(187)	(322)	(509)	(1,266)	(660)	(1,926)
Credit Derivatives	(126)	(74)	(200)	(114)	(171)	(285)
Total	**$(14,025)**	**$(10,617)**	**$(24,642)**	**$(23,656)**	**$(51,848)**	**$(75,504)**

The Company’s counterparties held $12.8 million and $11.3 million of cash margin as collateral for derivatives as of June 30, 2017 and December 31, 2016, respectively, which is included in restricted cash in the consolidated balance sheets.

Futures

Collateral posted with our futures counterparties is segregated in the Company’s books and records. Interest rate futures are centrally cleared by the Chicago Mercantile Exchange (“CME”) through a Futures Commission Merchant. Interest rate futures that are governed by an ISDA agreement provide for bilateral collateral pledging based on the counterparties’ market value. The counterparties have the right to re-pledge the collateral posted, but have the obligation to return the pledged collateral, or substantially the same collateral, if agreed to by us, as the market value of the interest rate futures change.

The Company is required to post initial margin and daily variation margin for our interest rate futures that are centrally cleared by CME. CME determines the fair value of our centrally cleared futures, including daily variation margin. Effective January 3, 2017, CME amended their rulebooks to legally characterize daily variation margin payments for centrally cleared interest rate futures as settlement rather than collateral. As a result of this rule change, variation margin pledged on the Company’s centrally cleared interest rate futures is settled against the realized results of these futures.

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Credit Risk-Related Contingent Features

The Company has agreements with certain of its derivative counterparties that contain a provision whereby, if the Company defaults on certain of its indebtedness, the Company could also be declared in default on its derivatives, resulting in an acceleration of payment under the derivatives. As of June 30, 2017 and December 31, 2016, the Company was in compliance with these requirements and not in default on its indebtedness. As of June 30, 2017 and December 31, 2016, there was $4.5 million and $6.2 million of cash collateral held by the derivative counterparties for these derivatives, respectively, included in restricted cash in the consolidated statements of financial condition. No additional cash would be required to be posted if the acceleration of payment under the derivatives was triggered.

10. OFFSETTING ASSETS AND LIABILITIES

The following tables present both gross information and net information about derivatives and other instruments eligible for offset in the statement of financial position as of June 30, 2017 and December 31, 2016. The Company's accounting policy is to record derivative asset and liability positions on a gross basis, therefore, the following tables present the gross derivative asset and liability positions recorded on the balance sheets, while also disclosing the eligible amounts of financial instruments and cash collateral to the extent those amounts could offset the gross amount of derivative asset and liability positions. The actual amounts of collateral posted by or received from counterparties may be in excess of the amounts disclosed in the following tables as the following only disclose amounts eligible to be offset to the extent of the recorded gross derivative positions.

As of June 30, 2017
Offsetting of Financial Assets and Derivative Assets
($ in thousands)

Description	**Gross amounts of recognized assets**	**Gross amounts offset in the balance sheet**	**Net amounts of assets presented in the balance sheet**	**Gross amounts not offset in the balance sheet** Financial instruments	**Cash collateral received/(posted)(1)**	**Net amount**
Derivatives	$ 4,554	$ —	$ 4,554	$ —	$ —	$ 4,554
Total	**$ 4,554**	**$ —**	**$ 4,554**	**$ —**	**$ —**	**$ 4,554**

(1) Included in restricted cash on consolidated balance sheets.

As of June 30, 2017
Offsetting of Financial Liabilities and Derivative Liabilities
($ in thousands)

Description	**Gross amounts of recognized liabilities**	**Gross amounts offset in the balance sheet**	**Net amounts of liabilities presented in the balance sheet**	**Gross amounts not offset in the balance sheet** Financial instruments collateral	**Cash collateral posted/(received)(1)**	**Net amount**
Derivatives	$ 4,276	$ —	$ 4,276	$ —	$ 4,276	$ —
Repurchase agreements	1,149,605	—	1,149,605	1,149,605	—	—
Total	**$ 1,153,881**	**$ —**	**$ 1,153,881**	**$ 1,149,605**	**$ 4,276**	**$ —**

(1) Included in restricted cash on consolidated balance sheets.

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As of December 31, 2016
Offsetting of Financial Assets and Derivative Assets
($ in thousands)

Description	Gross amounts of recognized assets	Gross amounts offset in the balance sheet	Net amounts of assets presented in the balance sheet	Gross amounts not offset in the balance sheet Financial instruments	Cash collateral received/(posted)(1)	Net amount
Derivatives	$ 5,018	$ —	$ 5,018	$ —	$ —	$ 5,018
Total	**$ 5,018**	**$ —**	**$ 5,018**	**$ —**	**$ —**	**$ 5,018**

(1) Included in restricted cash on consolidated balance sheets.

As of December 31, 2016
Offsetting of Financial Liabilities and Derivative Liabilities
($ in thousands)

Description	Gross amounts of recognized liabilities	Gross amounts offset in the balance sheet	Net amounts of liabilities presented in the balance sheet	Gross amounts not offset in the balance sheet Financial instruments collateral	Cash collateral posted/(received)(1)	Net amount
Derivatives	$ 3,446	$ —	$ 3,446	$ —	$ 3,446	$ —
Repurchase agreements	1,107,185	—	1,107,185	1,107,185	—	—
Total	**$ 1,110,631**	**$ —**	**$ 1,110,631**	**$ 1,107,185**	**$ 3,446**	**$ —**

(1) Included in restricted cash on consolidated balance sheets.

Master netting agreements that the Company has entered into with its derivative and repurchase agreement counterparties allow for netting of the same transaction, in the same currency, on the same date. Assets, liabilities, and collateral subject to master netting agreements as of June 30, 2017 and December 31, 2016 are disclosed in the tables above. The Company does not present its derivative and repurchase agreements net on the consolidated financial statements as it has elected gross presentation.

11. EQUITY STRUCTURE AND ACCOUNTS

The Company has two classes of common stock, Class A and Class B, which are described as follows:

Class A Common Stock

Voting Rights

Holders of shares of Class A common stock are entitled to one vote per share on all matters to be voted upon by the shareholders. The holders of Class A common stock do not have cumulative voting rights in the election of directors.

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Dividend Rights

Subject to the rights of the holders of any preferred stock that may be outstanding and any contractual or statutory restrictions, holders of Class A common stock are entitled to receive equally and ratably, share for share, dividends as may be declared by the board of directors out of funds legally available to pay dividends. Dividends upon Class A common stock may be declared by the board of directors at any regular or special meeting and may be paid in cash, in property, or in shares of capital stock. Before payment of any dividend, there may be set aside out of any funds available for dividends, such sums as the board of directors deems proper as reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any of the Company's property, or for any proper purpose, and the board of directors may modify or abolish any such reserve.

Liquidation Rights

Upon liquidation, dissolution, distribution of assets or other winding up, the holders of Class A common stock are entitled to receive ratably the assets available for distribution to the shareholders after payment of liabilities and the liquidation preference of any outstanding shares of preferred stock.

Other Matters

The shares of Class A common stock have no preemptive or conversion rights and are not subject to further calls or assessment by the Company. There are no redemption or sinking fund provisions applicable to the Class A common stock. All outstanding shares of Class A common stock are fully paid and non-assessable.

Allocation of Income and Loss

Income and losses are allocated among the shareholders based upon the number of shares outstanding.

Class B Common Stock

Voting Rights

Holders of shares of Class B common stock are entitled to one vote for each share held of record by such holder and all matters submitted to a vote of shareholders. Holders of shares of our Class A common stock and Class B common stock vote together as a single class on all matters presented to our shareholders for their vote or approval, except as otherwise required by applicable law.

No Dividend or Liquidation Rights

Holders of Class B common stock do not have any right to receive dividends or to receive a distribution upon a liquidation or winding up of Ladder Capital Corp.

Exchange for Class A Common Stock

As part of the REIT Structuring Transactions described in Note 1, and pursuant to the Third Amended and Restated LLLP Agreement of LCFH, the Continuing LCFH Limited Partners may from time to time, subject to certain conditions, receive one share of the Company's Class A common stock in exchange for (i) one share of the Company's Class B common stock, (ii) one Series REIT LP Unit and (iii) either one Series TRS LP Unit or one TRS Share, subject to equitable adjustments for stock splits, stock dividends and reclassifications.

During the six months ended June 30, 2017, 13,737,365 Series REIT LP Units and 13,737,365 Series TRS LP Units were collectively exchanged for 13,737,365 shares of Class A common stock and 13,737,365 shares of Class B common stock were canceled. We received no other consideration in connection with these exchanges.

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Stock Repurchases

On October 30, 2014, the board of directors authorized the Company to repurchase up to $50.0 million of the Company's Class A common stock from time to time without further approval. Stock repurchases by the Company are generally made for cash in open market transactions at prevailing market prices but may also be made in privately negotiated transactions or otherwise. The timing and amount of purchases are determined based upon prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. During the six months ended June 30, 2017, the Company repurchased no shares of Class A common stock. During the six months ended June 30, 2016, the Company repurchased 424,317 shares of Class A common stock at an average of $10.96 per share for a total aggregate purchase price of $4.7 million. All repurchased shares are recorded in treasury stock at cost. As of June 30, 2017, the Company has a remaining amount available for repurchase of $44.4 million, which represents 3.8% in the aggregate of its outstanding Class A common stock, based on the closing price of $13.41 per share on such date.

The following table is a summary of the Company's repurchase activity of its Class A common stock during the six months ended June 30, 2017 and 2016 ($ in thousands):

	Shares	Amount(1)
Authorizations remaining as of December 31, 2016		$ 44,353
Additional authorizations		—
Repurchases paid	—	—
Repurchases unsettled		—
Authorizations remaining as of June 30, 2017		**$ 44,353**

(1) Amount excludes commissions paid associated with share repurchases.

	Shares	Amount(1)
Authorizations remaining as of December 31, 2015		$ 49,006
Additional authorizations		—
Repurchases paid	424,317	(4,653)
Repurchases unsettled		—
Authorizations remaining as of June 30, 2016		**$ 44,353**

(1) Amount excludes commissions paid associated with share repurchases.

Dividends

In order for the Company to maintain its qualification as a REIT under the Code, it must annually distribute at least 90% of its taxable income. The Company has paid and in the future intends to declare regular quarterly distributions to its shareholders in an amount approximating the REIT's net taxable income.

Consistent with the Company's Private Letter Ruling, it may, subject to a cash/stock election by its shareholders, pay a portion of its dividends in stock, to provide for meaningful capital retention; however, the REIT distribution requirements limit its ability to retain earnings and thereby replenish or increase capital for operations. The timing and amount of future distributions is based on a number of factors, including, among other things, the Company's future operations and earnings, capital requirements and surplus, general financial condition and contractual restrictions. All dividend declarations are subject to the approval of the Company's board of directors. Generally, the Company expects its distributions to be taxable as ordinary dividends to its shareholders, whether paid in cash or a combination of cash and common stock, and not as a tax-free return of capital or a capital gain. The Company believes that its significant capital resources and access to financing will provide the financial flexibility at levels sufficient to meet current and anticipated capital requirements, including funding new investment opportunities, paying distributions to its shareholders and servicing our debt obligations.

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The following table presents dividends declared (on a per share basis) of Class A common stock for the six months ended June 30, 2017 and 2016:

Declaration Date	Dividend per Share
March 1, 2017	$ 0.300
June 1, 2017	0.300
Total	**$ 0.600**
March 1, 2016	$ 0.275
June 1, 2016	0.275
Total	**$ 0.550**

Stock Dividend and Distribution of Accumulated Earnings and Profits

In order to qualify as a REIT the Company must annually distribute at least 90% of its taxable income. In addition, the Company was required to make a one-time distribution of its undistributed accumulated earnings and profits attributable to taxable periods ending prior to January 1, 2015 (the "E&P Distribution"). The E&P Distribution requirement was $48.3 million or $0.90 per share. Pursuant to the terms of an IRS private letter ruling (the "Private Letter Ruling"), the Company elected, subject to the cash/stock election by its shareholders described below, to pay its fourth quarter 2015 and 2016 dividends in a mix of cash and stock and have such dividends be treated as a taxable distribution to its shareholders for U.S. federal income tax purposes.

In order to comply with the Private Letter Ruling, shareholders had the option to elect to receive the fourth quarter 2015 and 2016 dividends in all cash (a "Cash Election"), or all shares of Ladder's Class A common stock (a "Share Election"). Shareholders who did not return an election form, or who otherwise failed to properly complete an election form, were deemed to have made a Share Election. The total amount of cash paid to all shareholders was limited to a maximum of 20% of the total value of each of the fourth quarter 2015 and 2016 dividends (the "Cash Amount"). The aggregate amount of the dividends owed to shareholders who made Cash Elections exceeded the Cash Amount, and accordingly, the Cash Amount was prorated among such shareholders, with the remaining portion of the fourth quarter 2015 or 2016 dividend, as applicable, paid to such shareholders in shares of Ladder's Class A common stock plus cash in lieu of any fractional shares. Shareholders making Stock Elections received the full amount of the dividend in shares of Ladder's Class A common stock plus cash in lieu of any fractional shares. The Company believes that the total value of its 2015 dividends was sufficient to fully distribute its 2015 taxable income and its accumulated earnings and profits. The Company believes that the total value of its 2016 dividends was sufficient to fully distribute its 2016 taxable income.

On January 24, 2017, the Company paid an aggregate of $20.8 million in cash to its Class A shareholders, accrued for dividends payable on unvested restricted stock and unvested options with dividend equivalent rights of $0.7 million and issued 815,819 shares of its Class A common stock, equivalent to $11.5 million, in connection with the fourth quarter 2016 dividend totaling $0.46 per share. The total number of shares of Class A common stock distributed pursuant to the fourth quarter 2016 dividend was determined based on shareholder elections and the volume weighted average price of $14.06 per share of Class A common stock on the New York Stock Exchange for the three trading days after January 12, 2017, the date that election forms were due. The Company also issued 432,314 shares of its Class B common stock and each of Series REIT and Series TRS of LCFH issued 1,248,133 of their respective Series LP units corresponding to the aggregate number of Class A and Class B shares issued by the Company. The Company believes that the total value of its 2017 dividend was sufficient to fully distribute its 2017 taxable income.

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Changes in Accumulated Other Comprehensive Income

The following table presents changes in accumulated other comprehensive income related to the cumulative difference between the fair market value and the amortized cost basis of securities classified as available for sale for the three and six months ended June 30, 2017 and 2016 ($ in thousands):

	Accumulated Other Comprehensive Income (Loss)	Accumulated Other Comprehensive Income of Noncontrolling Interests	Total Accumulated Other Comprehensive Income
December 31, 2016	$ 1,365	$ 761	$ 2,126
Other comprehensive income (loss)	3,583	2,343	5,926
Exchange of noncontrolling interest for common stock	1,422	(1,422)	—
Rebalancing of ownership percentage between Company and Operating Partnership	(102)	102	—
June 30, 2017	**$ 6,268**	**$ 1,784**	**$ 8,052**

	Accumulated Other Comprehensive Income (Loss)	Accumulated Other Comprehensive Income of Noncontrolling Interests	Total Accumulated Other Comprehensive Income
December 31, 2015	$ (3,556)	$ (2,839)	$ (6,395)
Other comprehensive income (loss)	35,295	26,556	61,851
Exchange of noncontrolling interest for common stock	(122)	122	—
Rebalancing of ownership percentage between Company and Operating Partnership	339	(339)	—
June 30, 2016	**$ 31,956**	**$ 23,500**	**$ 55,456**

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12. NONCONTROLLING INTERESTS

Pursuant to ASC 810, *Consolidation*, on the accounting and reporting for noncontrolling interests and changes in ownership interests of a subsidiary, changes in a parent's ownership interest (and transactions with noncontrolling interest unitholders in the subsidiary), while the parent retains its controlling interest in its subsidiary, should be accounted for as equity transactions. The carrying amount of the noncontrolling interest shall be adjusted to reflect the change in its ownership interest in the subsidiary, with the offset to equity attributable to the parent. Accordingly, as a result of LP unit exchanges which caused changes in ownership percentages between the Company's Class A shareholders and the noncontrolling interests in the Operating Partnership that occurred during the six months ended June 30, 2017, the Company has decreased noncontrolling interests in the Operating Partnership and increased additional paid-in capital and accumulated other comprehensive income in the Company's shareholders' equity by $5.0 million as of June 30, 2017. Upon the adoption of ASU 2015-02, which amended ASC 810, *Consolidation,* in the quarter ended March 31, 2016, the Operating Partnership is now determined to be a VIE, however, since the Company was previously consolidating the Operating Partnership, the adoption of ASU 2015-02 had no material impact on the Company's consolidated financial statements.

There are two main types of noncontrolling interest reflected in the Company's consolidated financial statements (i) noncontrolling interest in the operating partnership and (ii) noncontrolling interest in consolidated joint ventures.

Noncontrolling Interest in the Operating Partnership

As more fully described in Note 1, certain of the predecessor equity owners continue to own interests in the operating partnership as modified by the IPO Transactions. These interests were subsequently further modified by the REIT Structuring Transactions (also described in Note 1). These interests, along with the Class B shares held by these investors, are exchangeable for Class A shares of the Company. The roll-forward of the Operating Partnership's LP Units follow the Class B common stock of the Company as disclosed in the consolidated statements of changes in equity.

Distributions to Noncontrolling Interest in the Operating Partnership

Notwithstanding the foregoing, subject to any restrictions in applicable debt financing agreements and available liquidity as determined by the board of directors of each of Series REIT of LCFH and Series TRS of LCFH, each Series must use commercially reasonable efforts to make quarterly distributions to each of its partners (including the Company) at least equal to such partner's "Quarterly Estimated Tax Amount," which shall be computed (as more fully described in LCFH's Third Amended and Restated LLLP Agreement) for each partner as the product of (x) the U.S. federal taxable income (or alternative minimum taxable income, if higher) allocated by such Series to such partner in respect of the Series REIT LP Units and Series TRS LP Units held by such partner and (y) the highest marginal blended U.S. federal, state and local income tax rate (or alternative minimum taxable rate, as applicable) applicable to an individual residing in New York, NY, taking into account, for U.S. federal income tax purposes, the deductibility of state and local taxes; provided that Series TRS of LCFH may take into account, in determining the amount of tax distributions to holders of Series TRS LP Units, the amount of any distributions each such holder received from Series REIT of LCFH in excess of tax distributions. In addition, to the extent the Company requires an additional distribution from the Series of LCFH in excess of its quarterly tax distribution in order to pay its quarterly cash dividend, the Series of LCFH will be required to make a corresponding distribution of cash to each of their partners (other than the Company) on a pro-rata basis.

Allocation of Income and Loss

Income and losses and comprehensive income are allocated among the partners in a manner to reflect as closely as possible the amount each partner would be distributed under the Third Amended and Restated LLLP Agreement upon liquidation of the Operating Partnership's assets.

Noncontrolling Interest in Unconsolidated Joint Ventures

The Company consolidates eight ventures in which there are other noncontrolling investors, which own between 1.2% - 30.0% of such ventures. These ventures hold investments in 26 office buildings, one warehouse, one mobile home community and a condominium project. The Company makes distributions and allocates income from these ventures to the noncontrolling interests in accordance with the terms of the respective governing agreements.

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13. EARNINGS PER SHARE

The Company's net income (loss) and weighted average shares outstanding for the three and six months ended June 30, 2017 and 2016 consist of the following:

($ in thousands except share amounts)	For the Three Months Ended June 30, 2017	For the Three Months Ended June 30, 2016	For the Six Months Ended June 30, 2017	For the Six Months Ended June 30, 2016
Basic Net income (loss) available for Class A common shareholders	$ 10,662	$ 2,802	$ 24,133	$ (2,737)
Diluted Net income (loss) available for Class A common shareholders	$ 14,179	$ 2,802	$ 34,216	$ (2,737)
Weighted average shares outstanding				
Basic	80,108,431	61,170,006	76,510,201	60,383,447
Diluted	110,055,308	61,976,962	109,693,706	60,383,447

The calculation of basic and diluted net income (loss) per share amounts for the three and six months ended June 30, 2017 and 2016 are described and presented below.

Basic Net Income (Loss) per Share

Numerator: utilizes net income (loss) available for Class A common shareholders for the three and six months ended June 30, 2017 and 2016, respectively.

Denominator: utilizes the weighted average shares of Class A common stock for the three and six months ended June 30, 2017 and 2016, respectively.

Diluted Net Income (Loss) per Share

Numerator: utilizes net income (loss) available for Class A common shareholders for the three and six months ended June 30, 2017 and 2016, respectively, for the basic net income (loss) per share calculation described above, adding net income (loss) amounts attributable to the noncontrolling interest in the Operating Partnership using the as-if converted method for the Class B common shareholders while adjusting for additional corporate income tax expense (benefit) for the described net income (loss) add-back.

Denominator: utilizes the weighted average number of shares of Class A common stock for the three and six months ended June 30, 2017 and 2016, respectively, for the basic net income (loss) per share calculation described above adding the dilutive effect of shares issuable relating to Operating Partnership exchangeable interests and the incremental shares of unvested Class A restricted stock using the treasury method.

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(In thousands except share amounts)	For the Three Months Ended June 30, 2017	For the Three Months Ended June 30, 2016	For the Six Months Ended June 30, 2017	For the Six Months Ended June 30, 2016
Basic Net Income (Loss) Per Share of Class A Common Stock				
Numerator:				
Net income (loss) attributable to Class A common shareholders	$ 10,662	$ 2,802	$ 24,133	$ (2,737)
Denominator:				
Weighted average number of shares of Class A common stock outstanding	80,108,431	61,170,006	76,510,201	60,383,447
Basic net income (loss) per share of Class A common stock	**$ 0.13**	**$ 0.05**	**$ 0.32**	**$ (0.05)**
Diluted Net Income (Loss) Per Share of Class A Common Stock				
Numerator:				
Net income (loss) attributable to Class A common shareholders	$ 10,662	$ 2,802	$ 24,133	$ (2,737)
Add (deduct) - dilutive effect of:				
Amounts attributable to operating partnership's share of Ladder Capital Corp net income (loss)	2,693	—	8,531	—
Additional corporate tax (expense) benefit	824	—	1,552	—
Diluted net income (loss) attributable to Class A common shareholders	$ 14,179	$ 2,802	$ 34,216	$ (2,737)
Denominator:				
Basic weighted average number of shares of Class A common stock outstanding	80,108,431	61,170,006	76,510,201	60,383,447
Add - dilutive effect of:				
Shares issuable relating to converted Class B common shareholders	29,723,350	—	33,013,753	—
Incremental shares of unvested Class A restricted stock	223,527	806,956	169,752	—
Diluted weighted average number of shares of Class A common stock outstanding	110,055,308	61,976,962	109,693,706	60,383,447
Diluted net income (loss) per share of Class A common stock	**$ 0.13**	**$ 0.05**	**$ 0.31**	**$ (0.05)**

The shares of Class B common stock do not share in the earnings of Ladder Capital Corp and are, therefore, not participating securities. Accordingly, basic and diluted net income (loss) per share of Class B common stock has not been presented, although the assumed conversion of Class B common stock has been included in the presented diluted net income (loss) per share of Class A common stock.

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14. STOCK BASED COMPENSATION PLANS

2014 Omnibus Incentive Plan

In connection with the IPO Transactions, the 2014 Ladder Capital Corp Omnibus Incentive Equity Plan (the "2014 Omnibus Incentive Plan") was adopted by the board of directors on February 11, 2014, and provides certain members of management, employees and directors of the Company or its affiliates with additional incentives including grants of stock options, stock appreciation rights, restricted stock, other stock-based awards and other cash-based awards.

2015 Annual Restricted Stock Awards and Annual Option Awards

Members of management are eligible to receive annual restricted stock awards (the "Annual Restricted Stock Awards") and annual option awards (the "Annual Option Awards") based on the performance of the Company. On February 18, 2015, Annual Restricted Stock Awards were granted to our executive officers (each, a "Management Grantee") with an aggregate value of $12.6 million which represents 688,400 shares of restricted Class A common stock in connection with 2014 compensation. Fifty percent of each restricted stock award granted is subject to time-based vesting criteria, and the remaining 50% of each restricted stock award is subject to attainment of the Performance Target for the applicable years. The time-vesting restricted stock granted to the Management Grantees will generally vest in three installments on each of the first three anniversaries of the date of grant, subject to continued employment on the applicable vesting dates. The performance-vesting restricted stock will vest in three equal installments upon the compensation committee's confirmation that the Company achieves a return on equity, based on Core Earnings divided by the Company's average book value of equity, equal to or greater than 8% for such year (the "Performance Target") for those years. If the Company misses the Performance Target during either the first or second calendar year but meets the Performance Target for a subsequent year during the three-year performance period and the Company's return on equity for such subsequent year and any years for which it missed its Performance Target equals or exceeds the compounded return on equity of 8%, based on Core Earnings divided by the Company's average book value of equity, the performance-vesting restricted stock which failed to vest because the Company previously missed its Performance Target will vest on the last day of such subsequent year (the "Catch-Up Provision"). If the term "Core Earnings" is no longer used in the Company's SEC filings and approved by the compensation committee, then the Performance Target will be calculated using such other pre-tax performance measurement defined in the Company's SEC filings, as determined by the compensation committee. The Company met the Performance Target for the years ended December 31, 2016 and 2015.

The Company has elected to recognize the compensation expense related to the time-based vesting portion of the Annual Restricted Stock Awards for the entire award on a straight-line basis over the requisite service period. As such, the compensation expense related to the February 18, 2015 Annual Restricted Stock Awards to Management Grantees shall be recognized as follows:

1. Compensation expense for restricted stock subject to time-based vesting criteria granted to Brian Harris will be expensed 1/2 each year, for two years, on an annual basis in advance of the Harris Retirement Eligibility Date, as described below.

2. Compensation expense for restricted stock subject to time-based vesting criteria granted to the Management Grantees other than Mr. Harris, will be expensed 1/3 each year, for three years on an annual basis following such grant.

Accruals of compensation cost for an award with a performance condition shall be based on the probable outcome of that performance condition. Therefore, compensation cost shall be accrued if it is probable that the performance condition will be achieved and shall not be accrued if it is not probable that the performance condition will be achieved.

On February 18, 2015, Annual Stock Option Awards were granted to Management Grantees with an aggregate grant date fair value of $1.4 million, which represents 670,256 shares of Class A common stock subject to the Annual Stock Option Awards. The stock option awards are subject to time-based vesting criteria only and vest in three equal installments on February 18 of each of 2016, 2017 and 2018, subject to continued employment until the applicable vesting date. Upon termination of a Management Grantee's employment or service due to death, disability, termination by the Company without Cause or termination by the Management Grantee for Good Reason (each, as defined in the 2014 Omnibus Incentive Plan), the respective Management Grantee's option awards will accelerate and vest in full. The actual grant date fair values of the Annual Option Awards granted to our Management Grantees were computed in accordance with FASB ASC Topic 718 using the Black Scholes model based on the following assumptions: (1) risk-free rate of 1.79%; (2) dividend yield of 5.3%; (3) expected life of six years; and (4) volatility of 24.0%.

On February 18, 2015, members of the board of directors each received Annual Restricted Stock Awards with a grant date fair value of $0.1 million, representing 7,962 shares of restricted Class A common stock, which will vest in full on the first anniversary of the date of grant, subject to continued service on the board of directors. Compensation expense for restricted stock subject to time-based vesting criteria granted to directors will be expensed in full on an annual basis following such grant.

Upon a change in control (as defined in the respective award agreements), all restricted stock and option awards will become fully vested, if (1) the Management Grantee continues to be employed through the closing of the change in control or (2) after the signing of definitive documentation related to the change in control, but prior to its closing, the Management Grantee's employment is terminated without Cause or due to death or disability or the Management Grantee resigns for Good Reason. The compensation committee retains the right, in its sole discretion, to provide for the accelerated vesting (in whole or in part) of the restricted stock and option awards granted.

On February 11, 2017 (the "Harris Retirement Eligibility Date"), all outstanding Annual Restricted Stock Awards, including the time-vesting portion and the performance-vesting portion, and all outstanding Annual Option Awards granted to Mr. Harris became fully vested, and any Annual Restricted Stock Awards and Annual Option Awards granted after the Harris Retirement Eligibility Date will be fully vested at grant. The Executive Retirement Eligibility Date for Pamela McCormack is December 8, 2019 (the "McCormack Retirement Eligibility Date"). For Management Grantees other than Harris and McCormack, the Executive Retirement Eligibility Date is February 11, 2019, the time-vesting portion of the Annual Restricted Stock Awards and the Annual Option Awards will become fully vested, and the time-vesting portion of any Annual Restricted Stock Awards and Annual Option Awards granted after the Executive Retirement Eligibility Date will be fully vested at grant. Upon the occurrence of the Executive Retirement Eligibility Date, the performance-vesting portion of such Management Grantee's Annual Restricted Stock Awards will remain outstanding for the performance period and will vest to the extent we meet the Performance Target, including via the Catch-Up Provision described above, regardless of continued employment with us our subsidiaries following the Executive Retirement Eligibility Date.

On June 10, 2015, a new member of the board of directors received an Annual Restricted Stock Award with a grant date fair value of $0.1 million, representing 4,223 shares of restricted Class A common stock, which will vest in three equal installments on each of the first three anniversaries of the date of grant, subject to continued service on the board of directors. Compensation expense for restricted stock subject to time-based vesting criteria granted to the director will be expensed 1/3 each year, for three years on an annual basis following such grant.

2016 Annual Restricted Stock Awards and Annual Option Awards

On February 18, 2016, Annual Restricted Stock Awards were granted to Management Grantees with an aggregate value of $9.1 million which represents 793,598 shares of restricted Class A common stock in connection with 2015 compensation. These awards are subject to the same terms and conditions as the 2015 Annual Restricted Stock Awards, except that the relevant vesting periods begin in 2016, rather than in 2015. The Company met the Performance Target for the year ended December 31, 2016.

The Company has elected to recognize the compensation expense related to the time-based vesting of the Annual Restricted Stock Awards for the entire award on a straight-line basis over the requisite service period. As such, the compensation expense related to the February 18, 2016 Annual Restricted Stock Awards to Management Grantees shall be recognized as follows:

1. Compensation expense for restricted stock subject to time-based vesting criteria granted to Brian Harris was expensed in full on February 11, 2017, the Harris Retirement Eligibility Date.

2. Compensation expense for restricted stock subject to time-based vesting criteria granted to the Management Grantees other than Mr. Harris, will be expensed 1/3 each year, for three years on an annual basis following such grant.

Accruals of compensation cost for an award with a performance condition shall be based on the probable outcome of that performance condition. Therefore, compensation cost shall be accrued if it is probable that the performance condition will be achieved and shall not be accrued if it is not probable that the performance condition will be achieved.

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On February 18, 2016, Annual Stock Option Awards were granted to Management Grantees with an aggregate grant date fair value of $1.0 million, which represents 289,326 shares of Class A common stock subject to the Annual Stock Option Awards. The stock option awards are subject to the same terms and conditions as those granted in 2015 except that the vesting period commenced in 2016 and the 2016 stock option awards included dividend equivalent rights. The actual grant date fair values of the Annual Option Awards granted to our Management Grantees were computed in accordance with FASB ASC Topic 718 using the Black Scholes model based on the following assumptions: (1) risk-free rate of 1.5%; (2) dividend yield of 9.8%; (3) expected life of six years; and (4) volatility of 48.0%.

On February 18, 2016, certain members of the board of directors each received Annual Restricted Stock Awards with a grant date fair value of $0.1 million, representing 12,636 shares of restricted Class A common stock, which will vest in full on the first anniversary of the date of grant, subject to continued service on the board of directors. Compensation expense for restricted stock subject to time-based vesting criteria granted to directors will be expensed in full on an annual basis following such grant. These grants are subject to the same terms and conditions as those made in 2015 except that the vesting period commenced in 2016.

The 2016 awards are subject to the same change in control and retirement provisions that are described above.

2017 Annual Restricted Stock Awards

On February 18, 2017, certain members of the board of directors each received Annual Restricted Stock Awards with a grant date fair value of $0.2 million, representing 16,245 shares of restricted Class A common stock, which will vest in full on the first anniversary of the date of grant, subject to continued service on the board of directors. Compensation expense related to the time-based vesting criteria of the award shall be recognized on a straight-line basis over the one-year vesting period.

For 2016 performance, management received solely stock-based incentive equity. On February 18, 2017, Annual Restricted Stock Awards were granted to Management Grantees with an aggregate value of $10.2 million which represents 736,461 shares of restricted Class A common stock in connection with 2016 compensation. In accordance with the Harris Employment Agreement, Mr. Harris' annual awards were fully vested at grant. For other Management Grantees, fifty percent of each restricted stock award granted is subject to time-based vesting criteria, and the remaining 50% of each restricted stock award is subject to attainment of the Performance Target for the applicable years. The time-vesting restricted stock will vest in three installments on each of the first three anniversaries of the date of grant, subject to continued employment on the applicable vesting dates and subject to the applicable Retirement Eligibility Date. The performance-vesting restricted stock will vest in three equal installments upon the compensation committee's confirmation that the Company achieves the Performance Target for the years ended December 31, 2017, 2018 and 2019, respectively. The Catch-Up Provision applies to the performance vesting portion of this award.

The Company has elected to recognize the compensation expense related to the time-based vesting of the Annual Restricted Stock Awards for the entire award on a straight-line basis over the requisite service period for the entire award. As such, the compensation expense related to the February 18, 2017 Annual Restricted Stock Awards to Management Grantees shall be recognized as follows:

1. Compensation expense for stock granted to Brian Harris will be expensed immediately in accordance with the Harris Retirement Eligibility Date.

2. Compensation expense for restricted stock subject to time-based vesting criteria granted to Pamela McCormack will be expensed 1/3 each year, for three years, on an annual basis in advance of the McCormack Retirement Eligibility Date.

3. Compensation expense for restricted stock subject to time-based vesting criteria granted to Michael Mazzei will be expensed 1/3 each year, for three years, on an annual basis.

4. Compensation expense for restricted stock subject to time-based vesting criteria granted to the Management Grantees other than Mr. Harris, Ms. McCormack and Mr. Mazzei will be expensed 1/3 each year, for three years, on an annual basis in advance of the Executive Retirement Eligibility Date.

Accruals of compensation cost for an award with a performance condition is accrued if it is probable that the performance condition will be achieved and shall not be accrued if it is not probable that the performance condition will be achieved.

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Upon a change in control (as defined in the respective award agreements), all restricted stock and option awards will become fully vested, if (1) the Management Grantee continues to be employed through the closing of the change in control or (2) after the signing of definitive documentation related to the change in control, but prior to its closing, the Management Grantee's employment is terminated without Cause or due to death or disability or the Management Grantee resigns for Good Reason. The compensation committee retains the right, in its sole discretion, to provide for the accelerated vesting (in whole or in part) of the restricted stock and option awards granted.

Other 2017 Restricted Stock Awards

On January 24, 2017, Management Grantees received a Restricted Stock Award with a grant date fair value of $30,455, representing 2,191 shares of restricted Class A common stock. These shares represent stock dividends paid on the number of shares subject to the 2016 options (had such shares been outstanding) and vest with the time-vesting 2016 options they are associated with, subject to the Retirement Eligibility Date of the respective member of management. Compensation expense shall be recognized on a straight-line basis over the requisite service period.

On February 18, 2017, a new employee of the Company received a Restricted Stock Award with a grant date fair value of $0.4 million, representing 28,881 shares of restricted Class A common stock, which will vest in two equal installments on each of the first two anniversaries of the date of grant, subject to continued employment on the applicable vesting dates. Compensation expense shall be recognized on a straight-line basis over the requisite service period.

On February 18, 2017, Management Grantees received cash of $1.0 million and a Stock Award with a grant date fair value of $48,475, representing 3,500 shares of Class A common stock, intended to represent dividends in type and amount that the 2015 stock option grant to management would have received had such options had dividend equivalent rights since grant. This grant also provides for future dividend equivalents that vest according to the vesting schedule of the 2015 stock option grant. Compensation expense shall be recognized on a straight-line basis over the requisite service period.

On February 18, 2017, Restricted Stock Awards were granted to certain non-management employees (each, a "Non-Management Grantee") with an aggregate value of $0.6 million which represents 40,000 shares of restricted Class A common stock in connection with 2016 compensation. Fifty percent of each Restricted Stock Award granted is subject to time-based vesting criteria, and the remaining 50% of each Restricted Stock Award is subject to attainment of the Performance Target for the applicable years. The time-vesting restricted stock granted to Non-Management Grantees will vest in three installments on each of the first three anniversaries of June 1, 2017, subject to continued employment on the applicable vesting dates. The performance-vesting restricted stock will vest in three equal installments on June 1 of each of 2018, 2019 and 2020 (subject to the performance target being achieved). The Catch-Up Provision applies to the performance vesting portion of this award. The Company has elected to recognize the compensation expense related to the time-based vesting criteria of these Restricted Stock Awards for the entire award on a straight-line basis over the requisite service period. As such, the compensation expense related to the February 18, 2017 Restricted Stock Awards to Non-Management Grantees shall be recognized 1/3 for the period February 18, 2017 through June 1, 2018, 1/3 for the period June 2, 2018 through June 1, 2019 and 1/3 for the period June 2, 2019 through June 1, 2020.

Accruals of compensation cost for an award with a performance condition shall be based on the probable outcome of that performance condition. Therefore, compensation cost shall be accrued if it is probable that the performance condition will be achieved and shall not be accrued if it is not probable that the performance condition will be achieved.

On March 3, 2017, a new member of the board of directors received a Restricted Stock Award with a grant date fair value of $0.1 million, representing 5,130 shares of restricted Class A common stock, which will vest in three equal installments on each of the first three anniversaries of the date of grant, subject to continued service on the board of directors. Compensation expense for restricted stock subject to time-based vesting criteria granted to the director will be expensed 1/3 each year, for three years on an annual basis following such grant.

On June 19, 2017, Restricted Stock Awards were granted to a Non-Management Grantee with an aggregate value of $0.3 million, which represents 21,307 shares of time-based restricted Class A common stock. One-third of this amount will vest on the first anniversary date of the grant date and 1,775 shares will vest on each of October 1, 2018, December 31, 2018, April 1, 2019, July 1, 2019, September 30, 2019, December 31, 2019 and March 31, 2020. The remaining 1,780 shares of the grant will vest on July 1, 2020, subject to the Non-Management Grantee's continued employment with the Company. The Company has elected to recognize the compensation expense related to the time-based vesting criteria of this Restricted Stock Award for the entire award on a straight-line basis over the requisite service period.

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In connection with Mr. Mazzei's retirement as President, Ladder Capital Finance LLC, a subsidiary of Ladder, and Mr. Mazzei entered into a separation agreement, dated June 22, 2017 (the "Separation Agreement"). Pursuant to the Separation Agreement, Mr. Mazzei was appointed as a Class III director of Ladder and, subject to certain exceptions, Mr. Mazzei's unvested stock and stock options will continue to vest as they would have had he continued to be employed with Ladder as long as he continues to serve on the Board of Directors. Such unvested stock and stock options will not be subject to the original retirement eligibility date provided for in his employment agreement. On June 22, 2017, in connection with his appointment to the board of directors, Mr. Mazzei received a Restricted Stock Award with a grant date fair value of $0.1 million, representing 5,346 shares of restricted Class A common stock, which will vest in three equal installments on each of the first three anniversaries of the date of grant, subject to continued service on the board of directors. Compensation expense for restricted stock subject to time-based vesting criteria granted to the director will be expensed 1/3 each year, for three years on an annual basis following such grant.

Summary of Restricted Stock and Stock Option Expense and Shares/Options Nonvested/Outstanding

A summary of the grants is presented below ($ in thousands):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2017		2016		2017		2016	
	Number of Shares/Options	Weighted Average Fair Value	Number of Shares	Weighted Average Fair Value	Number of Shares/Options	Weighted Average Fair Value	Number of Shares	Weighted Average Fair Value
Grants - Class A Common Stock (restricted)	26,653	$ 379	—	$ —	859,061	$ 11,995	793,598	$ 9,118
Grants - Class A Common Stock (restricted) dividends	—	—	—	—	15,560	216	166,934	1,908
Stock Options	—	—	—	—	—	—	380,949	1,356
Amortization to compensation expense								
Ladder compensation expense		(1,512)		(4,654)		(8,766)		(8,118)
Total amortization to compensation expense		**$ (1,512)**		**$ (4,654)**		**$ (8,766)**		**$ (8,118)**

The table below presents the number of unvested shares and outstanding stock options at June 30, 2017 and changes during 2017 of the (i) Class A Common stock and Stock Options of Ladder Capital Corp granted under the 2014 Omnibus Incentive Plan:

	Restricted Stock	Stock Options
Nonvested/Outstanding at December 31, 2016	**1,475,865**	**982,135**
Granted	874,621	—
Exercised		—
Vested	(1,425,490)	
Forfeited	(10,000)	—
Expired		—
Nonvested/Outstanding at June 30, 2017	**914,996**	**982,135**
Exercisable at June 30, 2017		**752,017**

At June 30, 2017 there was $9.2 million of total unrecognized compensation cost related to certain share-based compensation awards that is expected to be recognized over a period of up to 37 months, with a weighted-average remaining vesting period of 24.0 months.

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The table below presents the number of unvested shares and outstanding stock options at June 30, 2016 and changes during 2016 of the (i) Class A Common stock and Stock Options of Ladder Capital Corp granted under the 2014 Omnibus Incentive Plan and (ii) Series B Participating Preferred Units of LCFH granted under the 2008 Plan, which were subsequently converted to LP Units of LCFH in connection with the IPO:

	Restricted Stock	Stock Options	LP Units(1)
Nonvested/Outstanding at December 31, 2015	**1,334,369**	**601,186**	**504**
Granted	960,532	380,949	—
Exercised		—	
Vested	(274,842)		(504)
Forfeited	(48,467)	—	—
Expired		—	
Nonvested/Outstanding at June 30, 2016	**1,971,592**	**982,135**	**—**
Exercisable at June 30, 2016		**230,936**	

(1) Converted to LP Units of LCFH on February 11, 2014 in connection with IPO. LCFH LP Unitholders also received an equal number of shares of Class B Common stock of the Company at IPO. The LP Units converted to an equal number of Series REIT LP Units and Series TRS LP Units on December 31, 2014 in connection with the Company's conversion to a REIT.

As of June 30, 2016 there was $15.3 million of total unrecognized compensation cost related to certain share-based compensation awards that is expected to be recognized over a period of up to 32 months, with a weighted-average remaining vesting period of 22.4 months.

Phantom Equity Investment Plan

LCFH maintains a Phantom Equity Investment Plan, effective on June 30, 2011 (the "Phantom Equity Plan") in which certain eligible employees of LCFH, LCF and their subsidiaries participate. On July 3, 2014, the Board of Directors froze the Phantom Equity Plan, as further described below. The Phantom Equity Plan is an annual deferred compensation plan pursuant to which participants could elect, or in some cases, non-management participants could be required, depending upon the participant's specific level of compensation, to defer all or a portion of their annual cash performance-based bonuses as elective or mandatory contributions. Generally, if a participant's total compensation was in excess of a certain threshold, a portion of such participant's annual bonus, was required to be deferred into the Phantom Equity Plan. Otherwise, amounts could be deferred into the Phantom Equity Plan at the election of the participant, so long as such election was timely made in accordance with the terms and procedures of the Phantom Equity Plan.

In the event that a participant elected to (or was required to) defer a portion of his or her compensation pursuant to the Phantom Equity Plan, such amount was not paid to the participant and was instead credited to such participant's notional account under the Phantom Equity Plan. Prior to the closing of our IPO, such amounts were invested, on a phantom basis, in the Series B Participating Preferred Units issued by LCFH until such amounts were eventually paid to the participant pursuant to the Phantom Equity Plan. Following our IPO, as described below, such amounts were invested on a phantom basis in shares of the Company's Class A common stock. Mandatory contributions are subject to one-third vesting over a three year period following the applicable Phantom Equity Plan year in which the related compensation was earned. Elective contributions were immediately vested upon contribution. Unvested amounts are generally forfeited upon the participant's involuntary termination for cause, a voluntary termination for which the participant's employer would have grounds to terminate the participant for cause or a voluntary termination within one year of which the participant obtains employment with a financial services organization.

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The date that the amounts deferred into the Phantom Equity Plan are paid to a participant depends upon whether such deferral is a mandatory deferral or an elective deferral. Elective deferrals are paid upon the earliest to occur of (1) a change in control (as defined in the Phantom Equity Plan), (2) the end of the participant's employment, or (3) December 31, 2017. The vested amounts of the mandatory contributions are paid upon the first to occur of (A) a change in control and (B) the first to occur of (x) December 31, 2017 or (y) the date of payment of the annual bonus payments following December 31 of the third calendar year following the applicable plan year to which the underlying deferred annual bonus relates. The Company could elect to make, and did make, payments pursuant to the Phantom Equity Plan in the form of cash in an amount equal to the then fair market value of such shares of the Company's Class A common stock (or, prior to our IPO, the Series B Participating Preferred Units), and on May 14, 2014, the Compensation Committee made a global election to make all payments pursuant to the Phantom Equity Plan in the form of cash. Mandatory contributions that were paid at the time specified in clause 2(B) above were made in cash.

Upon the closing of our IPO, each participant in the Phantom Equity Plan had his or her notional interest in LCFH's Series B Participating Preferred Units converted into a notional interest in the Company's Class A common stock, which notional conversion was based on the issuance price of our Class A common stock at the time of the IPO. On July 3, 2014, the board of directors froze the Phantom Equity Plan, effective as of such date, so that there will neither be future participants in the Phantom Equity Plan nor additional amounts contributed to any accounts outstanding under the Phantom Equity Plan. Amounts previously outstanding under the Phantom Equity Plan will be paid in accordance with their original payment terms, including limiting payment to the dates and events specified above. In connection with freezing the Phantom Equity Plan, the board of directors also updated the definition of fair market value for purposes of measuring the value of its Class A Common Stock, to provide that, generally, such value would be the closing price of such stock on the principal national securities exchange on which it is then traded.

As of June 30, 2017, there are 273,687 phantom units outstanding, all of which are vested, resulting in a liability of $3.7 million, which is included in accrued expenses on the consolidated balance sheets. As of December 31, 2016, there are 373,871 phantom units outstanding, all of which are vested, resulting in a liability of $6.1 million, which is included in accrued expenses on the consolidated balance sheets.

Ladder Capital Corp Deferred Compensation Plan

On July 3, 2014, the Company adopted a new, nonqualified deferred compensation plan, which was amended and restated on March 17, 2015 (the "2014 Deferred Compensation Plan"), in which certain eligible employees participate. Pursuant to the 2014 Deferred Compensation Plan, participants may elect, or in some cases non-management participants may be required, to defer all or a portion of their annual cash performance-based bonuses into the 2014 Deferred Compensation Plan. Generally, if a participant's total compensation is in excess of a certain threshold, a portion of a participant's performance-based annual bonus is required to be deferred into the 2014 Deferred Compensation Plan. Otherwise, a portion of the participant's annual bonus may be deferred into the 2014 Deferred Compensation Plan at the election of the participant, so long as such elections are timely made in accordance with the terms and procedures of the 2014 Deferred Compensation Plan.

In the event that a participant elects to (or is required to) defer a portion of his or her compensation pursuant to the 2014 Deferred Compensation Plan, such amount is not paid to the participant and is instead credited to such participant's notional account under the 2014 Deferred Compensation Plan. Such amounts are then invested on a phantom basis in Class A common stock of the Company, or the phantom units, and a participant's account is credited with any dividends or other distributions received by holders of Class A common stock of the Company, which are subject to the same vesting and payment conditions as the applicable contributions. Elective contributions are immediately vested upon contribution. Mandatory contributions are subject to one-third vesting over a three-year period on a straight-line basis following the applicable year in which the related compensation was earned.

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If a participant's employment with the Company is terminated by the Company other than for cause and such termination is within six months following a change in control (each, as defined in the 2014 Deferred Compensation Plan), then the participant will fully vest in his or her unvested account balances. Furthermore, the unvested account balances will fully vest in the event of the participant's death, disability, retirement (as defined in the 2014 Deferred Compensation Plan) or in the event of certain hostile takeovers of the board of directors of the Company. In the event that a participant's employment is terminated by the Company other than for cause, the participant will vest in the portion of the participant's account that would have vested had the participant remained employed through the end of the year in which such termination occurs, subject to, in such case or in the case of retirement, the participant's timely execution of a general release of claims in favor of the Company. Unvested amounts are otherwise generally forfeited upon the participant's resignation or termination of employment, and vested mandatory contributions are generally forfeited upon the participant's termination for cause.

Amounts deferred into the 2014 Deferred Compensation Plan are paid upon the earliest to occur of (1) a change in control, (2) within sixty (60) days following the end of the participant's employment with the Company, or (3) the date of payment of the annual bonus payments following December 31 of the third calendar year following the applicable year to which the underlying deferred annual compensation relates. Payment is made in cash equal to the fair market value of the number of phantom units credited to a participant's account, provided that, if the participant's termination was by the Company for cause or was a voluntary resignation other than on account of such participant's retirement, the amount paid is based on the lowest fair market value of a share of Class A common stock during the forty-five day period following such termination of employment. The amount of the final cash payment may be more or less than the amount initially deferred into the 2014 Deferred Compensation Plan, depending upon the change in the value of the Class A common stock of the Company during such period.

As of June 30, 2017, there are 336,256 phantom units outstanding, of which 216,774 are unvested, resulting in a liability of $4.6 million, which is included in accrued expenses on the consolidated balance sheets. As of December 31, 2016, there are 273,709 phantom units outstanding, of which 134,281 are unvested, resulting in a liability of $3.6 million, which is included in accrued expenses on the consolidated balance sheets.

Bonus Payments

On February 8, 2017, the board of directors of Ladder Capital Corp approved 2017 bonus payments to employees, including officers, totaling $39.5 million, which included $10.2 million of equity based compensation. The bonuses were accrued for as of December 31, 2017 and paid to employees in full on February 21, 2017. On February 10, 2016, the board of directors of Ladder Capital Corp approved 2016 bonus payments to employees, including officers, totaling $46.8 million, which included $10.3 million of equity based compensation. The bonuses were accrued for as of December 31, 2016 and paid to employees in full on February 17, 2016. During the three and six months ended June 30, 2017, the Company recorded compensation expense of $9.3 million and $12.4 million, respectively, related to 2017 bonuses. During the three and six months ended June 30, 2016, the Company recorded compensation expense of $4.7 million and $9.3 million, respectively, related to 2016 bonuses.

15. INCOME TAXES

Prior to February 11, 2014, the Company had not been subject to U.S. federal income taxes as the predecessor entity was a Limited Liability Limited Partnership ("LLLP"), but had been subject to the New York City Unincorporated Business Tax ("NYC UBT"). As a result of the IPO, a portion of the Company's income was subject to U.S. federal, state and local corporate income taxes and taxed at the prevailing corporate tax rates in addition to being subject to NYC UBT. Because the Company is operating as a REIT effective January 1, 2015, the Company's income will generally no longer be subject to U.S. federal, state and local corporate income taxes other than as described below.

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Certain of the Company's subsidiaries have elected to be treated as TRSs. TRSs permit the Company to participate in certain activities from which REITs are generally precluded, as long as these activities meet specific criteria, are conducted within the parameters of certain limitations established by the Code, and are conducted in entities which elect to be treated as taxable subsidiaries under the Code. To the extent these criteria are met, the Company will continue to maintain its qualification as a REIT. The Company's TRSs are not consolidated for U.S. federal income tax purposes, but are instead taxed as corporations. For financial reporting purposes, a provision for current and deferred taxes is established for the portion of earnings recognized by the Company with respect to its interest in TRSs. Current income tax expense (benefit) was $(0.4) million and $1.8 million for the three and six months ended June 30, 2017, respectively. Current income tax expense (benefit) was $2.4 million and $3.5 million for the three and six months ended June 30, 2016, respectively.

As of June 30, 2017 and December 31, 2016, the Company's net deferred tax assets were $4.8 million and $2.1 million, respectively, and are included in other assets in the Company's consolidated balance sheets. Deferred income tax expense (benefit) included within the provision for income taxes was $(1.1) million and $(4.6) million for the three and six months ended June 30, 2017, respectively. Deferred income tax expense (benefit) included within the provision for income taxes was $(4.7) million and $(6.7) million for the three and six months ended June 30, 2016, respectively. The Company believes it is more likely than not that the net deferred tax assets will be realized in the future. Realization of the net deferred tax assets is dependent upon our generation of sufficient taxable income in future years in appropriate tax jurisdictions to obtain benefit from the reversal of temporary differences. The amount of net deferred tax assets considered realizable is subject to adjustment in future periods if estimates of future taxable income change.

As of June 30, 2017, the Company has a deferred tax asset of $10.3 million relating to capital losses which it may only use to offset capital gains. These tax attributes will expire if unused in 2020. As the realization of these assets are not more likely than not before their expiration, the Company has provided a full valuation allowance against this deferred tax asset.

The Company's tax returns are subject to audit by taxing authorities. Generally, as of June 30, 2017, the tax years 2013, 2014, 2015 and 2016 remain open to examination by the major taxing jurisdictions in which the Company is subject to taxes. The Company acquired certain corporate entities at the time of its IPO. The related acquisition agreements provided an indemnification to the Company by the transferor of any amounts due for any potential tax liabilities owed by these entities for tax years prior to their acquisition. During the three months ended September 30, 2016, management proposed a settlement pertaining to a New York State tax audit for these corporate entities for the years 2010-2012 (which are now wholly owned). As a result of the settlement, management recorded income tax expense in the amount of $3.3 million and a corresponding payable to the State of New York. The settlement was finalized during the three months ended December 31, 2016. Pursuant to the indemnification, Management expected to recover such amounts and, accordingly, recorded fee and other income in the amount of $3.3 million as well as a corresponding receivable from the indemnity counterparties. As of June 30, 2017, the Company had recovered all amounts owed by the indemnity counterparties related to the 2010-2012 audit. The IRS and New York State have recently begun routine audits of the Company's U.S. federal and state income tax returns for tax year 2014 and 2013-2015 respectively. The Company does not expect the audit to result in any material changes to the Company's financial position. The Company does not expect tax expense to have an impact on either short or long-term liquidity or capital needs.

Under U.S. GAAP, a tax benefit related to an income tax position may be recognized when it is more likely than not that the position will be sustained upon examination by the tax authorities based on the technical merits of the position. A position that meets this standard is measured at the largest amount of benefit that will more likely than not be realized upon settlement. As of June 30, 2017 and December 31, 2016, the Company's unrecognized tax benefit is a liability for $0.8 million and is included in the accrued expenses in the Company's consolidated balance sheets. This unrecognized tax benefit, if recognized, would have a favorable impact on our effective income tax rate in future periods. As of June 30, 2017, the Company has not recognized any interest or penalties related to uncertain tax positions. In addition, the Company does not believe that it has any tax positions for which it is reasonably possible that it will be required to record a significant liability for unrecognized tax benefits within the next twelve months.

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Tax Receivable Agreement

Upon consummation of the IPO, the Company entered into a Tax Receivable Agreement with the Continuing LCFH Limited Partners. Under the Tax Receivable Agreement the Company generally is required to pay to those Continuing LCFH Limited Partners that exchange their interests in LCFH and Class B shares of the Company for Class A shares of the Company, 85% of the applicable cash savings, if any, in U.S. federal, state and local income tax that the Company realizes (or is deemed to realize in certain circumstances) as a result of (i) the increase in tax basis in its proportionate share of LCFH's assets that is attributable to the Company as a result of the exchanges and (ii) payments under the Tax Receivable Agreement, including any tax benefits related to imputed interest deemed to be paid by the Company as a result of such agreement. The Company may make future payments under the Tax Receivable Agreement if the tax benefits are realized. We would then benefit from the remaining 15% of cash savings in income tax that we realize. For purposes of the Tax Receivable Agreement, cash savings in income tax will be computed by comparing our actual income tax liability to the amount of such taxes that we would have been required to pay had there been no increase to the tax basis of the assets of LCFH as a result of the exchanges and had we not entered into the Tax Receivable Agreement.

Payments to a Continuing LCFH Limited Partner under the Tax Receivable Agreement are triggered by each exchange and are payable annually commencing following the Company's filing of its income tax return for the year of such exchange. The timing of the payments may be subject to certain contingencies, including the Company having sufficient taxable income to utilize all of the tax benefits defined in the Tax Receivable Agreement.

As of June 30, 2017 and December 31, 2016, pursuant to the Tax Receivable Agreement, the Company recorded a liability of $2.4 million and $2.5 million, respectively, included in amount payable pursuant to tax receivable agreement in the consolidated balance sheets for Continuing LCFH Limited Partners. The amount and timing of any payments may vary based on a number of factors, including the absence of any material change in the relevant tax law, the Company continuing to earn sufficient taxable income to realize all tax benefits, and assuming no additional exchanges that are subject to the Tax Receivable Agreement. Depending upon the outcome of these factors, the Company may be obligated to make substantial payments pursuant to the Tax Receivable Agreement. The actual payment amounts may differ from these estimated amounts, as the liability will reflect changes in prevailing tax rates, the actual benefit the Company realizes on its annual income tax returns, and any additional exchanges.

To determine the current amount of the payments due, the Company estimates the amount of the Tax Receivable Agreement payments that will be made within twelve months of the balance sheet date. As described in Note 1 above, the Tax Receivable Agreement was amended and restated in connection with our REIT Election, effective as of December 31, 2014, in order to preserve a portion of the potential tax benefits currently existing under the Tax Receivable Agreement that would otherwise be reduced in connection with our REIT Election. The purpose of the TRA Amendment was to preserve the benefits of the Tax Receivable Agreement to the extent possible in a REIT, although, as a result, the amount of payments made to the TRA Members under the TRA Amendment is expected to be less than the amount that would have been paid under the original Tax Receivable Agreement. The TRA Amendment continues to share such benefits in the same proportions and otherwise has substantially the same terms and provisions as the prior Tax Receivable Agreement.

16. RELATED PARTY TRANSACTIONS

Ladder Select Bond Fund

On October 18, 2016, Ladder Capital Asset Management LLC ("LCAM"), a subsidiary of the Company and a registered investment adviser, launched the Ladder Select Bond Fund (the "Fund"), a mutual fund. In addition, on October 18, 2016, the Company made a $10.0 million investment in the Fund, which is included in other assets in the consolidated balance sheets. As of June 30, 2017, members of senior management have also invested $1.4 million in aggregate in the Fund, since inception. LCAM earns a 0.75% fee on assets under management, which may be reduced for expenses incurred in excess of the Fund's expense cap of 0.95%.

Commercial Real Estate Loans

From time to time, the Company may provide commercial real estate loans to entities affiliated with certain of our directors, officers or large shareholders who are, as part of their ordinary course of business, commercial real estate investors. These loans are made in the ordinary course of the Company's business on the same terms and conditions as would be offered to any other borrower of similar type and standing on a similar property.

On May 20, 2015, the Company provided a $25.0 million, 9.0% fixed rate, approximately one year, interest-only mezzanine loan, to Halletts Investors LLC ("Borrower"), an entity affiliated with Douglas Durst, one of the Company's directors and chairman of The Durst Organization. The loan, which was approved by the Audit Committee and Risk and Underwriting Committee in accordance with the Company's policies regarding related party transactions, was secured by Borrower's ownership interest in Durst Halletts Member LLC ("Guarantor"). Borrower and Guarantor indirectly own a controlling interest in the three entities that collectively own approximately 9.66 acres of undeveloped land located along the East River waterfront on Hallets Point Peninsula in Astoria Queens, New York. Douglas Durst and members of his family, including trusts for which Douglas Durst is a trustee, have a controlling interest in Borrower and Guarantor. The loan matured on and was repaid in full as of June 3, 2016. For the three and six months ended June 30, 2016, the Company earned $0.4 million and $1.0 million in interest income related to this loan.

On March 13, 2017, Related Reserve IV LLC, an affiliate of Related Fund Management LLC (the "B Participation Holder"), purchased a $4.0 million subordinate participation interest (the "B Participation Interest") in the up to $136.5 million mortgage loan (the "Loan") secured by the Conrad hotels and condominiums in Fort Lauderdale, Florida from a subsidiary of the Company. The B Participation Interest earns interest at an annual rate of 17%, with the Company's participation interest (the "A Participation Interest") receiving the balance of all interest paid under the Loan. Upon an event of default under the Loan, all receipts will be applied to the payment of interest and principal on the Company's share of the principal balance before the B Participation Holder receives any sums. The Company retains all control over the administration and servicing of the whole loan, except that upon the occurrence of certain Loan defaults and other events, the B Participation Holder will have the option to trigger a buy-sell option, whereupon the Company shall have the right to either repurchase the B Participation Interest at par or sell the A Participation Interest to the B Participation Holder at par plus exit fees that would have been payable upon a borrower repayment. Because the participation interest was not pari passu and effective control continued to reside with the retained portions of the loans the transfers of any portion of this loan asset is considered a non-recourse secured borrowing in which the full loan asset remains on the Company's consolidated balance sheets in mortgage loan receivables held for investment, net, at amortized cost and the sale proceeds are reported as debt obligations. For the three and six months ended June 30, 2017, the Company incurred $0.2 million, in interest expense related to this loan which is included in accrued expenses on the Company's consolidated balance sheets.

Stockholders Agreement

On March 3, 2017, Ladder, Related and certain pre-IPO stockholders of Ladder, including affiliates of TowerBrook Capital Partners, L.P. and GI Partners L.P., closed a purchase by Related of $80.0 million of Ladder's Class A common stock from the pre-IPO stockholders. As part of the closing of the transaction, Ladder and Related entered into a Stockholders Agreement, dated as of March 3, 2017, pursuant to which Jonathan Bilzin resigned from the Board, and all committees thereof, and Ladder appointed Richard O'Toole to replace Mr. Bilzin as a Class II Director on Ladder's Board, each effective as of March 3, 2017. Pursuant to the Stockholders Agreement, Ladder granted to Related a right of first offer with respect to certain horizontal risk retention investments in which Ladder intends to retain an interest and Related agreed to certain standstill provisions.

17. COMMITMENTS AND CONTINGENCIES

Leases

In 2011, the Company entered into a lease for its primary office space, which commenced on October 1, 2011 and expires on January 31, 2022 with no extension option. In 2012, the Company entered into a lease for secondary office space. The lease commenced on May 15, 2012 and would have expired on May 14, 2015 with no extension option.

This lease was amended, however, on October 2, 2014, extending the expiration date from May 14, 2015 to May 14, 2018. The Company recorded $0.3 million and $0.6 million of rental expense for the three and six months ended June 30, 2017, respectively, which is included in operating expenses in the consolidated statements of income. The Company recorded $0.3 million and $0.6 million, of rental expense for the three and six months ended June 30, 2016, respectively, which is included in operating expenses in the consolidated statements of income.

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The following is a schedule of future minimum rental payments required under the above operating leases ($ in thousands):

Period Ending December 31,	Amount
2017 (last 6 months)	$628
2018	1,206
2019	1,180
2020	1,180
2021	1,180
Thereafter	99
Total	**$5,473**

Unfunded Loan Commitments

As of June 30, 2017, the Company’s off-balance sheet arrangements consisted of $130.0 million of unfunded commitments on mortgage loan receivables held for investment to provide additional first mortgage loan financing, at rates to be determined at the time of funding, which consisted of $130.0 million to provide additional first mortgage loan financing. As of December 31, 2016, the Company’s off-balance sheet arrangements consisted of $147.7 million of unfunded commitments of mortgage loan receivables held for investment, at rates to be determined at the time of funding, which was composed of $146.3 million to provide additional first mortgage loan financing and $1.4 million to provide additional mezzanine loan financing. Such commitments are subject to our loan borrowers’ satisfaction of certain financial and nonfinancial covenants and may or may not be funded depending on a variety of circumstances including timing, credit metric hurdles, and other nonfinancial events occurring. These commitments are not reflected on the consolidated balance sheets.

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18. SEGMENT REPORTING

The Company has determined that it has three reportable segments based on how the chief operating decision maker reviews and manages the business. These reportable segments include loans, securities, and real estate. The loans segment includes mortgage loan receivables held for investment (balance sheet loans) and mortgage loan receivables held for sale (conduit loans). The securities segment is composed of all of the Company's activities related to commercial real estate securities, which include investments in CMBS and U.S. Agency Securities. As more fully described in Note 3, the securities segment does not include securities not recognized for accounting purposes that were acquired in connection with loan transfers not considered sales. The real estate segment includes net leased properties, office buildings, a warehouse and condominium units. Corporate/other includes the Company's investments in joint ventures, other asset management activities and operating expenses.

The Company evaluates performance based on the following financial measures for each segment ($ in thousands):

	Loans	Securities	Real Estate(1)	Corporate/Other(2)	Company Total
Three months ended June 30, 2017					
Interest income	$54,024	$12,063	$3	$ 46	$66,136
Interest expense	(11,065)	(1,869)	(6,374)	(16,296)	(35,604)
Net interest income (expense)	42,959	10,194	(6,371)	(16,250)	30,532
Provision for loan losses	—	—	—	—	—
Net interest income (expense) after provision for loan losses	42,959	10,194	(6,371)	(16,250)	30,532
Operating lease income	—	—	22,187	—	22,187
Tenant recoveries	—	—	1,159	—	1,159
Realized gain on securities	—	7,132	—	—	7,132
Unrealized gain (loss) on Agency interest-only securities	—	299	—	—	299
Realized gain (loss) on sale of real estate, net	(159)	—	2,391	—	2,232
Fee and other income	1,730	—	2,011	833	4,574
Net result from derivative transactions	(10,508)	(5,514)	—	—	(16,022)
Earnings (loss) from investment in unconsolidated joint ventures	—	—	10	—	10
Total other income (expense)	(8,937)	1,917	27,758	833	21,571
Salaries and employee benefits	(5,700)	—	—	(8,789)	(14,489)
Operating expenses	69	—	—	(5,898)	(5,829)
Real estate operating expenses	—	—	(8,056)	—	(8,056)
Fee expense	(1,271)	(68)	(282)	—	(1,621)
Depreciation and amortization	—	—	(10,102)	(23)	(10,125)
Total costs and expenses	(6,902)	(68)	(18,440)	(14,710)	(40,120)
Income tax (expense) benefit	—	—	—	1,449	1,449
Segment profit (loss)	**$27,120**	**$12,043**	**$2,947**	**$ (28,678)**	**$13,432**
Total assets as of June 30, 2017	**$3,422,971**	**$1,407,545**	**$1,040,806**	**$ 346,802**	**$6,218,124**

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	Loans	Securities	Real Estate(1)	Corporate/Other(2)	Company Total
Three months ended June 30, 2016					
Interest income	$35,549	$20,202	$2	$ 13	$55,766
Interest expense	(5,128)	(2,167)	(6,204)	(14,903)	(28,402)
Net interest income (expense)	30,421	18,035	(6,202)	(14,890)	27,364
Provision for loan losses	(150)	—	—	—	(150)
Net interest income (expense) after provision for loan losses	30,271	18,035	(6,202)	(14,890)	27,214
Operating lease income	—	—	19,085	—	19,085
Tenant recoveries	—	—	1,324	—	1,324
Sale of loans, net	2,795	—	—	—	2,795
Realized gain on securities	—	2,971	—	—	2,971
Unrealized gain (loss) on Agency interest-only securities	—	(584)	—	—	(584)
Realized gain on sale of real estate, net	(800)	—	5,673	—	4,873
Fee and other income	2,438	—	2,920	823	6,181
Net result from derivative transactions	(9,670)	(14,972)	—	—	(24,642)
Earnings from investment in unconsolidated joint ventures	—	—	(168)	—	(168)
Total other income	(5,237)	(12,585)	28,834	823	11,835
Salaries and employee benefits	(1,500)	—	—	(11,932)	(13,432)
Operating expenses	—	—	421	(5,134)	(4,713)
Real estate operating expenses	—	—	(9,133)	—	(9,133)
Fee expense	12	(17)	(124)	(744)	(873)
Depreciation and amortization	—	—	(9,213)	(41)	(9,254)
Total costs and expenses	(1,488)	(17)	(18,049)	(17,851)	(37,405)
Income tax (expense) benefit	—	—	—	2,301	2,301
Segment profit (loss)	**$23,546**	**$5,433**	**$4,583**	**$ (29,617)**	**$3,945**
Total assets as of December 31, 2016	**$2,353,977**	**$2,100,947**	**$856,363**	**$ 267,050**	**$5,578,337**

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	Loans	Securities	Real Estate(1)	Corporate/Other(2)	Company Total
Six months ended June 30, 2017					
Interest income	$98,321	$25,270	$6	$ 50	$123,647
Interest expense	(17,318)	(3,722)	(12,924)	(33,055)	(67,019)
Net interest income (expense)	81,003	21,548	(12,918)	(33,005)	56,628
Provision for loan losses	—	—	—	—	—
Net interest income (expense) after provision for loan losses	81,003	21,548	(12,918)	(33,005)	56,628
Operating lease income	—	—	41,816	—	41,816
Tenant recoveries	—	—	2,739	—	2,739
Sale of loans, net	(999)	—	—	—	(999)
Realized gain on securities	—	12,494	—	—	12,494
Unrealized gain (loss) on Agency interest-only securities	—	457	—	—	457
Realized gain (loss) on sale of real estate, net	—	—	4,563	—	4,563
Fee and other income	3,351	—	3,984	1,705	9,040
Net result from derivative transactions	(12,189)	(5,814)	—	—	(18,003)
Earnings from investment in unconsolidated joint ventures	—	—	(63)	—	(63)
Gain (loss) on extinguishment of debt	—	—	—	(54)	(54)
Total other income (expense)	(9,837)	7,137	53,039	1,651	51,990
Salaries and employee benefits	(6,700)	—	—	(23,831)	(30,531)
Operating expenses	112	—	—	(11,420)	(11,308)
Real estate operating expenses	—	—	(15,510)		(15,510)
Fee expense	(1,806)	(162)	(346)	—	(2,314)
Depreciation and amortization	—	—	(18,670)	(47)	(18,717)
Total costs and expenses	(8,394)	(162)	(34,526)	(35,298)	(78,380)
Tax (expense) benefit	—	—	—	2,824	2,824
Segment profit (loss)	**$62,772**	**$28,523**	**$5,595**	**$ (63,828)**	**$33,062**
Total assets as of June 30, 2017	**$3,422,971**	**$1,407,545**	**$1,040,806**	**$ 346,802**	**$6,218,124**

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	Loans	Securities	Real Estate(1)	Corporate/Other(2)	Company Total
Six months ended June 30, 2016					
Interest income	$76,877	$38,458	$2	$ 29	$115,366
Interest expense	(11,279)	(4,137)	(12,399)	(30,123)	(57,938)
Net interest income (expense)	65,598	34,321	(12,397)	(30,094)	57,428
Provision for loan losses	(300)	—	—	—	(300)
Net interest income (expense) after provision for loan losses	65,298	34,321	(12,397)	(30,094)	57,128
Operating lease income	—	—	38,379	—	38,379
Tenant recoveries	—	—	2,659	—	2,659
Sale of loans, net	10,625	—	—	—	10,625
Realized gain on securities	—	2,398	—	—	2,398
Unrealized gain (loss) on Agency interest-only securities	—	76	—	—	76
Realized gain on sale of real estate, net	(159)	—	11,127	—	10,968
Fee and other income	4,243	—	3,262	1,651	9,156
Net result from derivative transactions	(25,795)	(49,709)	—	—	(75,504)
Earnings from investment in unconsolidated joint ventures	—	—	(266)	892	626
Loss on extinguishment of debt	—	—	—	5,382	5,382
Total other income	(11,086)	(47,235)	55,161	7,925	4,765
Salaries and employee benefits	(3,000)	—	—	(23,047)	(26,047)
Operating expenses	—	—	(1)	(11,007)	(11,008)
Real estate operating expenses	—	—	(14,852)	—	(14,852)
Fee expense	(424)	(17)	(237)	(925)	(1,603)
Depreciation and amortization	—	—	(19,010)	(47)	(19,057)
Total costs and expenses	(3,424)	(17)	(34,100)	(35,026)	(72,567)
Income tax (expense) benefit	—	—	—	3,174	3,174
Segment profit (loss)	**$50,788**	**$(12,931)**	**$8,664**	**$ (54,021)**	**$(7,500)**
Total assets as of December 31, 2016	**$2,353,977**	**$2,100,947**	**$856,363**	**$ 267,050**	**$5,578,337**

(1) Includes the Company's investment in unconsolidated joint ventures that held real estate of $34.5 million and $34.0 million as of June 30, 2017 and December 31, 2016, respectively

(2) Corporate/Other represents all corporate level and unallocated items including any intercompany eliminations necessary to reconcile to consolidated Company totals. This caption also includes the Company's investment in unconsolidated joint ventures and strategic investments that are not related to the other reportable segments above, including the Company's investment in FHLB stock of $77.9 million as of June 30, 2017 and December 31, 2016, the Company's deferred tax asset of $4.8 million and $2.1 million as of June 30, 2017 and December 31, 2016, respectively and the Company's senior unsecured notes of $756.5 million and $559.8 million as of June 30, 2017 and December 31, 2016, respectively.

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19. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through the issuance date of the financial statements and determined that the following disclosure is necessary:

Related Party Transactions

On July 6, 2017, Ladder provided a $21.0 million first mortgage loan to a borrower affiliated with The Related Companies to facilitate the acquisition of two commercial condominium units in the Brickell Heights mixed use development in Miami, Florida. The borrowing entity, Brickell Heights Commercial LLC, is 80% owned by a joint venture between Related Special Assets LLC, a personal investment vehicle for certain principals of The Related Companies, and another investor, with the remaining 20% interest belonging to an affiliate of The Related Group of Florida.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of financial condition and results of operations should be read in conjunction with the consolidated financial statements and the related notes of Ladder Capital Corp included within this Quarterly Report and the Annual Report. This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements. See "Cautionary Statement Regarding Forward-Looking Statements" within this Quarterly Report and "Risk Factors" within the Annual Report for a discussion of the uncertainties, risks and assumptions associated with these statements. Actual results may differ materially from those contained in any forward-looking statements as a result of various factors, including but not limited to, those in "Risk Factors" set forth within the Annual Report.

References to "Ladder," the "Company," and "we," "our" and "us" refer to Ladder Capital Corp, a Delaware corporation incorporated in 2013, and its consolidated subsidiaries subsequent to the initial public offering ("IPO") and related transactions described below.

Overview

We are a leading commercial real estate finance company structured as an internally-managed REIT. We conduct our business through three commercial real estate-related business lines: loans, securities, and real estate investments. We believe that our in-house origination platform, ability to flexibly allocate capital among complementary product lines, credit-centric underwriting approach, access to diversified financing sources, and experienced management team position us well to deliver attractive returns on equity to our shareholders through economic and credit cycles.

Our businesses, including conduit lending, balance sheet lending, securities investments, and real estate investments, provide for a stable base of net interest and rental income. We have originated $18.3 billion of commercial real estate loans from our inception through June 30, 2017. During this timeframe, we also acquired $9.7 billion of investment grade-rated securities secured by first mortgage loans on commercial real estate and $1.5 billion of selected net leased and other real estate assets.

As part of our commercial mortgage lending operations, we originate conduit loans, which are first mortgage loans on stabilized, income producing commercial real estate properties that we intend to make available for sale in commercial mortgage-backed securities ("CMBS") securitizations. From our inception in October 2008 through June 30, 2017, we originated $13.3 billion of conduit loans, $13.2 billion of which were sold into 44 CMBS securitizations, making us, by volume, the second largest non-bank contributor of loans to CMBS securitizations in the United States in such period. Our sales of loans into securitizations are generally, historically accounted for as true sales, not financings, and we generally retain no ongoing interest in loans which we securitize unless we are required to do so as issuer pursuant to the risk retention requirements of the Dodd-Frank Act. The securitization of conduit loans enables us to reinvest our equity capital into new loan originations or allocate it to other investments.

As of June 30, 2017, we had $6.2 billion in total assets and $1.5 billion of total equity. Our assets included $3.4 billion of loans (which includes $599.5 million of mortgage loans transferred but not considered sold), $1.4 billion of securities, and $1.0 billion of real estate. Our liabilities included a $632.1 million liability for transfers not considered sales.

We have a diversified and flexible financing strategy supporting our business operations, including significant committed term financing from leading financial institutions. As of June 30, 2017, we had $4.6 billion of debt financing outstanding. This financing comprised $1.4 billion of financing from the Federal Home Loan Bank (the "FHLB"), $956.5 million committed secured term repurchase agreement financing, $193.1 million of other securities financing, $588.4 million of third-party, non-recourse mortgage debt, $266.2 million in aggregate principal amount of

5.875% senior notes due 2021 (the “2021 Notes”) and $500.0 million in aggregate principal amount of 5.25% senior notes due 2022 (the “2022 Notes,” collectively with the 2021 Notes, the “Notes”). There were $100.0 million of borrowings outstanding under our Revolving Credit Facility and $3.8 million of participation financing - mortgage loan receivable. Included in the $4.6 billion of debt financing outstanding is a $632.1 million liability for loan transfers not considered sales, which is effectively a non-recourse borrowing secured by these securitized third-party loans and the Company’s real estate collateral pledged under the previously unrecognized intercompany loans. In addition, as of June 30, 2017, we had $1.8 billion of committed, undrawn funding capacity available, consisting of $68.5 million of availability under our $168.5 million Revolving Credit Facility, $599.5 million of undrawn committed FHLB financing and $1.1 billion of other undrawn committed financings. As of June 30, 2017, our debt-to-equity ratio was 3.2:1.0 and our debt-to-equity ratio, excluding non-recourse liabilities for transfers not considered sales of $632.1 million and including other debt obligations associated with transfers not considered sales of $76.7 million was 2.8:1.0, as we employ leverage prudently to maximize financial flexibility.

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Ladder was founded in October 2008 and we completed our IPO in February 2014. We are led by a disciplined and highly aligned management team. As of June 30, 2017, our management team and directors held interests in our Company comprising 11.8% of our total equity. On average, our management team members have 28 years of experience in the industry. Our management team includes Brian Harris, Chief Executive Officer; Pamela McCormack, President; Marc Fox, Chief Financial Officer; Thomas Harney, Head of Merchant Banking & Capital Markets; and Robert Perelman, Head of Asset Management. Additional officers of Ladder include Kelly Porcella, General Counsel and Secretary, and Kevin Moclair, Chief Accounting Officer. We employ 65 full-time industry professionals.

We are organized and conduct our operations to qualify as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"). As such, we will generally not be subject to U.S. federal income tax on that portion of our net income that is distributed to shareholders if we distribute at least 90% of our taxable income and comply with certain other requirements.

Our Businesses

We invest primarily in loans, securities and other interests in U.S. commercial real estate, with a focus on senior secured assets. Our complementary business segments are designed to provide us with the flexibility to opportunistically allocate capital in order to generate attractive risk-adjusted returns under varying market conditions. The following table summarizes the value of our investment portfolio as reported in our consolidated financial statements as of the dates indicated below ($ in thousands):

	June 30, 2017		December 31, 2016	
Loans				
Conduit first mortgage loans	$200,726	3.2 %	$357,882	6.4 %
Balance sheet first mortgage loans:				
Balance sheet first mortgage loans	2,465,540	39.7 %	1,832,626	32.9 %
Other commercial real estate-related loans	161,192	2.6 %	167,469	3.0 %
Mortgage loans transferred but not considered sold	599,513	9.6 %	—	— %
Provision for loan losses	(4,000)	(0.1)%	(4,000)	(0.1)%
Total loans	3,422,971	55.0 %	2,353,977	42.2 %
Securities				
CMBS investments	1,357,316	21.8 %	2,043,566	36.6 %
U.S. Agency Securities investments	50,229	0.8 %	57,381	1.1 %
Total securities	1,407,545	22.6 %	2,100,947	37.7 %
Real Estate				
Real estate and related lease intangibles, net	1,006,286	16.2 %	822,338	14.7 %
Total real estate	1,006,286	16.2 %	822,338	14.7 %
Other Investments				
Investments in unconsolidated joint ventures	34,520	0.6 %	34,025	0.6 %
FHLB stock	77,915	1.3 %	77,915	1.4 %
Total other investments	112,435	1.9 %	111,940	2.0 %
Total investments	5,949,237	95.7 %	5,389,202	96.6 %
Cash, cash equivalents and restricted cash	155,485	2.5 %	64,017	1.1 %
Other assets	113,402	1.8 %	125,118	2.3 %
Total assets	**$6,218,124**	**100.0 %**	**$5,578,337**	**100.0 %**

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We invest in the following types of assets:

Loans

Conduit First Mortgage Loans. We originate conduit loans, which are first mortgage loans that are secured by cash-flowing commercial real estate and are available for sale to securitizations. These first mortgage loans are typically structured with fixed interest rates and generally have five- to ten-year terms. Our loans are directly originated by an internal team that has longstanding and strong relationships with borrowers and mortgage brokers throughout the United States. We follow a rigorous investment process, which begins with an initial due diligence review; continues through a comprehensive legal and underwriting process incorporating multiple internal and external checks and balances; and culminates in approval or disapproval of each prospective investment by our Investment Committee. Conduit first mortgage loans in excess of $50.0 million also require approval of our board of directors' Risk and Underwriting Committee.

Although our primary intent is to sell our conduit first mortgage loans to CMBS trusts, we generally seek to maintain the flexibility to keep them on our balance sheet, sell participation interests or "b-notes" in our conduit first mortgage loans or sell conduit first mortgage loans as whole loans. From our inception in 2008 through June 30, 2017, we have originated and funded $13.3 billion of conduit first mortgage loans and securitized $13.2 billion of such mortgage loans in 44 separate transactions, including two securitizations in 2010, three securitizations in 2011, six securitizations in 2012, six securitizations in 2013, 10 securitizations in 2014, 10 securitizations in 2015, six securitizations in 2016 and one securitization in 2017. We generally securitize our loans together with certain financial institutions, which to date have included affiliates of Deutsche Bank Securities Inc., J.P. Morgan Securities LLC, UBS Securities LLC and Wells Fargo Securities, LLC, and we have also completed three single-asset securitizations and in June 2017, executed a Ladder-only multi-borrower securitization from Ladder's CMBS shelf. As of June 30, 2017, we held 8 first mortgage loans that were substantially available for contribution into a securitization with an aggregate book value of $200.7 million. Based on the loan balances and the "as-is" third-party Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") appraised values at origination, the weighted average loan-to-value ratio of this portfolio was 57.4% at June 30, 2017. The Company holds these conduit loans in its taxable REIT subsidiary ("TRS").

Balance Sheet First Mortgage Loans. We also originate and invest in balance sheet first mortgage loans secured by commercial real estate properties that are undergoing transition, including lease-up, sell-out, and renovation or repositioning. These mortgage loans are structured to fit the needs and business plans of the property owners, and generally have LIBOR based floating rates and terms (including extension options) ranging from one to five years. Balance sheet first mortgage loans are originated, underwritten, approved and funded using the same comprehensive legal and underwriting approach, process and personnel used to originate our conduit first mortgage loans. Balance sheet first mortgage loans in excess of $50.0 million also require the approval of our board of directors' Risk and Underwriting Committee.

We generally seek to hold our balance sheet first mortgage loans for investment although we also maintain the flexibility to contribute such loans into a collateralized loan obligation ("CLO") or similar structure, sell participation interests or "b-notes" in our mortgage loans or sell such mortgage loans as whole loans. These investments have been typically repaid at or prior to maturity (including by being refinanced by us into a new conduit first mortgage loan upon property stabilization). As of June 30, 2017, we held a portfolio of 124 balance sheet first mortgage loans with an aggregate book value of $2.5 billion. Based on the loan balances and the "as-is" third-party FIRREA appraised values at origination, the weighted average loan-to-value ratio of this portfolio was 64.9% at June 30, 2017.

Mortgage Loans Transferred But Not Considered Sold. We sell certain loans into securitizations, however, restrictions, imposed by the risk retention rules of the Dodd-Frank Act described elsewhere in this Quarterly Report, on certain securities issued from certain securitizations for which Ladder is the risk retention sponsor (which will generally be the case when Ladder is the issuer or sole loan seller of the securitization) or from certain securitizations where Ladder is a contributor of 20% or more of the loan pool and Ladder is allocated a portion of the risk retention sponsor's obligation up to Ladder's pro rata share, preclude sale accounting for these loans, requiring us to continue to recognize these loans to third parties transferred in the transactions on our consolidated balance sheets. As of June 30, 2017, our portfolio included 35 of these loans with an aggregate book value of $599.5 million. Based on the loan balance and the "as-is" third-party FIRREA appraised values at origination, the weighted average loan-to-value ratio of the portfolio was 63.1% at June 30, 2017.

Other Commercial Real Estate-Related Loans. We selectively invest in note purchase financings, subordinated debt, mezzanine debt and other structured finance products related to commercial real estate that are generally held for investment. As of June 30, 2017, we held a portfolio of 34 other commercial real estate-related loans with an aggregate book value of $161.2 million. Based on the loan balance and the "as-is" third-party FIRREA appraised values at origination, the weighted average loan-to-value ratio of the portfolio was 70.4% at June 30, 2017.

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The following charts set forth our total outstanding conduit first mortgage loans, balance sheet first mortgage loans and other commercial real estate-related loans as of June 30, 2017 and a breakdown of our loan portfolio by loan size and geographic location and asset type of the underlying real estate.

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Securities

CMBS Investments. We invest in CMBS secured by first mortgage loans on commercial real estate and own predominantly AAA-rated securities. As more fully described in Note 3, the our portfolio of CMBS does not include securities not recognized for accounting purposes that were acquired in connection with loan transfers not considered sales. These investments provide a stable and attractive base of net interest income and help us manage our liquidity. We have significant in-house expertise in the evaluation and trading of CMBS, due in part to our experience in originating and underwriting mortgage loans that comprise assets within CMBS trusts, as well as our experience in structuring CMBS transactions. AAA-rated CMBS investments in excess of $50.0 million and all other investment grade securities positions in excess of $26.0 million require the approval of our board of directors' Risk and Underwriting Committee. The Risk and Underwriting Committee also must approve the lesser of (x) $21,000,000 and (y) 10% of the total net asset value of the respective Ladder investment company for non-rated or sub-investment grade securities. As of June 30, 2017, the estimated fair value of our portfolio of CMBS investments totaled $1.4 billion in 162 CUSIPs ($8.4 million average investment per CUSIP). As of that date, 100% of our CMBS investments were rated investment grade by Standard & Poor's Ratings Group, Moody's Investors Service, Inc. or Fitch Ratings Inc., consisting of 81.6% AAA/Aaa-rated securities and 18.4% of other investment grade-rated securities, including 15.3% rated AA/Aa, 1.4% rated A/A and 1.6% rated BBB/Baa. In the future, we may invest in CMBS securities or other securities that are unrated. As of June 30, 2017, our CMBS investments had a weighted average duration of 3.0 years. The commercial real estate collateral underlying our CMBS investment portfolio is located throughout the United States. As of June 30, 2017, by property count and market value, respectively, 55% and 78.7% of the collateral underlying our CMBS investment portfolio was distributed throughout the top 25 metropolitan statistical areas ("MSAs") in the United States, with 3.1% and 37.3% of the collateral located in the New York-Newark-Edison MSA, and the concentrations in each of the remaining top 24 MSAs ranging from 0.2% to 10.7% by property count and 0.1% to 16.1% by market value.

U.S. Agency Securities Investments. Our U.S. Agency Securities portfolio consists of securities for which the principal and interest payments are guaranteed by a U.S. government agency, such as the Government National Mortgage Association ("GNMA"), or by a government-sponsored enterprise ("GSE"), such as the Federal National Mortgage Association ("Fannie Mae") or the Federal Home Loan Mortgage Corporation ("Freddie Mac"). In addition, these securities are secured by first mortgage loans on commercial real estate. Investments in U.S. Agency Securities are subject to the same Risk and Underwriting Committee approval requirements as CMBS investments, as described above. As of June 30, 2017, the estimated fair value of our portfolio of U.S. Agency Securities was $50.2 million in 25 CUSIPs ($2.0 million average investment per CUSIP), with a weighted average duration of 5.4 years. The commercial real estate collateral underlying our U.S. Agency Securities portfolio is located throughout the United States. As of June 30, 2017, by market value, 73.9% and17.7% of the collateral underlying our U.S. Agency Securities, excluding the collateral underlying our Agency interest-only securities, was located in New York and California, respectively, with no other state having a concentration greater than 10.0%. By property count, California represented 73.3% and New York represented 3.3% of such collateral. While the specific geographic concentration of our Agency interest-only securities portfolio as of June 30, 2017 is not obtainable, risk relating to any such possible concentration is mitigated by the interest payments of these securities being guaranteed by a U.S. government agency or a GSE.

Real Estate

Commercial Real Estate Properties. As of June 30, 2017, we owned 125 single tenant net leased properties with an aggregate book value of $546.8 million. These properties are fully leased on a net basis where the tenant is generally responsible for payment of real estate taxes, property, building and general liability insurance and property and building maintenance expenses. As of June 30, 2017, our net leased properties comprised a total of 4.2 million square feet and had a 100% occupancy rate, an average age since construction of 6.9 years and a weighted average remaining lease term of 10.6 years. Commercial real estate investments in excess of $20.0 million require the approval of our board of directors’ Risk and Underwriting Committee.

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In addition, as of June 30, 2017, we owned 37 other properties with an aggregate book value of $429.1 million. Through separate joint ventures, we owned a portfolio of 13 office buildings in Richmond, VA with a book value of $92.1 million with an 89.9% occupancy rate, a mobile home community in El Monte, CA with a book value of $53.9 million with a 70.0% occupancy rate, a portfolio of four office buildings in St. Paul, MN with a book value of $52.6 million and a 100.0% occupancy rate, a portfolio of seven office buildings in Richmond, VA with a book value of $16.5 million and an 82.8% occupancy rate, a 13-story office building in Oakland County, MI with a book value of $9.9 million and a 73.2% occupancy rate, a two-story office building in Grand Rapids, MI with a book value of $9.0 million and a 100.0% occupancy rate, and a warehouse in Grand Rapids, MI with a book value of $5.6 million and a 100.0% occupancy rate. We also own a portfolio of five office buildings in Jacksonville, FL with a book value of $140.8 million and a 100.0% occupancy rate, an office building in Ewing, NJ with a book value of $30.1 million and a 100.0% occupancy rate, a two-story office building in Wayne, NJ with a book value of $8.9 million with a 100.0% occupancy rate, a shopping center in Carmel, NY with a book value of $6.7 million and a 100.0% occupancy rate, and an office building in Peoria, IL with a book value of $3.1 million and a 100.0% occupancy rate.

Residential Real Estate. We sold 21 condominium units at Veer Towers in Las Vegas, NV, during the six months ended June 30, 2017, generating aggregate gains on sale of $3.6 million. As of June 30, 2017, we owned 38 residential condominium units at Veer Towers in Las Vegas, NV with a book value of $12.1 million through a joint venture, and we intend to sell these remaining units over time. As of June 30, 2017, 4 condominium units were under contract for sale with a book value of $0.9 million. As of June 30, 2017, the remaining condominium units we hold were 28.8% rented and occupied. During the six months ended June 30, 2017, the Company recorded $0.2 million of rental income from the condominium units.

We sold 16 condominium units at Terrazas River Park Village in Miami, FL, during the six months ended June 30, 2017, generating aggregate gains on sale of $1.0 million. As of June 30, 2017, we owned 72 residential condominium units at Terrazas River Park Village in Miami, FL with a book value of $18.3 million, and we intend to sell these remaining units over time. As of June 30, 2017, 6 condominium units were under contract for sale with a book value of $1.3 million. As of June 30, 2017, the remaining condominium units we hold were 80.1% rented and occupied. During the six months ended June 30, 2017, the Company recorded $0.8 million of rental income from the condominium units.

The Company holds these residential condominium units in its TRS.

The following table, organized by tenant type and acquisition date, summarizes our owned properties as of June 30, 2017 ($ amounts in thousands):

Location	**Acquisition date**	**Acquisition price/basis**	**Year built/reno.**	**Lease expiration (1)**	**Approx. square footage**	**Carrying value of asset**	**Mortgage loan outstanding (2)(3)**	**Asset net of mortgage loan outstanding**	**Annual rental income (4)**	**Ownership Percentage (5)**
Net Lease										
Jefferson City, MO	06/02/17	$ 1,241	2016	2/28/32	9,002	$ 1,332	$ —	$ 1,332	$ 90	100.0 %
Denver, IA	05/31/17	1,183	2017	4/30/22	9,026	1,225	—	1,225	86	100.0 %
Port O'Connor, TX	05/25/17	1,255	2017	3/31/30	9,100	1,300	—	1,300	91	100.0 %
Wabasha, MN	05/25/17	1,280	2016	3/31/30	9,026	1,359	—	1,359	92	100.0 %
Shelbyville, IL	05/23/17	1,132	2016	4/30/22	9,026	1,233	—	1,233	82	100.0 %
Jesup, IA	05/05/17	1,163	2017	3/31/30	9,026	1,195	—	1,195	84	100.0 %
Hanna City, IL	04/11/17	1,141	2016	6/30/31	9,100	1,223	—	1,223	83	100.0 %
Ridgedale, MO	03/09/17	1,298	2016	6/30/31	9,002	1,354	—	1,354	94	100.0 %
Peoria, IL	02/06/17	1,183	2016	8/31/31	7,489	1,260	—	1,260	86	100.0 %

Carmi, IL	02/03/17	1,411	2016	10/31/31	9,100	1,427	—	1,427	102	100.0 %
Springfield, IL	11/16/16	1,322	2016	6/30/31	9,026	1,388	—	1,388	96	100.0 %
Fayetteville, NC	11/15/16	6,971	2008	10/31/34	14,820	6,822	—	6,822	450	100.0 %
Dryden Township, MI	10/26/16	1,190	2016	8/31/31	9,100	1,258	—	1,258	87	100.0 %
Lamar, MO	07/22/16	1,176	2016	5/31/31	9,100	1,208	—	1,208	86	100.0 %
Union, MO	07/01/16	1,227	2016	5/31/31	9,100	1,307	—	1,307	90	100.0 %
Pawnee, IL	07/01/16	1,201	2016	5/31/31	9,002	1,199	—	1,199	88	100.0 %
Decatur, IL	06/30/16	1,365	2016	5/31/31	9,002	1,441	—	1,441	100	100.0 %
Cape Girardeau, MO	06/30/16	1,281	2016	5/31/31	9,100	1,344	1,017	327	94	100.0 %
Linn, MO	06/30/16	1,122	2016	5/31/31	9,002	1,159	—	1,159	82	100.0 %
Rantoul, IL	06/21/16	1,204	2016	4/30/31	9,100	1,266	—	1,266	88	100.0 %

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Location	Acquisition date	Acquisition price/basis	Year built/reno.	Lease expiration (1)	Approx. square footage	Carrying value of asset	Mortgage loan outstanding (2)(3)	Asset net of mortgage loan outstanding	Annual rental income (4)	Ownership Percentage (5)
Flora Vista, NM	06/06/16	1,305	2016	4/30/31	9,002	1,292	—	1,292	95	100.0 %
Champaign, IL	06/03/16	1,324	2016	4/30/31	9,002	1,396	—	1,396	97	100.0 %
Mountain Grove, MO	06/03/16	1,279	2016	4/30/31	10,566	1,361	—	1,361	93	100.0 %
Decatur, IL	06/03/16	1,181	2016	4/30/31	9,002	1,240	945	295	86	100.0 %
San Antonio, TX	05/06/16	1,096	2015	3/31/31	9,100	1,114	886	228	80	100.0 %
Borger, TX	05/06/16	978	2016	3/31/31	9,100	1,013	783	230	71	100.0 %
St.Charles, MN	04/26/16	1,198	2016	3/31/31	9,026	1,222	960	262	87	100.0 %
Philo, IL	04/26/16	1,156	2016	3/31/31	9,026	1,202	923	279	84	100.0 %
Dimmitt, TX	04/26/16	1,319	2016	3/31/31	10,566	1,349	1,046	303	96	100.0 %
Radford, VA	12/23/15	1,564	2015	9/30/30	8,360	1,500	1,138	362	104	100.0 %
Albion, PA	12/23/15	1,525	2015	9/30/30	8,184	1,432	1,135	297	101	100.0 %
Rural Retreat, VA	12/23/15	1,399	2015	9/30/30	8,305	1,344	1,047	297	93	100.0 %
Mount Vernon, AL	12/23/15	1,224	2015	6/30/30	8,323	1,184	952	232	84	100.0 %
Malone, NY	12/16/15	1,474	2015	6/30/30	8,320	1,412	1,088	324	99	100.0 %
Mercedes, TX	12/16/15	1,263	2015	11/30/30	9,100	1,218	839	379	86	100.0 %
Gordonville, MO	11/10/15	1,207	2015	9/30/30	9,026	1,159	775	384	80	100.0 %
Rice, MN	10/28/15	1,242	2015	9/30/30	9,002	1,173	821	352	85	100.0 %
Bixby, OK	10/27/15	12,151	2012	12/31/32	75,996	11,664	7,988	3,676	769	100.0 %
Farmington, IL	10/23/15	1,408	2015	8/31/30	9,100	1,345	899	446	93	100.0 %
Grove, OK	10/20/15	5,583	2012	8/31/32	31,500	5,294	3,641	1,653	364	100.0 %
Jenks, OK	10/19/15	13,418	2009	9/24/33	80,932	12,835	8,839	3,996	912	100.0 %
Bloomington, IL	10/14/15	1,294	2015	8/31/30	9,026	1,238	821	417	85	100.0 %
Montrose, MN	10/14/15	1,193	2015	8/31/30	9,100	1,122	788	334	83	100.0 %
Lincoln County , MO	10/14/15	1,137	2015	8/31/30	9,002	1,087	742	345	76	100.0 %
Wilmington, IL	10/07/15	1,399	2015	8/31/30	9,002	1,336	906	430	93	100.0 %
Danville, IL	10/07/15	1,160	2015	8/31/30	9,100	1,113	742	371	76	100.0 %
Moultrie, GA	09/22/15	1,305	2014	6/30/29	8,225	1,227	934	293	85	100.0 %
Rose Hill, NC	09/22/15	1,420	2014	6/30/29	8,320	1,344	1,004	340	93	100.0 %
Rockingham, NC	09/22/15	1,158	2014	6/30/29	8,320	1,090	824	266	76	100.0 %
Biscoe, NC	09/22/15	1,216	2014	6/30/29	8,320	1,147	863	284	80	100.0 %
De Soto, IL	09/08/15	1,111	2015	7/31/30	9,100	1,055	707	348	76	100.0 %
Kerrville, TX	08/28/15	1,236	2015	7/31/30	9,100	1,165	769	396	84	100.0 %
Floresville, TX	08/28/15	1,312	2015	7/31/30	9,100	1,241	815	426	89	100.0 %
Minot, ND	08/19/15	6,946	2012	1/31/34	55,440	6,663	4,702	1,961	419	100.0 %
Lebanon, MI	08/14/15	1,261	2015	7/31/30	9,050	1,210	821	389	85	100.0 %
Effingham County, IL	08/10/15	1,252	2015	6/30/30	9,002	1,193	821	372	85	100.0 %
Ponce, PR	08/03/15	9,345	2012	8/31/37	15,660	8,909	6,527	2,382	560	100.0 %
Tremont, IL	06/25/15	1,192	2015	5/31/30	9,026	1,126	792	334	82	100.0 %
Pleasanton, TX	06/24/15	1,377	2015	5/31/30	9,026	1,301	868	433	93	100.0 %
Peoria, IL	06/24/15	1,293	2015	5/31/30	9,002	1,221	858	363	87	100.0 %
Bridgeport, IL	06/24/15	1,241	2015	5/31/30	9,100	1,174	825	349	84	100.0 %
Warren, MN	06/24/15	1,090	2015	4/30/30	9,100	1,013	697	316	75	100.0 %
Canyon Lake, TX	06/18/15	1,443	2015	3/31/30	9,100	1,363	911	452	98	100.0 %
Wheeler, TX	06/18/15	1,127	2015	3/31/30	9,002	1,052	719	333	76	100.0 %

Aurora, MN	06/18/15	993	2015	3/31/30	9,100	938	631	307	68	100.0	%
Red Oak, IA	05/07/15	1,208	2014	10/31/29	9,026	1,126	778	348	84	100.0	%
Zapata, TX	05/07/15	1,204	2015	3/31/30	9,100	1,102	746	356	82	100.0	%
St. Francis, MN	03/26/15	1,180	2014	1/31/30	9,002	1,076	732	344	79	100.0	%
Yorktown, TX	03/25/15	1,301	2015	2/28/30	10,566	1,189	784	405	86	100.0	%
Battle Lake, MN	03/25/15	1,168	2014	2/28/30	9,100	1,060	719	341	78	100.0	%
Paynesville, MN	03/05/15	1,254	2015	11/30/26	9,100	1,163	803	360	89	100.0	%
Wheaton, MO	03/05/15	970	2015	11/30/29	9,100	893	652	241	69	100.0	%
Rotterdam, NY	03/03/15	12,619	1996	8/31/32	115,660	11,141	8,897	2,244	940	100.0	%
Hilliard, OH	03/02/15	6,384	2007	8/31/32	14,820	5,962	4,586	1,376	399	100.0	%

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Location	**Acquisition date**	**Acquisition price/basis**	**Year built/reno.**	**Lease expiration (1)**	**Approx. square footage**	**Carrying value of asset**	**Mortgage loan outstanding (2)(3)**	**Asset net of mortgage loan outstanding**	**Annual rental income (4)**	**Ownership Percentage (5)**	
Niles, OH	03/02/15	5,200	2007	11/30/32	14,820	4,849	3,726	1,123	325	100.0	%
Youngstown, OH	02/20/15	5,400	2005	9/30/30	14,820	5,013	3,841	1,172	336	100.0	%
Kings Mountain, NC	01/29/15	24,167	1995	9/30/30	467,781	26,473	18,702	7,771	1,504	100.0	%
Iberia, MO	01/23/15	1,328	2015	12/31/29	10,542	1,223	898	325	94	100.0	%
Pine Island, MN	01/23/15	1,142	2014	4/30/27	9,100	1,040	772	268	81	100.0	%
Isle, MN	01/23/15	1,077	2014	1/31/30	9,100	980	726	254	77	100.0	%
Jacksonville, NC	01/22/15	8,632	2014	12/31/29	55,000	8,075	5,696	2,379	517	100.0	%
Evansville, IN	11/26/14	9,000	2014	12/31/35	71,680	8,323	6,446	1,877	540	100.0	%
Woodland Park, CO	11/14/14	3,969	2014	8/31/29	22,141	3,605	2,807	798	258	100.0	%
Bellport, NY	11/13/14	18,100	2014	8/16/34	87,788	16,678	12,861	3,817	1,119	100.0	%
Ankeny, IA	11/04/14	16,510	2013	10/30/34	94,872	15,276	11,731	3,545	991	100.0	%
Springfield, MO	11/04/14	11,675	2011	10/30/34	88,793	11,001	8,379	2,622	701	100.0	%
Cedar Rapids, IA	11/04/14	11,000	2012	10/30/34	79,389	9,938	7,816	2,122	660	100.0	%
Fairfield, IA	11/04/14	10,695	2011	10/30/34	69,280	9,793	7,603	2,190	642	100.0	%
Owatonna, MN	11/04/14	9,970	2010	10/30/34	70,825	9,208	7,140	2,068	598	100.0	%
Muscatine, IA	11/04/14	7,150	2013	10/30/34	78,218	8,130	5,121	3,009	429	100.0	%
Sheldon, IA	11/04/14	4,300	2011	10/30/34	35,385	4,018	3,079	939	258	100.0	%
Memphis, TN	10/24/14	5,310	1962	12/31/29	68,761	4,832	3,926	906	358	100.0	%
Bennett, CO	10/02/14	3,522	2014	8/31/29	21,930	3,177	2,492	685	229	100.0	%
Conyers, GA	08/28/14	32,530	2014	4/30/29	499,668	29,685	22,842	6,843	1,937	100.0	%
O'Fallon, IL	08/08/14	8,000	1984	1/31/28	141,436	7,467	5,688	1,779	460	100.0	%
El Centro, CA	08/08/14	4,277	2014	6/30/29	19,168	3,922	2,984	938	278	100.0	%
Durant, OK	01/28/13	4,991	2007	2/28/33	14,550	4,412	3,231	1,181	323	100.0	%
Gallatin, TN	12/28/12	5,062	2007	6/30/82	14,820	4,540	3,303	1,237	329	100.0	%
Mt. Airy, NC	12/27/12	4,492	2007	6/30/82	14,820	4,106	2,933	1,173	292	100.0	%
Aiken, SC	12/21/12	5,926	2008	2/28/83	14,550	5,289	3,862	1,427	384	100.0	%
Johnson City, TN	12/21/12	5,262	2007	9/30/82	14,550	4,620	3,433	1,187	341	100.0	%
Palmview, TX	12/19/12	6,820	2012	8/31/87	14,820	6,083	4,572	1,511	437	100.0	%
Ooltewah, TN	12/18/12	5,703	2008	1/31/83	14,550	5,015	3,829	1,186	365	100.0	%
Abingdon, VA	12/18/12	4,688	2006	6/30/81	15,371	4,426	3,074	1,352	300	100.0	%
Wichita, KS	12/14/12	7,200	2012	10/15/62	73,322	6,091	4,791	1,300	536	100.0	%
North Dartmouth, MA	09/21/12	29,965	1989	7/31/57	103,680	24,128	18,997	5,131	2,169	100.0	%
Vineland, NJ	09/21/12	22,507	2003	7/31/57	115,368	18,424	13,940	4,484	1,629	100.0	%
Saratoga Springs, NY	09/21/12	20,222	1994	7/31/57	116,620	16,405	12,525	3,880	1,464	100.0	%
Waldorf, MD	09/21/12	18,803	1999	7/31/57	115,660	16,229	11,646	4,583	1,361	100.0	%
Mooresville, NC	09/21/12	17,644	2000	7/31/57	108,528	14,211	10,928	3,283	1,277	100.0	%
Sennett, NY	09/21/12	7,476	1996	7/31/57	68,160	5,957	4,739	1,218	616	100.0	%
DeLeon Springs, FL	08/13/12	1,242	2011	1/31/27	9,100	1,001	820	181	98	100.0	%
Orange City, FL	05/23/12	1,317	2011	3/31/27	9,026	1,062	797	265	103	100.0	%
Satsuma, FL	04/19/12	1,092	2011	11/30/26	9,026	844	718	126	86	100.0	%
Greenwood, AR	04/12/12	5,147	2009	7/31/84	13,650	4,472	3,416	1,056	332	100.0	%
Snellville, GA	04/04/12	8,000	2011	4/30/32	67,375	6,634	5,318	1,316	596	100.0	%
Columbia, SC	04/04/12	7,800	2001	4/30/32	71,744	6,646	5,173	1,473	581	100.0	%
Millbrook, AL	03/28/12	6,941	2008	1/31/83	14,820	5,952	4,606	1,346	448	100.0	%

Pittsfield, MA	02/17/12	14,700	2011	10/31/61	85,188	12,350	11,122	1,228	1,118	100.0	%
Spartanburg, SC	01/14/11	3,870	2007	8/31/82	14,820	3,425	2,677	748	291	100.0	%
Tupelo, MS	08/13/10	5,128	2007	11/30/92	14,691	4,258	3,090	1,168	400	100.0	%
Lilburn, GA	08/12/10	5,791	2007	4/30/82	14,752	4,786	3,474	1,312	443	100.0	%
Douglasville, GA	08/12/10	5,409	2008	10/31/83	13,434	4,616	3,264	1,352	417	100.0	%
Elkton, MD	07/27/10	4,872	2008	9/30/82	13,706	4,031	2,928	1,103	380	100.0	%
Lexington, SC	06/28/10	4,732	2009	9/30/83	14,820	4,014	2,901	1,113	362	100.0	%
Total Net Lease		**601,185**			**4,214,602**	**546,822**	**384,889**	**161,933**	**40,394**		

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Location	Acquisition date	Acquisition price/basis	Year built/reno.	Lease expiration (1)	Approx. square footage	Carrying value of asset	Mortgage loan outstanding (2)(3)	Asset net of mortgage loan outstanding	Annual rental income (4)	Ownership Percentage (5)
Other										
Jacksonville, FL	05/23/17	115,641	1989	6/30/23	822,540	140,767	—	140,767	7,296	100.0 %
El Monte, CA	04/12/17	54,110	1968	11/1/27	(6)	53,917	—	53,917	6,844	70.0 % (7)
Peoria, IL	10/21/16	2,760	1926	7/31/30	252,940	3,067	—	3,067	1,599	100.0 %
Ewing, NJ	08/04/16	30,640	2009	7/31/30	110,765	30,114	21,837	8,277	1,921	100.0 %
Carmel, NY	10/14/15	6,706	1985	1/31/39	50,121	6,712	—	6,712	463	100.0 %
Wayne, NJ	06/24/15	9,700	1980	7/31/27	56,387	8,852	6,664	2,188	1,128	100.0 %
Grand Rapids, MI	06/18/15	9,731	1963	6/30/24	97,167	8,954	7,232	1,722	841	97.0 % (7)
Grand Rapids, MI	06/18/15	6,300	1992	6/30/24	160,000	5,618	4,923	695	549	97.0 % (7)
St. Paul, MN	09/22/14	62,540	1900	10/1/21	760,318	52,596	48,035	4,561	12,540	97.0 % (7)(8)
Richmond, VA	08/14/14	19,850	1986	4/30/21	195,881	16,491	15,799	692	2,700	77.5 % (7)
Richmond, VA	06/07/13	118,405	1984	4/30/21	994,040	92,124	87,387	4,737	10,607	77.5 % (7)
Oakland County, MI	02/01/13	18,000	1989	12/31/21	240,900	9,859	11,593	(1,734)	3,450	90.0 % (7)
Total Other		**454,383**			**3,741,059**	**429,071**	**203,470**	**225,601**	**49,938**	
Condominium										
Miami, FL	11/21/13	80,000	2010		(9)	18,260	—	18,260	1,625	100.0 % (10)
Las Vegas, NV	12/20/12	119,000	2006		(11)	12,133	—	12,133	361	98.8 % (7)(12)
Total Condominium		**199,000**			**—**	**30,393**	**—**	**30,393**	**1,986**	
Total		**$ 1,254,568**			**7,955,661**	**$ 1,006,286**	**$ 588,359**	**$ 417,927**	**$ 92,318**	

(1) Lease expirations reflect the earliest date the lease is cancellable without penalty, although actual terms may be longer.
(2) Non-recourse.
(3) As more fully described in Note 3, excludes 23 intercompany loans secured by certain of the Company's real estate assets with a combined principal balance of $76.7 million sold to the LCCM LC-26 securitization trust (which had not previously been recognized for accounting purposes because they eliminated in consolidation).
(4) Annual rental income represents twelve months of contractual rental income, excluding concessions, due under leases outstanding for the year ended December 31, 2017. Operating lease income on the consolidated statements of income represents rental income earned and recorded on a straight line basis over the term of the lease.
(5) Properties were consolidated as of acquisition date.
(6) 421 mobile home pads.
(7) See Note 12 for further information regarding noncontrolling interests.
(8) Includes real estate acquired for parking purposes on April 21, 2016 with an acquisition price of $0.2 million and a carrying value of $0.4 million as of June 30, 2017.
(9) 38 remaining condominium units.
(10) We own a portfolio of residential condominium units, some of which are subject to residential leases. We intend to sell these units. The residential leases are generally short term in nature and are not included in the table above given our intention to sell the units.
(11) 72 remaining condominium units.
(12) We own, through a majority-owned joint venture with an operating partner, a portfolio of residential condominium units, some of which are subject to residential leases. The joint venture intends to sell these units. The residential leases are generally short term in nature and are not included in the table above given the joint venture's intention to sell the units.

Other Investments

Unconsolidated Joint Venture. In connection with the origination of a loan in April 2012, we received a 25% equity kicker with the right to convert upon a capital event. On March 22, 2013, we refinanced the loan, and we converted our equity kicker interest into a 25% limited liability company membership interest in Grace Lake JV, LLC ("Grace Lake LLC"). As of June 30, 2017, Grace Lake LLC owned an office building campus with a carrying value of $63.1 million, which is net of accumulated depreciation of $20.5 million, that is financed by $70.3 million of long-term debt. Debt of Grace Lake LLC is non-recourse to the limited liability company members, except for customary non-recourse carve-outs for certain actions and environmental liability. As of June 30, 2017, the book value of our investment in Grace Lake LLC was $4.2 million.

Unconsolidated Joint Venture. On August 7, 2015, the Company entered into a joint venture, 24 Second Avenue Holdings LLC ("24 Second Avenue"), with an operating partner to invest in a ground-up condominium construction and development project located at 24 Second Avenue, New York, NY. The Company contributed $31.1 million for a 73.8% interest, with the operating partner holding the remaining 26.2% interest. The Company is entitled to income allocations and distributions based upon its membership interest of 73.8% until the Company achieves a 1.70x profit multiple, after which, income is allocated and distributed 50% to the Company and 50% to the operating partner. As of June 30, 2017, the existing building has been demolished, and we are anticipating completion in 2018. Our operating partner entered into a construction loan with Ladder in the amount of $50.5 million to fund the project. As of June 30, 2017, draws of $27.9 million have been taken against the construction loan. The Company has no remaining capital commitment to our operating partner. As of June 30, 2017, the book value of our investment in 24 Second Avenue was $30.3 million.

FHLB Stock. Tuebor Captive Insurance Company LLC ("Tuebor") is a member of the FHLB. Each member of the FHLB must purchase and hold FHLB stock as a condition of initial and continuing membership, in proportion to their borrowings from the FHLB and levels of certain assets. Members may need to purchase additional stock to comply with these capital requirements from time to time. FHLB stock is redeemable by Tuebor upon five years' prior written notice, subject to certain restrictions and limitations. Under certain conditions, the FHLB may also, at its sole discretion, repurchase FHLB stock from its members. As of June 30, 2017, the book value of our investment in FHLB Stock was $77.9 million.

Our Financing Strategies

Our financing strategies are critical to the success and growth of our business. We manage our financing to complement our asset composition and to diversify our exposure across multiple capital markets and counterparties.

We fund our investments in commercial real estate loans and securities through multiple sources, including the $611.6 million of gross cash proceeds we raised in our initial equity private placement beginning in October 2008, the $257.4 million of gross cash proceeds we raised in our follow-on equity private placement in the third quarter of 2011, proceeds from the issuance of $325.0 million of 2017 Notes in 2012, the $238.5 million of net proceeds from the issuance of Class A common stock in 2014, proceeds from the issuance of $300.0 million of 2021 Notes in 2014, proceeds from the issuance of $500.0 million of 2022 Notes in 2017, current and future earnings and cash flow from operations, existing debt facilities, and other borrowing programs in which we participate.

We finance our portfolio of commercial real estate loans using committed term facilities provided by multiple financial institutions, with total commitments of $1.7 billion at June 30, 2017, a $168.5 million Revolving Credit Facility and through our FHLB membership. As of June 30, 2017, there was $848.6 million outstanding under the committed term facilities. We finance our securities portfolio, including CMBS and U.S. Agency Securities, through our FHLB membership, a $400.0 million committed term master repurchase agreement from a leading domestic financial institution and uncommitted master repurchase agreements with numerous counterparties. As of June 30, 2017, we had total outstanding balances of $301.0 million under all securities master repurchase agreements. We finance our real estate investments with non-recourse first mortgage loans. As of June 30, 2017, we had outstanding balances of $588.4 million on these non-recourse mortgage loans.

In addition to the amounts outstanding on our other facilities, we had $1.4 billion of borrowings from the FHLB outstanding at June 30, 2017. As of June 30, 2017, we also had a $168.5 million Revolving Credit Facility, with $100.0 million borrowings outstanding, and $766.2 million of Notes issued and outstanding. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" and Note 7, Debt Obligations, Net in our consolidated financial statements included elsewhere in this Quarterly Report for more information about our financing arrangements.

We enter into interest rate and credit spread derivative contracts to mitigate our exposure to changes in interest rates and credit spreads. We generally seek to hedge the interest rate risk on the financing of assets that have a duration longer than five years, including newly-originated conduit first mortgage loans, securities in our CMBS portfolio if long enough in duration, and most of our U.S. Agency Securities portfolio. We monitor our asset profile and our hedge positions to manage our interest rate and credit spread exposures, and we seek to match fund our assets according to the liquidity characteristics and expected holding periods of our assets.

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We generally seek to maintain a debt-to-equity ratio, excluding non-recourse liabilities for transfers not considered sales, of approximately 3.0:1.0 or below. We expect this ratio to fluctuate during the course of a fiscal year due to the normal course of business in our conduit lending operations, in which we generally securitize our inventory of conduit loans at intervals, and also because of changes in our asset mix, due in part to such securitizations. As of June 30, 2017, our debt-to-equity ratio was 3.2:1.0 and our debt-to-equity ratio, excluding non-recourse liabilities for transfers not considered sales of $632.1 million and including other debt obligations associated with transfers not considered sales of $76.7 million was 2.8:1.0. We believe that our predominantly senior secured assets and our moderate leverage provide financial flexibility to be able to capitalize on attractive market opportunities as they arise.

From time to time, we may add financing counterparties that we believe will complement our business, although the agreements governing our indebtedness may limit our ability and the ability of our present and future subsidiaries to incur additional indebtedness. Our amended and restated charter and by-laws do not impose any threshold limits on our ability to use leverage.

Factors Impacting Operating Results

There are a number of factors that influence our operating results in a meaningful way. The most significant factors include: (1) our competition; (2) market and economic conditions; (3) loan origination volume; (4) profitability of securitizations; (5) avoidance of credit losses; (6) availability of debt and equity funding and the costs of that funding; (7) the net interest margin on our investments; (8) effectiveness of our hedging and other risk management practices; (8) real estate transaction volumes; (9) occupancy rates; and (10) expense management.

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Results of Operations

Three months ended June 30, 2017 compared to the three months ended June 30, 2016

Investment overview

Investment activity in the three months ended June 30, 2017 focused on loan originations and securities activity. We originated and funded $598.2 million in principal value of commercial mortgage loans in the three months ended June 30, 2017. We acquired $30.2 million of new securities, which excludes $62.7 million of securities not recognized for accounting purposes that were acquired in connection with loan transfers not considered sales, which was offset by $308.5 million of sales and $7.5 million of amortization in the portfolio, which partially contributed to a net decrease in our securities portfolio of $294.4 million during the three months ended June 30, 2017. We also invested $178.1 million in real estate.

Investment activity in the three months ended June 30, 2016 focused on loan originations and securities investments. We originated and funded $431.9 million in principal value of commercial mortgage loans in the three months ended June 30, 2016. We acquired $302.7 million of new securities, which was offset by $114.2 million of sales and $99.5 million of amortization in the portfolio, which partially contributed to a net increase in our securities portfolio of $101.3 million. We also invested $16.0 million in real estate.

Operating overview

Net income (loss) attributable to Class A common shareholders totaled $10.7 million for the three months ended June 30, 2017, compared to $2.8 million for the three months ended June 30, 2016. The most significant drivers of the $7.9 million increase are as follows:

- an increase in total other income of $9.7 million, primarily as a result of a $8.6 million increase in net results from derivative transactions and an increase of $4.1 million in gain (loss) on securities, partially offset by a decrease of $2.8 million in sale of loans, net and a $2.7 million decrease in gain (loss) on realized gain on the sale of real estate;

- an increase in net interest income of $3.2 million, primarily as a result of higher average loan balances and higher interest expense primarily attributable to the increase in LIBOR rates throughout 2016 and 2017, partially offset by the decrease in the average yield on the securities portfolio year-over-year;

- an increase in total costs and expenses of $2.7 million compared to the prior year, primarily as a result of a $1.1 million increase in operating expenses primarily related to increases in entity level taxes on our real estate subsidiaries, information technology expenses and bank fees and a $1.1 million increase in salaries and employee benefits related to vesting of equity based compensation, partially offset by a decrease in real estate operating expenses; and

- a decrease in income tax expense (benefit) of $0.9 million compared to the prior year, primarily as a result of decreased income in our TRSs and certain other one-time adjustments.

Core Earnings, a non-GAAP financial measure, totaled $51.2 million for the three months ended June 30, 2017, compared to $30.9 million for the three months ended June 30, 2016. The significant components of the $20.3 million increase in Core Earnings are an increase in profits on sales of loans, net of $25.6 million, an increase in profits on gain (loss) on securities of $4.2 million and an increase in net interest income of $3.2 million, partially offset by a decrease in net results from derivative transactions of $6.8 million and an increase of total costs and expenses of $5.1

million. See "—Reconciliation of Non-GAAP Financial Measures" for our definition of Core Earnings and a reconciliation to income (loss) before taxes.

Net interest income

Interest income totaled $66.1 million for the three months ended June 30, 2017, compared to $55.8 million for the three months ended June 30, 2016. For the three months ended June 30, 2017, securities investments averaged $1.6 billion and loan investments averaged $3.1 billion. For the three months ended June 30, 2016, securities investments averaged $2.6 billion and loan investments averaged $2.0 billion. There was a $1.1 billion increase in loan investments, partially offset by a $1.0 billion decrease in securities investments, resulting in higher interest income.

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Interest expense totaled $35.6 million for the three months ended June 30, 2017, compared to $28.4 million for the three months ended June 30, 2016. The $7.2 million increase in interest expense was primarily attributable to an increase in average debt obligations, the increase in LIBOR rates throughout 2016 and 2017 and a shift away from borrowings from the FHLB and securities repurchase financing, a lower cost source of funding, to higher cost, loan repurchase financing and senior unsecured notes. Our interest expense also includes interest expense related to mortgage loan financing against our real estate investments. Our investment in real estate and related lease intangibles, net has continued to increase during 2017 and 2016 and our mortgage loan financing secured by such investments has also similarly increased. Our interest expense related to mortgage loan financing increased by $2.0 million from $2.5 million for the three months ended June 30, 2016 to $4.5 million for the three months ended June 30, 2017, primarily as a result of our increase in average outstanding mortgage loan financing of $588.8 million for the three months ended June 30, 2017 compared to $547.5 million for the three months ended June 30, 2016 and the increase in the average cost of financing.

Net interest income after provision for loan losses totaled $30.5 million for the three months ended June 30, 2017, compared to $27.2 million for the three months ended June 30, 2016. The $3.3 million increase in net interest income after provision for loan losses was primarily attributable to the increase in net interest income and increase in interest expense discussed above.

Cost of funds, a non-GAAP financial measure, totaled $41.0 million for the three months ended June 30, 2017, compared to $35.6 million for the three months ended June 30, 2016. The $5.4 million increase in cost of funds was primarily attributable to a rise in interest rates period over period and an increase of average debt outstanding of $272.6 million.

We present cost of funds, which is a non-GAAP financial measure, as a supplemental measure of the Company's cost of debt financing. We define cost of funds as interest expense as reported on our consolidated statements of income adjusted to include the net interest expense component resulting from our hedging activities, which is currently included in net results from derivative transactions on our consolidated statements of income. See "—Reconciliation of Non-GAAP Financial Measures" for our definition of cost of funds and a reconciliation to interest expense.

Interest spreads

As of June 30, 2017, the weighted average yield on our mortgage loan receivables was 6.5%, compared to 6.6% as of June 30, 2016 as the weighted average yield on new loans originated was lower than the weighted average yield on loans that were securitized or paid off. As of June 30, 2017, the weighted average interest rate on borrowings against our mortgage loan receivables was 2.8%, compared to 2.0% as of June 30, 2016. The increase in the rate on borrowings against our mortgage loan receivables from June 30, 2016 to June 30, 2017 was primarily due to higher prevailing market borrowing rates. As of June 30, 2017, we had outstanding borrowings secured by our mortgage loan receivables equal to 38.2% of the carrying value of our mortgage loan receivables, compared to 43.7% as of June 30, 2016.

As of June 30, 2017 and 2016, the weighted average yield on our real estate securities was 2.9% as the weighted average yield on securities purchased was lower than the weighted average yield on securities that were sold or paid off. As of June 30, 2017, the weighted average interest rate on borrowings against our real estate securities was 1.6%, compared to 1.1% as of June 30, 2016. The increase in the rate on borrowings against our real estate securities from June 30, 2016 to June 30, 2017 was primarily due to higher prevailing market borrowing rates. As of June 30, 2017, we had outstanding borrowings secured by our real estate securities equal to 85.2% of the carrying value of our real estate securities, compared to 83.7% as of June 30, 2016.

Our real estate is comprised of non-interest bearing assets; however, interest incurred on mortgage financing collateralized by such real estate is included in interest expense. As of June 30, 2017 and 2016, the weighted average interest rate on mortgage borrowings against our real estate was 4.9%. As of June 30, 2017, we had outstanding borrowings secured by our real estate equal to 58.5% of the carrying value of our real estate, compared to 67.6% as of June 30, 2016.

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Provision for loan losses

We had no provision for loan loss expense for the three months ended June 30, 2017 compared to $0.2 million for the three months ended June 30, 2016. We originate and invest primarily in loans with high credit quality, and we sell our conduit loans in the ordinary course of business. We estimate our loan loss provision based on our historical loss experience and our expectation of losses inherent in the investment portfolio but not yet realized. To ensure that the risk exposures are properly measured and the appropriate reserves are taken, the Company assesses a loan loss provision balance that will grow over time with its portfolio and the related risk as the assets approach maturity and ultimate refinancing where applicable. As a result, we determined that no provision expense for loan losses was required for the three months ended June 30, 2017. As of June 30, 2017, two of the Company's loans, which were originated simultaneously as part of a single transaction, with a carrying value of $26.9 million were in default. The Company determined that no impairment was necessary due to the property's liquidation value and continues to accrue interest on these loans.

Operating lease income and tenant recoveries

Operating lease income totaled $22.2 million for the three months ended June 30, 2017, compared to $19.1 million for the three months ended June 30, 2016. The increase of $3.1 million was attributable to acquisitions, which increased real estate to $1.0 billion at June 30, 2017 versus $808.8 million at June 30, 2016, as well as a full period of operations of properties acquired in 2016.

Tenant recoveries totaled $1.2 million for the three months ended June 30, 2017, compared to $1.3 million for the three months ended June 30, 2016. The decrease of $0.1 million reflects the decrease in recoveries on an existing office property due to a lease expiration, partially offset by additional recoveries on properties acquired in 2017 and a full period of recoveries on properties acquired in 2016.

Sales of loans, net

We recorded no income (loss) from sales of loans, net, which includes all loan sales, whether by securitization, whole loan sales or other means, for the three months ended June 30, 2017, compared to $2.8 million for the three months ended June 30, 2016, a decrease of $2.8 million. Income from sales of loans, net also includes unrealized losses on loans recorded as other than temporary impairments related to lower of cost or market adjustments. In the three months ended June 30, 2017, we participated in one securitization transaction, transferring 57 loans with an aggregate outstanding principal balance of $625.7 million; however, restrictions, imposed by the risk retention rules of the Dodd-Frank Act described elsewhere in this Quarterly Report, on certain securities issued from the securitization precludes sales accounting for these loans, requiring us to defer income over the life of the securitization rather than recognizing it in sale of loans, net at the time of the securitization. In the three months ended June 30, 2016, we participated in no securitization transactions, however, we did have whole loan sales. Income from sales of loans, net is subject to market conditions impacting timing, size and pricing and as such may vary significantly quarter to quarter. There was $(7.7) million income (loss) from sales of securitized loans, net of hedging for the three months ended June 30, 2017, relating to hedge losses relating to the loans securitized described above and no income from sales of securitized loans, net of hedging for the three months ended June 30, 2016 due to no securitization activity during that period.

Income from sale of loans, net, represents gross proceeds received from the sale of loans, less the book value of those loans at the time they were sold, less any costs, such as legal and closing costs, associated with the sale. Income from sales of securitized loans, net, a non-GAAP financial measure, represents the portion of income from sales of loans, net related to the sale of loans into securitization trusts. See "—Reconciliation of Non-GAAP Financial Measures" for our definition of income from sale of securitized loans, net of hedging and a reconciliation to income from sale of loans, net.

Realized gain (loss) on securities

Realized gain (loss) on securities totaled $7.1 million for the three months ended June 30, 2017, compared to $3.0 million for the three months ended June 30, 2016, an increase of $4.1 million. For the three months ended June 30, 2017, we sold $308.5 million of CMBS securities. For the three months ended June 30, 2016, we sold $113.4 million of securities, comprised of $113.4 million of CMBS and no U.S. Agency Securities. The increase reflects higher transaction volume in 2017 as compared to 2016.

Unrealized gain (loss) on Agency interest-only securities

Unrealized gain (loss) on Agency interest-only securities represented a gain of $0.3 million for the three months ended June 30, 2017, compared to a loss of $0.6 million for the three months ended June 30, 2016. The positive change of $0.9 million in unrealized gain (loss) on Agency interest-only securities was due to the increase in interest rates throughout 2016 and 2017, partially offset by sales and amortization of the portfolio.

Income from sales of real estate, net

For the three months ended June 30, 2017, income from sales of real estate, net totaled $2.2 million compared to $4.9 million for the three months ended June 30, 2016. The decrease of $2.7 million was a result of the commercial real estate and residential condominium sales discussed below.

During the three months ended June 30, 2017 and 2016, we sold no single-tenant net leased properties.

During the three months ended June 30, 2017, income from sales of residential condominiums totaled $2.2 million. We sold nine residential condominium units from Veer Towers in Las Vegas, NV, resulting in a net gain on sale of $1.7 million, and 10 residential condominium units from Terrazas River Park Village in Miami, FL, resulting in a net gain on sale of $0.5 million. During the three months ended June 30, 2016, income from sales of residential condominiums totaled $4.9 million. We sold 23 residential condominium units from Veer Towers in Las Vegas, NV, resulting in a net gain on sale of $3.7 million, and 17 residential condominium units from Terrazas River Park Village in Miami, FL, resulting in a net gain on sale of $1.2 million.

Fee and other income

Fee and other income totaled $4.6 million for the three months ended June 30, 2017, compared to $6.2 million for the three months ended June 30, 2016. We generate fee and other income from origination fees, exit fees and other fees on the loans we originate and in which we invest, HOA fees, unrealized gains (losses) on our investment in mutual fund and dividend income on our investment in FHLB stock. The $1.6 million decrease in fee and other income year-over-year was primarily due to a decrease in exit fees and HOA fee income.

Net result from derivative transactions

Net result from derivative transactions represented a loss of $16.0 million for the three months ended June 30, 2017, which was comprised of an unrealized gain of $4.3 million and a realized loss of $20.3 million, compared to a loss of $24.6 million which was comprised of an unrealized loss of $14.0 million and a realized loss of $10.6 million, for the three months ended June 30, 2016, a positive change of $8.6 million. The derivative positions that generated these results were a combination of interest rate swaps, caps, and futures that we employed in an effort to hedge the interest rate risk on the financing of our fixed rate assets and the net interest income we earn against the impact of changes in interest rates. The loss in 2017 was primarily related to the movement in interest rates during the three months ended June 30, 2017. The total net result from derivative transactions is composed of hedging interest expense, realized gains/losses related to hedge terminations and unrealized gains/losses related to changes in the fair value of asset hedges. The hedge positions were related to fixed rate conduit loans and securities investments.

Earnings (loss) from investment in unconsolidated joint ventures

Total earnings (loss) from investment in unconsolidated joint ventures totaled $10,416 for the three months ended June 30, 2017, compared to $(0.2) million for the three months ended June 30, 2016. There were no earnings from our investment in LCRIP I for the three months ended June 30, 2016. The term of LCRIP I expired on April 15, 2016. At that time, LCRIP I made distributions to the partners in the aggregate amounts determined by the general partner in accordance with the Limited Partnership Agreement. Earnings from our investment in Grace Lake JV totaled $0.3 million and $0.2 million for the three months ended June 30, 2017 and 2016, respectively. Earnings (loss) from our investment in 24 Second Avenue totaled $(0.3) million and $(0.4) million for the three months ended June 30, 2017 and 2016, respectively. The loss is due to a negative return related to upfront development costs on the investment.

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Salaries and employee benefits

Salaries and employee benefits totaled $14.5 million for the three months ended June 30, 2017, compared to $13.4 million for the three months ended June 30, 2016. Salaries and employee benefits are comprised primarily of salaries, bonuses, originator bonuses related to loan profitability, equity based compensation and other employee benefits. The increase of $1.1 million in compensation expense was attributable to an increase in equity based compensation expense related to vesting during the three months ended June 30, 2017.

Operating expenses

Operating expenses totaled $5.8 million for the three months ended June 30, 2017, compared to $4.7 million for the three months ended June 30, 2016. Operating expenses are primarily comprised of professional fees, lease expense, and technology expenses. The increase of $1.1 million was primarily related to increased corporate filing fees.

Real estate operating expenses

Real estate operating expenses totaled $8.1 million for the three months ended June 30, 2017, compared to $9.1 million for the three months ended June 30, 2016. The decrease of $1.0 million in real estate operating expenses was in part due to the decreased operating expenses related to the smaller inventory of condominium properties, partially offset by additional expenses related to real estate acquisitions in 2016 and 2017.

Fee expense

Fee expense totaled $1.6 million for the three months ended June 30, 2017, compared to $0.9 million for the three months ended June 30, 2016. Fee expense is comprised primarily of custodian fees, financing costs and servicing fees related to loans. The increase of $0.7 million in fee expense was primarily attributable to the increase in the balance of our mortgage loan receivables held for investment, net, at amortized cost at June 30, 2017, as compared to June 30, 2016.

Depreciation and amortization

Depreciation and amortization totaled $10.1 million for the three months ended June 30, 2017, compared to $9.3 million for the three months ended June 30, 2016. The $0.8 million increase in depreciation and amortization is primarily attributable to acquisitions, which increased real estate to $1.0 billion at June 30, 2017 versus $808.8 million at June 30, 2016, as well as a full period of depreciation and amortization on properties acquired in 2016.

Income tax (benefit) expense

Most of our consolidated income tax provision related to the business units held in our TRSs. Income tax (benefit) expense totaled $(1.4) million for the three months ended June 30, 2017, compared to $(2.3) million for the three months ended June 30, 2016. The decrease of $0.9 million is primarily attributable to the decreased income in our TRSs.

Six months ended June 30, 2017 compared to the six months ended June 30, 2016

Investment overview

Investment activity in the six months ended June 30, 2017 focused on loan and security activities. We originated and funded $1.1 billion in principal value of commercial mortgage loans, which was offset by $176.8 million of principal repayments in the six months ended June 30, 2017. We acquired $75.9 million of new securities, which was offset by $669.8 million of sales and $81.7 million of amortization in the portfolio, which partially contributed to a net decrease in our securities portfolio of $693.4 million. We also invested $182.0 million in real estate and received proceeds from the sale of real estate of $12.6 million.

Investment activity in the six months ended June 30, 2016 focused on loan originations and securities investments. We originated and funded $551.0 million in principal value of commercial mortgage loans in the six months ended June 30, 2016. We acquired $530.5 million of new securities, which was offset by $129.6 million of sales and $135.6 million of amortization in the portfolio, which partially contributed to a net increase in our securities portfolio of $293.0 million. We also invested $16.0 million in real estate and received proceeds from the sale of real estate of $37.6 million.

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Operating overview

Net income (loss) attributable to Class A common shareholders totaled $24.1 million for the six months ended June 30, 2017, compared to $(2.7) million for the six months ended June 30, 2016. The most significant drivers of the $26.8 million increase were as follows:

- an increase in total other income (loss) of $47.2 million, primarily as a result of a $57.5 million increase in net results from derivative transactions and an increase of $10.1 million in realized gains on securities, partially offset by a decrease of $11.6 million in sales of loans, net and a $6.4 million decrease in profits on sale of real estate;

- an increase in total costs and expenses of $5.8 million compared to the prior year, primarily as a result of a $4.5 million increase in salaries and employee benefits primarily as a result of vesting of equity compensation; and

- a decrease in income tax expense (benefit) of $0.4 million compared to the prior year, primarily as a result of decreased income in our TRSs and certain other one-time adjustments.

Core Earnings, a non-GAAP financial measure, totaled $82.7 million for the six months ended June 30, 2017, compared to $69.1 million for the six months ended June 30, 2016. The significant components of the $13.6 million increase in Core Earnings are an increase in total other income (loss) of $18.4 million, primarily as a result of an increase of $16.6 million in sale of loans, net, an increase of $10.1 million in gain (loss) on securities and an increase of $0.8 million in net results from derivative transactions, partially offset by a decrease of $6.4 million in sale of real estate, net and a decrease of $5.4 million of gain (loss) on extinguishment of debt and an increase in total costs and expenses discussed in the preceding paragraph. See "—Reconciliation of Non-GAAP Financial Measures" for our definition of Core Earnings and a reconciliation to income (loss) before taxes.

Net interest income

Interest income totaled $123.6 million for the six months ended June 30, 2017, compared to $115.4 million for the six months ended June 30, 2016. For the six months ended June 30, 2017, securities investments averaged $1.7 billion and loan investments averaged $2.8 billion. For the six months ended June 30, 2016, securities investments averaged $2.6 billion and loan investments averaged $2.1 billion. There was a $714.8 million increase in loan investments, offset by a $826.7 million decrease in securities investments, resulting in higher interest income.

Interest expense totaled $67.0 million for the six months ended June 30, 2017, compared to $57.9 million for the six months ended June 30, 2016. The $9.1 million increase in interest expense was primarily attributable to an increase in average debt obligations, the increase in LIBOR rates throughout 2016 and 2017 and a shift away from borrowings from the FHLB and securities repurchase financing, a lower cost source of funding, to higher cost, loan repurchase financing and senior unsecured notes. Our interest expense also includes interest expense related to mortgage loan financing against our real estate investments. Our investment in real estate and related lease intangibles, net has continued to increase during 2017 and 2016 and our mortgage loan financing secured by such investments has also similarly increased. Our interest expense related to mortgage loan financing increased by $0.1 million from $9.1 million for the six months ended June 30, 2016 to $9.2 million for the six months ended June 30, 2017, primarily as a result of our increase in average outstanding mortgage loan financing of $589.2 million for the six months ended June 30, 2017 compared to $541.8 million for the six months ended June 30, 2016 and the increase in the average cost of financing.

Net interest income after provision for loan losses totaled $56.6 million for the six months ended June 30, 2017, compared to $57.1 million for the six months ended June 30, 2016. The $0.5 million decrease in net interest income after provision for loan losses was primarily attributable to the increase in net interest income, increase in interest expense discussed above and increase in debt obligations.

Cost of funds, a non-GAAP financial measure, totaled $76.1 million for the six months ended June 30, 2017, compared to $72.5 million for the six months ended June 30, 2016. The $3.6 million increase in cost of funds was primarily attributable to the increase the increase in LIBOR rates throughout 2016 and 2017 and a shift away from borrowings from the FHLB and securities repurchase financing, a lower cost source of funding, to higher cost, loan repurchase financing and senior unsecured notes.

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We present cost of funds, which is a non-GAAP financial measure, as a supplemental measure of the Company's cost of debt financing. We define cost of funds as interest expense as reported on our consolidated statements of income adjusted to include the net interest expense component resulting from our hedging activities, which is currently included in net results from derivative transactions on our consolidated statements of income. See "—Reconciliation of Non-GAAP Financial Measures" for our definition of cost of funds and a reconciliation to interest expense.

Interest spreads

As of June 30, 2017, the weighted average yield on our mortgage loan receivables was 6.5%, compared to 6.6% as of June 30, 2016 as the weighted average yield on new loans originated was lower than the weighted average yield on loans that were securitized or paid off. As of June 30, 2017, the weighted average interest rate on borrowings against our mortgage loan receivables was 2.8%, compared to 2.0% as of June 30, 2016. The increase in the rate on borrowings against our mortgage loan receivables from June 30, 2016 to June 30, 2017 was primarily due to higher prevailing market borrowing rates. As of June 30, 2017, we had outstanding borrowings secured by our mortgage loan receivables equal to 38.2% of the carrying value of our mortgage loan receivables, compared to 43.7% as of June 30, 2016.

As of June 30, 2017 and 2016, the weighted average yield on our real estate securities was 2.9% as the weighted average yield on securities purchased was lower than the weighted average yield on securities that were sold or paid off. As of June 30, 2017, the weighted average interest rate on borrowings against our real estate securities was 1.6%, compared to 1.1% as of June 30, 2016. The increase in the rate on borrowings against our real estate securities from June 30, 2016 to June 30, 2017 was primarily due to higher prevailing market borrowing rates. As of June 30, 2017, we had outstanding borrowings secured by our real estate securities equal to 85.2% of the carrying value of our real estate securities, compared to 83.7% as of June 30, 2016.

Our real estate is comprised of non-interest bearing assets; however, interest incurred on mortgage financing collateralized by such real estate is included in interest expense. As of June 30, 2017 and 2016, the weighted average interest rate on mortgage borrowings against our real estate was 4.9%. As of June 30, 2017, we had outstanding borrowings secured by our real estate equal to 58.5% of the carrying value of our real estate, compared to 67.6% as of June 30, 2016.

Provision for loan losses

We had no provision for loan loss expense for the six months ended June 30, 2017 compared to $0.3 million provision for loan losses for the six months ended June 30, 2016. We originate and invest primarily in loans with high credit quality, and we sell our conduit loans in the ordinary course of business. We estimate our loan loss provision based on our historical loss experience and our expectation of losses inherent in the investment portfolio but not yet realized. To ensure that the risk exposures are properly measured and the appropriate reserves are taken, the Company assesses a loan loss provision balance that will grow over time with its portfolio and the related risk as the assets approach maturity and ultimate refinancing where applicable. As a result, we determined that no provision expense for loan losses was required for the six months ended June 30, 2017. As of June 30, 2017, two of the Company's loans, which were originated simultaneously as part of a single transaction, with a carrying value of $26.9 million were in default. The Company determined that no impairment was necessary due to the property's liquidation value and continues to accrue interest on these loans.

Operating lease income and tenant recoveries

Operating lease income totaled $41.8 million for the six months ended June 30, 2017, compared to $38.4 million for the six months ended June 30, 2016. The increase of $3.4 million was primarily attributable was attributable to acquisitions, which increased real estate to $1.0 billion at June 30, 2017 versus $808.8 million at June 30, 2016, as well as a full period of operations of properties acquired in 2016. Tenant recoveries totaled $2.7 million for the six months ended June 30, 2017 and 2016.

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Sale of loans, net

Income (loss) from sale of loans, net, which includes all loan sales, whether by securitization, whole loan sales or other means, totaled $(1.0) million for the six months ended June 30, 2017, compared to $10.6 million for the six months ended June 30, 2016, a decrease of $11.6 million. Income from sales of loans, net also includes unrealized losses on loans recorded as other than temporary impairments related to lower of cost or market adjustments. In the six months ended June 30, 2017, we participated in one securitization transaction, transferring 57 loans with an aggregate outstanding principal balance of $625.7 million however, restrictions, imposed by the risk retention rules of the Dodd-Frank Act described elsewhere in this Quarterly Report, on certain securities issued from the securitization precludes sales accounting for these loans, requiring us to defer income over the life of the securitization rather than recognizing it in sale of loans, net at the time of the securitization. In addition, in the six months ended June 30, 2017, we recorded $1.0 million of unrealized losses on loans recorded as other than temporary impairments related to lower of cost or market adjustments. In the six months ended June 30, 2016, we participated in two separate securitization transactions, selling 26 loans with an aggregate outstanding principal balance of $249.2 million. Income from sales of loans, net is subject to market conditions impacting timing, size and pricing and as such may vary significantly quarter to quarter. There was $(7.7) million income (loss) from sales of securitized loans, net of hedging for the six months ended June 30, 2017, relating to hedge losses related to the loans securitized described above and there was $3.7 million income from sales of securitized loans, net of hedging for the six months ended June 30, 2016. The decrease in income from sales of securitized loans, net of hedging was due to the accounting described above.

Income from sale of loans, net, represents gross proceeds received from the sale of loans, less the book value of those loans at the time they were sold and any costs, such as legal and closing costs, associated with the sale. Income from sales of securitized loans, net of hedging, a non-GAAP financial measure, represents the portion of income from sale of loans, net related to the sale of loans into securitization trusts. See "—Reconciliation of Non-GAAP Financial Measures" for our definition of income from sales of securitized loans, net of hedging and a reconciliation to income from sale of loans, net.

Realized gain (loss) on securities

Realized gain (loss) on securities totaled $12.5 million for the six months ended June 30, 2017, compared to $2.4 million for the six months ended June 30, 2016, an increase of $10.1 million. Other than temporary impairment on U.S. Agency Securities, which is included in realized gain (loss) on securities totaled $(1.0) million of that decrease. For the six months ended June 30, 2017, we sold $669.8 million of CMBS securities. For the six months ended June 30, 2016, we sold $128.9 million of securities, comprised of $128.4 million of CMBS and $0.5 million U.S. Agency Securities. The increase in sales of securities reflects higher transaction volume in 2017 as compared to 2016.

Unrealized gain (loss) on Agency interest-only securities

Unrealized gain (loss) on Agency interest-only securities represented a gain of $0.5 million for the six months ended June 30, 2017, compared to a gain of $0.1 million for the six months ended June 30, 2016. The positive change of $0.4 million in unrealized gain (loss) on Agency interest-only securities was due to the increase in interest rates throughout 2016 and 2017; partially offset by sales and amortization of the portfolio.

Income from sales of real estate, net

For the six months ended June 30, 2017, income from sales of real estate, net totaled $4.6 million, compared to $11.0 million for the six months ended June 30, 2016. The decrease of $6.4 million was a result of the commercial real estate and residential condominium sales discussed below.

During the six months ended June 30, 2017, we had no sales of single-tenant retail properties. During the six months ended June 30, 2016, we sold one single-tenant retail properties resulting in a net gain on sale of $0.7 million.

During the six months ended June 30, 2017, income from sales of residential condominiums totaled $4.6 million. We sold 21 residential condominium units from Veer Towers in Las Vegas, NV, resulting in a net gain on sale of $3.6 million, and 16 residential condominium units from Terrazas River Park Village in Miami, FL, resulting in a net gain on sale of $1.0 million. During the six months ended June 30, 2016, income from sales of residential condominiums totaled $10.3 million. We sold 40 residential condominium units from Veer Towers in Las Vegas, NV, resulting in a net gain on sale of $7.7 million, and 38 residential condominium units from Terrazas River Park Village in Miami, FL, resulting in a net gain on sale of $2.6 million.

Fee and other income

Fee and other income totaled $9.0 million for the six months ended June 30, 2017, compared to $9.2 million for the six months ended June 30, 2016. We generated fee income from origination fees, exit fees and other fees on the loans we originate and in which we invest, HOA fees and dividend income on our investment in FHLB stock. The $0.2 million decrease in fee and other income year-over-year was primarily due to a decrease in exit fees.

Net result from derivative transactions

Net result from derivative transactions represented a loss of $18.0 million for the six months ended June 30, 2017, which was comprised of an unrealized loss of $1.3 million and a realized loss of $16.7 million, compared to a loss of $75.5 million, for the six months ended June 30, 2016, which was comprised of an unrealized loss of $23.7 million and a realized loss of $51.8 million, a positive change of $57.5 million. The derivative positions that generated these results were a combination of interest rate swaps, caps, and futures that we employed in an effort to hedge the interest rate risk on the financing of our fixed rate assets and the net interest income we earn against the impact of changes in interest rates. The loss in 2017 was primarily related to movement in interest rates during the six months ended June 30, 2017. The total net result from derivative transactions is comprised of hedging interest expense, realized gains/losses related to hedge terminations and unrealized gains/losses related to changes in the fair value of asset hedges. The hedge positions were related to fixed rate conduit loans and securities investments.

Earnings (loss) from investment in unconsolidated joint ventures

Total earnings (loss) from investment in unconsolidated joint ventures totaled $(0.1) million for the six months ended June 30, 2017, compared to $0.6 million for the six months ended June 30, 2016. Earnings from our investment in LCRIP I totaled $0.9 million for the six months ended June 30, 2016, which primarily reflects additional earnings from our investment in LCRIP I of $0.9 million recorded in 2016, predominately relating to prior years. For additional information, refer to "Out-of-Period Adjustments" in Note 2. Significant Accounting Policies to the consolidated financial statements. The term of LCRIP I expired on April 15, 2016. At that time, LCRIP I made distributions to the partners in the aggregate amounts determined by the general partner in accordance with the Limited Partnership Agreement. Earnings from our investment in Grace Lake LLC totaled $0.5 million for the six months ended June 30, 2017, compared to $0.5 million for the six months ended June 30, 2016. Earnings (loss) from our investment in 24 Second Avenue totaled $(0.6) million for the six months ended June 30, 2017, compared to $(0.7) million for the six months ended June 30, 2016. We made our investment in 24 Second Avenue on August 7, 2015 and incurred $0.6 million and $0.7 million in construction costs and pre-completion sales and marketing costs during the construction period for the six months ended June 30, 2017 and 2016, respectively.

Gain (loss) on extinguishment of debt

Gain (loss) on extinguishment of debt totaled $(0.1) million for the six months ended June 30, 2017, compared to $5.4 million for the six months ended June 30, 2016. During the six months ended June 30, 2017, the Company retired the remaining $297.7 million of principal of the 2017 Notes for a repurchase price of $297.7 million, recognizing a $(0.1) million net loss on extinguishment of debt after recognizing $22,847 of unamortized debt issuance costs associated with the retired debt. During the six months ended June 30, 2016, the Company retired $21.9 million of principal of the 2017 Notes for a repurchase price of $21.4 million, recognizing a $0.3 million net gain on extinguishment of debt after recognizing $(0.2) million of unamortized debt issuance costs associated with the retired debt, and the Company retired $33.8 million of principal of the 2021 Notes for a repurchase price of $28.2 million, recognizing a $5.1 million net gain on extinguishment of debt after recognizing $(0.4) million of unamortized debt issuance costs associated with the retired debt.

Salaries and employee benefits

Salaries and employee benefits totaled $30.5 million for the six months ended June 30, 2017, compared to $26.0 million for the six months ended June 30, 2016. Salaries and employee benefits are comprised primarily of salaries, bonuses, originator bonuses related to loan profitability, equity based compensation and other employee benefits. The increase of $4.5 million in compensation expense was attributable to the increase in equity based compensation expense in the six months ended June 30, 2017 compared to the six months ended June 30, 2016 due to vesting of grants in the six months ended June 30, 2017.

Operating expenses

Operating expenses totaled $11.3 million for the six months ended June 30, 2017, compared to $11.0 million for the six months ended June 30, 2016. Operating expenses are primarily composed of professional fees, lease expense, and technology expenses. The increase of $0.3 million represents increased technology expenses, partially offset by a decrease in professional fees.

Real estate operating expenses

Real estate operating expenses totaled $15.5 million for the six months ended June 30, 2017, compared to $14.9 million for the six months ended June 30, 2016. The increase of $0.6 million in real estate operating expense was in part due to the acquisitions of real estate in 2016 and 2017, partially offset by a decrease in operative expenses for the condominiums.

Fee expense

Fee expense totaled $2.3 million for the six months ended June 30, 2017, compared to $1.6 million for the six months ended June 30, 2016. Fee expense is comprised primarily of custodian fees, financing costs and servicing fees related to loans. The increase of $0.7 million in fee expense was primarily attributable to the increase in the balance of our mortgage loan receivables held for investment, net, at amortized cost at June 30, 2017, as compared to June 30, 2016.

Depreciation and amortization

Depreciation and amortization totaled $18.7 million for the six months ended June 30, 2017, compared to $19.1 million for the six months ended June 30, 2016. The $0.4 million decrease in depreciation and amortization is primarily attributable to an out-of-period-adjustment recorded in the first quarter of 2017, reducing depreciation expense by $0.8 million, related to prior periods and certain intangible assets approaching the end of their useful lives in 2017.

Income tax (benefit) expense

Most of our consolidated income tax provision relates to the business units held in our TRSs. Income tax (benefit) expense totaled $(2.8) million for the six months ended June 30, 2017, compared to $(3.2) million for the six months ended June 30, 2016. The decrease of $0.4 million is primarily attributable to decreased income in our TRSs.

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Liquidity and Capital Resources

Our financing strategies are critical to the success and growth of our business. We manage our financing to complement our asset composition and to diversify our exposure across multiple capital markets and counterparties.

We require substantial amounts of capital to support our business. The management team, in consultation with our board of directors, establishes our overall liquidity and capital allocation strategies. A key objective of those strategies is to support the execution of our business strategy while maintaining sufficient ongoing liquidity throughout the business cycle to service our financial obligations as they become due. When making funding and capital allocation decisions, members of our senior management consider business performance; the availability of, and costs and benefits associated with, different funding sources; current and expected capital markets and general economic conditions; our balance sheet and capital structure; and our targeted liquidity profile and risks relating to our funding needs.

To ensure that Ladder Capital can effectively address the funding needs of the Company on a timely basis, we maintain a diverse array of liquidity sources including (1) cash and cash equivalents; (2) cash generated from operations; (3) borrowings under repurchase agreements; (4) principal repayments on investments including mortgage loans and securities; (5) borrowings under our credit agreement; (6) borrowings under our revolving credit facility; (7) proceeds from securitizations and sales of loans; (8) proceeds from the sale of securities; (9) proceeds from the sale of real estate; (10) proceeds from the issuance of the Notes; and (11) proceeds from the issuance of equity capital. We use these funding sources to meet our obligations on a timely basis.

Our primary uses of liquidity are for (1) the funding of loan and real estate-related investments; (2) the repayment of short-term and long-term borrowings and related interest; (3) the funding of our operating expenses; and (4) distributions to our equity investors to comply with the REIT distribution requirements and the terms of LCFH’s LLLP Agreement. We require short-term liquidity to fund loans that we originate and hold on our consolidated balance sheet pending sale, including through whole loan sale, participation, or securitization. We generally require longer-term funding to finance the loans and real estate-related investments that we hold for investment. We have historically used the aforementioned funding sources to meet the operating and investment needs as they have arisen and have been able to do so by applying a rigorous approach to long and short-term cash and debt forecasting.

In addition, as a REIT, we are also required to make sufficient dividend payments to our shareholders (and equivalent distributions to the Continuing LCFH Limited Partners) in amounts at least sufficient to maintain out REIT status. We have obtained a Private Letter Ruling, pursuant to which we may elect to pay a portion of our dividends in stock, subject to a cash/stock election by our shareholders, to optimize our level of capital retention. Accordingly, our cash requirement to pay dividends to maintain REIT status could be substantially reduced at the discretion of the board.

A summary of our financial obligations is provided below in our Contractual Obligations table. All our existing financial obligations, due within the following year, are either extendable for one or more additional years at our discretion or are incurred in the normal course of business (i.e., interest payments/loan funding obligations).

We generally seek to maintain a debt-to-equity ratio of approximately 3.0:1.0 or below. This ratio typically fluctuates during the course of a fiscal year due to the normal course of business in our conduit lending operations, in which we generally securitize our inventory of loans at intervals, and also because of changes in our asset mix, due in part to such securitizations. We generally seek to match fund our assets according to their liquidity characteristics and expected hold period. We believe that the defensive positioning of our predominantly senior secured assets and our financing strategy has allowed us to maintain financial flexibility to capitalize on an attractive range of market opportunities as they have arisen.

We and our subsidiaries may incur substantial additional debt in the future. However, we are subject to certain restrictions on our ability to incur additional debt in the indentures governing the Notes (the "Indentures") and our other debt agreements. Under the Indentures, we may not incur certain types of indebtedness unless our consolidated debt to equity ratio (as defined in the Indentures) is less than or equal to 4.00 to 1.00 and our consolidated non-funding debt to equity ratio (as defined in the Indentures) is less than or equal to 1.75 to 1.00 or if the unencumbered assets of the Company and its subsidiaries is less than 120% of their unsecured indebtedness, although our subsidiaries are permitted to incur indebtedness where recourse is limited to the assets and/or the general credit of such subsidiary. Our borrowings under certain financing agreements and our committed loan facilities are subject to maximum consolidated leverage ratio limits (currently ranging from 3.50 to 1.00 to 4.00 to 1.00), including maximum consolidated leverage ratio limits weighted by asset composition that change based on our asset base at the time of determination, and, in the case of one provider, a minimum interest coverage ratio requirement of 1.50 to 1.00 if certain liquidity thresholds are not satisfied. These restrictions, which would permit us to incur substantial additional debt, are subject to significant qualifications and exceptions.

Our principal debt financing sources include: (1) committed secured funding provided by banks, (2) uncommitted secured funding sources, including asset repurchase agreements with a number of banks, (3) long term non-recourse mortgage financing, (4) long term senior unsecured notes in the form of corporate bonds and (5) borrowings on both a short- and long-term committed basis, made by Tuebor from the FHLB.

As of June 30, 2017, we had unrestricted cash and cash equivalents of $58.2 million, unencumbered loans of $735.0 million, unencumbered securities of $14.0 million, unencumbered real estate of $94.1 million and $199.9 million of other assets not secured by any portion of secured indebtedness.

To maintain our qualification as a REIT under the Code, we were required to distribute our accumulated earnings and profits attributable to taxable periods ending prior to January 1, 2015 and we must annually distribute at least 90% of our taxable income. Consistent with the terms of the Private Letter Ruling, we paid our fourth quarter 2016 and 2015 dividends in a combination of cash and stock and may pay future distributions in such a manner; however, the REIT distribution requirements limit our ability to retain earnings and thereby replenish or increase capital for operations. We believe that our significant capital resources and access to financing will provide us with financial flexibility at levels sufficient to meet current and anticipated capital requirements, including funding new investment opportunities, paying distributions to our shareholders and servicing our debt obligations.

Our captive insurance company subsidiary, Tuebor, is subject to state regulations which require that dividends may only be made with regulatory approval. Largely as a result of this restriction, $331.6 million of Tuebor's member's capital was restricted from transfer to Tuebor's parent without prior approval of state insurance regulators at June 30, 2017.

The Company established a broker-dealer subsidiary, LCS, which was initially licensed and capitalized to do business in July 2010. LCS is required to be compliant with FINRA and SEC regulations, which require that dividends may only be made with regulatory approval. Largely as a result of this restriction, $6.0 million of LCS's member's capital was restricted from transfer to LCS's parent without prior approval of regulators at June 30, 2017.

Cash, cash equivalents and restricted cash

We held unrestricted cash and cash equivalents of $58.2 million and $44.6 million at June 30, 2017 and December 31, 2016, respectively. We held restricted cash of $97.3 million and $44.8 million at June 30, 2017 and December 31, 2016, respectively. We elected to early adopt ASU 2016-18 effective January 1, 2017. ASU 2016-18 requires the inclusion of restricted cash with cash and cash equivalents when reconciling the beginning-of-the-period and end-of-period total amounts show on the statement of cash flows. We held cash, cash equivalents and restricted cash of $155.5 million and $89.4 million at June 30, 2017 and December 31, 2016, respectively.

Cash generated from (used in) operations

Our operating activities were a net provider (user) of cash of $(503.5) million and $2.7 million during the six months ended June 30, 2017 and 2016, respectively. Cash from operations includes the origination of loans held for sale, net of the proceeds from sale of loans and gains from sales of loans, which was the predominant driver of the $506.2 million decrease in cash generated from operations for the six months ended June 30, 2017, compared to the six months ended June 30, 2016.

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Borrowings under various financing arrangements

Our financing strategies are critical to the success and growth of our business. We manage our leverage policies to complement our asset composition and to diversify our exposure across multiple counterparties. Our borrowings under various financing arrangements as of June 30, 2017 and December 31, 2016 are set forth in the table below ($ in thousands):

	June 30, 2017	**December 31, 2016**
Committed loan repurchase facilities	$848,562	$ 567,163
Committed securities repurchase facility	107,965	228,317
Uncommitted securities repurchase facilities	193,078	311,705
Total repurchase facilities	1,149,605	1,107,185
Revolving credit facility	100,000	25,000
Mortgage loan financing	588,359	590,106
Participation financing - mortgage loan receivable	3,834	—
Borrowings from the FHLB	1,400,500	1,660,000
Senior unsecured notes(1)	756,503	559,847
Total secured and unsecured debt obligations	3,998,801	3,942,138
Liability for transfers not considered sales(2)	632,130	—
Total debt obligations	**$4,630,931**	**$ 3,942,138**

(1) Presented net of unamortized debt issuance costs of $9.7 million and $4.0 million at June 30, 2017 and December 31, 2016, respectively.
(2) Presented not of unamortized debt issuance costs of $4.9 million as of June 30, 2017.

The Company's repurchase facilities include covenants covering minimum net worth requirements (ranging from $300.0 million to $899.4 million), maximum reductions in net worth over stated time periods, minimum liquidity levels (typically $30.0 million of cash or a higher standard that often allows for the inclusion of different percentages of liquid securities in the determination of compliance with the requirement), maximum leverage ratios (calculated in various ways based on specified definitions of indebtedness and net worth) and a fixed charge coverage ratio of 1.25x, and, in the instance of one lender, an interest coverage ratio of 1.50x, in each case, if certain liquidity thresholds are not satisfied. We were in compliance with all covenants as of June 30, 2017 and December 31, 2016. Further, certain of our financing arrangements and loans on our real property are secured by the assets of the Company, including pledges of the equity of certain subsidiaries or the assets of certain subsidiaries. From time to time, certain of these financing arrangements and loans may prohibit certain of our subsidiaries from paying dividends to the Company, from making distributions on such subsidiary's capital stock, from repaying to the Company any loans or advances to such subsidiary from the Company or from transferring any of such subsidiary's property or other assets to the Company or other subsidiaries of the Company.

Committed loan facilities

We are parties to multiple committed loan repurchase agreement facilities, totaling $1.7 billion of credit capacity. As of June 30, 2017, the Company had $848.6 million of borrowings outstanding, with an additional $801.4 million of committed financing available. As of December 31, 2016, the Company had $567.2 million of borrowings outstanding, with an additional $1.1 billion of committed financing available. Assets pledged as collateral under these facilities are generally limited to whole mortgage loans collateralized by first liens on commercial real estate. Our repurchase facilities include covenants covering net worth requirements, minimum liquidity levels, and maximum debt/equity ratios. We believe we were in compliance with all covenants as of June 30, 2017 and December 31, 2016.

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We have the option to extend some of our existing facilities subject to a number of customary conditions. The lenders have sole discretion with respect to the inclusion of collateral in these facilities, to determine the market value of the collateral on a daily basis, and, if the estimated market value of the included collateral declines, the lenders have the right to require additional collateral or a full and/or partial repayment of the facilities (margin call), sufficient to rebalance the facilities. Typically, the facilities are established with stated guidelines regarding the maximum percentage of the collateral asset's market value that can be borrowed. We often borrow at a lower percentage of the collateral asset's value than the maximum leaving us with excess borrowing capacity that can be drawn upon at a later date and/or applied against future margin calls so that they can be satisfied on a cashless basis.

Committed securities facility

We are a party to a term master repurchase agreement with a major U.S. banking institution for CMBS, totaling $400.0 million of credit capacity. As we do in the case of borrowings under committed loan facilities, we often borrow at a lower percentage of the collateral asset's value than the maximum leaving us with excess borrowing capacity that can be drawn upon a later date and/or applied against future margin calls so that they can be satisfied on a cashless basis. As of June 30, 2017, the Company had $108.0 million of borrowings outstanding, with an additional $292.0 million of committed financing available. As of December 31, 2016, the Company had $228.3 million of borrowings outstanding, with an additional $171.7 million of committed financing available.

Uncommitted securities facilities

We are party to multiple master repurchase agreements with several counterparties to finance our investments in CMBS and U.S. Agency Securities. The securities that served as collateral for these borrowings are highly liquid and marketable assets that are typically of relatively short duration. As we do in the case of other secured borrowings, we often borrow at a lower percentage of the collateral asset's value than the maximum leaving us with excess borrowing capacity that can be drawn upon a later date and/or applied against future margin calls so that they can be satisfied on a cashless basis.

Collateralized borrowings under repurchase agreement

The following table presents the amount of collateralized borrowings outstanding as of the end of each quarter, the average amount of collateralized borrowings outstanding during the quarter and the monthly maximum amount of collateralized borrowings outstanding during the quarter ($ in thousands):

	Total			**Collateralized Borrowings Under Repurchase Agreements (1)**			**Other Collateralized Borrowings (2)**		
Quarter Ended	**Quarter-end balance**	**Average quarterly balance**	**Maximum balance of any month-end**	**Quarter-end balance**	**Average quarterly balance**	**Maximum balance of any month-end**	**Quarter-end balance**	**Average quarterly balance**	**Maximum balance of any month-end**
June 30, 2014	685,693	1,056,118	1,258,258	685,693	1,056,118	1,258,258	—	—	—
September 30, 2014	761,627	836,330	895,904	761,627	831,330	880,904	—	5,000	15,000
December 31, 2014	1,489,416	1,394,674	1,603,206	1,431,666	1,340,924	1,545,456	57,750	53,750	57,750
March 31, 2015	1,456,163	1,481,913	1,506,723	1,409,413	1,427,496	1,447,973	46,750	54,417	58,750
June 30, 2015	1,178,130	1,308,066	1,492,066	1,056,380	1,216,316	1,370,316	121,750	91,750	121,750
September 30, 2015	1,241,326	1,420,356	1,653,179	1,191,326	1,347,523	1,556,429	50,000	72,833	96,750
December 31, 2015	1,260,755	1,296,608	1,344,330	1,260,755	1,283,008	1,323,930	—	13,600	20,400
March 31, 2016	1,104,339	1,162,008	1,240,778	1,104,339	1,162,008	1,240,778	—	—	—
June 30, 2016	1,139,615	1,108,263	1,139,615	1,139,615	1,108,263	1,139,615	—	—	—

September 30, 2016	1,458,327	1,393,122	1,468,013	1,458,327	1,393,122	1,468,013	—	—	—
December 31, 2016	1,107,185	1,397,061	1,555,941	1,107,185	1,397,061	1,555,941	—	—	—
March 31, 2017	1,039,356	1,073,893	1,119,863	1,039,356	1,073,893	1,119,863	—	—	—
June 30, 2017	1,149,605	1,264,948	1,373,953	1,149,605	1,264,948	1,373,953	—	—	—

(1) Collateralized borrowings under repurchase agreements include all securities and loan financing under repurchase agreements.

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(2) Other collateralized borrowings include borrowings under credit agreement and borrowings under credit and security agreement.

As of June 30, 2017, we had repurchase agreements with nine counterparties, with total debt obligations outstanding of $1.1 billion. As of June 30, 2017, three counterparties, Deutsche Bank, J.P. Morgan and Wells Fargo, held collateral that exceeded the amounts borrowed under the related repurchase agreements by more than $73.4 million, or 5% of our total equity. As of June 30, 2017, the weighted average haircut, or the percent of collateral value in excess of the loan amount, under our repurchase agreements was 36.6%. There have been no significant fluctuations in haircuts across asset classes on our repurchase facilities.

Revolving Credit Facility

On February 11, 2014, we entered into a revolving credit facility (the "Revolving Credit Facility"), which was subsequently amended on February 26, 2016, March 1, 2017 and March 23, 2017, including to add additional banks to our syndicate, add two additional one-year extension options and increase its maximum funding capacity. The Revolving Credit Facility provides for an aggregate maximum borrowing amount of $168.5 million, including a $25.0 million sublimit for the issuance of letters of credit. As of June 30, 2017, the Company had $100.0 million borrowings outstanding under this facility. As of December 31, 2016, the Company had $25.0 million borrowings outstanding under this facility. The Revolving Credit Facility is available on a revolving basis to finance the Company's working capital needs and for general corporate purposes. The Revolving Credit Facility has a three-year maturity, which may be extended by four 12-month periods subject to the satisfaction of customary conditions, including the absence of default. Interest is incurred on the Revolving Credit Facility at a rate of one-month LIBOR plus 3.50% per annum payable monthly in arrears.

The obligations under the Revolving Credit Facility are guaranteed by the Company and certain of its subsidiaries. The Revolving Credit Facility is secured by a pledge of the shares of (or other ownership or equity interests in) certain subsidiaries to the extent the pledge is not restricted under existing regulations, law or contractual obligations.

LCFH is subject to customary affirmative covenants and negative covenants, including limitations on the incurrence of additional debt, liens, restricted payments, sales of assets and affiliate transactions under the Revolving Credit Facility. In addition, under the Revolving Credit Facility, LCFH is required to comply with financial covenants relating to minimum net worth, maximum leverage, minimum liquidity, and minimum fixed charge coverage, consistent with our other credit facilities. Our ability to borrow under the Revolving Credit Facility will be dependent on, among other things, LCFH's compliance with the financial covenants. The Revolving Credit Facility contains customary events of default, including non-payment of principal or interest, fees or other amounts, failure to perform or observe covenants, cross-default to other indebtedness, the rendering of judgments against the Company or certain of our subsidiaries to pay certain amounts of money and certain events of bankruptcy or insolvency.

Mortgage loan financing

We generally finance our real estate using long-term non-recourse mortgage financing. During the six months ended June 30, 2017, we executed no term debt agreements to finance real estate. These non-recourse debt agreements are fixed rate financing at rates ranging from 4.25% to 6.75%, maturing between 2018 - 2026 and totaling $588.4 million at June 30, 2017 and $590.1 million at December 31, 2016. These long-term non-recourse mortgages include net unamortized premiums of $5.1 million and $5.6 million at June 30, 2017 and December 31, 2016, respectively, representing proceeds received upon financing greater than the contractual amounts due under the agreements. The premiums are being amortized over the remaining life of the respective debt instruments using the effective interest method. We recorded $0.5 million and $0.4 million of premium amortization, which decreased interest expense, for the six months ended June 30, 2017 and 2016, respectively. The loans are collateralized by real estate and related lease intangibles, net, of $742.7 million and $757.5 million as of June 30, 2017 and December 31, 2016, respectively.

Participation Financing - Mortgage Loan Receivable

During the six months ended June 30, 2017, the Company sold a participating interest in a first mortgage loan receivable to a third party. The sales proceeds of $4.0 million are considered non-recourse secured borrowings and are recognized in debt obligations on the Company’s consolidated balance sheets. The Company recorded $0.2 million of interest expense for the three and six months ended June 30, 2017.

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FHLB financing

On July 11, 2012, Tuebor became a member of the FHLB. As of June 30, 2017, Tuebor had $1.4 billion of borrowings outstanding (with an additional $599.5 million of committed term financing available from the FHLB), with terms of overnight to seven years, interest rates of 0.87% to 2.74%, and advance rates of 56.0% to 100% of the collateral. As of June 30, 2017, collateral for the borrowings was comprised of $1.0 billion of CMBS and U.S. Agency Securities and $770.4 million of first mortgage commercial real estate loans. The weighted-average borrowings outstanding were $1.5 billion for the three months ended June 30, 2017. On January 13, 2017, Tuebor's advance limit was updated to the lowest of $2.0 billion, 40% of Tuebor's total assets or 150% of the Company's total equity. As of December 31, 2016, Tuebor had $1.7 billion of borrowings outstanding (with an additional $338.9 million of committed term financing available from the FHLB), with terms of overnight to seven years, interest rates of 0.43% to 2.74%, and advance rates of 49.6% to 95.2% of the collateral. As of December 31, 2016, collateral for the borrowings was comprised of $1.4 billion of CMBS and U.S. Agency Securities and $724.0 million of first mortgage commercial real estate loans. The weighted-average borrowings outstanding were $1.8 billion for the three months ended December 31, 2016.

Effective February 19, 2016, the FHFA, regulator of the FHLB, adopted a final rule amending its regulation regarding the eligibility of captive insurance companies for FHLB membership.
Pursuant to the final rule, Tuebor may remain a member of the FHLB through February 19, 2021 (the "Transition Period"). During the Transition Period, Tuebor is eligible to continue to draw new additional advances, extend the maturities of existing advances, and pay off outstanding advances on the same terms as non-captive insurance company FHLB members with the following two exceptions:

1. New advances (including any existing advances that are extended during the Transition Period) will have maturity dates on or before February 19, 2021; and
2. The FHLB will make new advances to Tuebor subject to a requirement that Tuebor's total outstanding advances do not exceed 40% of Tuebor's total assets. As of June 30, 2017, the Company is in compliance with this requirement.

Tuebor has executed new advances since the effective date of the new rule in the ordinary course of business.

FHLB advances amounted to 30.2% of the Company's outstanding debt obligations as of June 30, 2017. The Company does not anticipate that the FHFA's final regulation will materially impact its operations as it will continue to access FHLB advances during the five-year Transition Period and it has multiple, diverse funding sources for financing its portfolio in the future. In the latter stages of the five-year Transition Period, the Company expects to adjust its financing activities by gradually making greater use of alternative sources of funding of types currently used by the Company including secured and unsecured borrowings from banks and other counterparties, the issuance of corporate bonds and equity, and the securitization or sale of assets. Future moves to alternative funding sources could result in higher or lower advance rates from secured funding sources but also the incurrence of higher funding and operating costs than would have been incurred had FHLB funding continued to be available. In addition, the Company may find it more difficult to obtain committed secured funding for multiple year terms as it has been able to obtain from the FHLB.

The Transition Period allows time for events to occur that may impact Tuebor's long-term membership in the FHLB, including further regulatory changes, the enactment of legislation, or the filing of litigation challenging the validity of the final rule. During this period, a combination of these external events and/or Tuebor's own actions could result in the emergence of feasible alternative approaches for it to retain its FHLB membership.

There is no assurance that the FHFA or the FHLB will not take actions that could adversely impact Tuebor's membership in the FHLB and continuing access to new or existing advances prior to February 19, 2021.

Tuebor is subject to state regulations which require that dividends (including dividends to the Company as its parent) may only be made with regulatory approval. However, there can be no assurance that we would obtain such approval if sought. Largely as a result of this restriction, $331.6 million of the member's capital was restricted from transfer to Tuebor's parent without prior approval of state insurance regulators at June 30, 2017.

Senior Unsecured Notes
LCFH issued the 2022 Notes, the 2021 Notes and the 2017 Notes (each as defined below, and collectively, the "Notes") with Ladder Capital Finance Corporation ("LCFC"), as co-issuers on a joint and several basis. LCFC is a 100% owned finance subsidiary of Series TRS of LCFH with no assets, operations, revenues or cash flows other than those related to the issuance, administration and repayment of the Notes. The Company and certain subsidiaries of LCFH currently guarantee the obligations under the Notes and the indenture. The Company is the general partner of LCFH and, through LCFH and its subsidiaries, operates the Ladder Capital business. As of June 30, 2017, the Company has a 77.7% economic and voting interest in LCFH and controls the management of LCFH as a result of its ability to appoint board members. Accordingly, the Company consolidates the financial results of LCFH and records noncontrolling interest for the economic interest in LCFH held by the Continuing LCFH Limited Partners. In addition, the Company, through certain subsidiaries which are treated as TRSs, is indirectly subject to U.S. federal, state and local income taxes. Other than the noncontrolling interest in the Operating Partnership and federal, state and local income taxes, there are no material differences between the Company's consolidated financial statements and LCFH's consolidated financial statements. Unamortized debt issuance costs of $9.7 million and $4.0 million are included in senior unsecured notes as of June 30, 2017 and December 31, 2016, respectively, in accordance with GAAP.

2017 Notes

On September 19, 2012, LCFH issued $325.0 million in aggregate principal amount of 7.375% senior notes due October 1, 2017 (the "2017 Notes"). The 2017 Notes require interest payments semi-annually in cash in arrears on April 1 and October 1 of each year, beginning on September 19, 2012. The 2017 Notes were unsecured and subject to incurrence-based covenants, including limitations on the incurrence of additional debt, restricted payments, liens, sales of assets, affiliate transactions and other covenants typical for financings of this type. At any time on or after April 1, 2017, the 2017 Notes were redeemable at the option of the Company, in whole or in part, upon not less than 30 nor more than 60 days' notice, without penalty. On November 5, 2014, the board of directors authorized the Company to make up to $325.0 million in repurchases of the 2017 Notes from time to time without further approval.

On December 17, 2014, the Company retired $5.4 million of principal of the 2017 Notes for a repurchase price of $5.6 million recognizing a $0.2 million loss on extinguishment of debt. During the year ended December 31, 2106, the Company retired $21.9 million of principal of the 2017 Notes for a repurchase price of $21.4 million, recognizing a $0.3 million net gain on extinguishment of debt after recognizing $(0.2) million of unamortized debt issuance costs associated with the retired debt. During the six months ended June30, 2017, the Company retired the remaining $297.7 million of principal of the 2017 Notes for a repurchase price of $297.7 million, recognizing a $0.1 million net loss on extinguishment of debt after recognizing $22,847 of unamortized debt issuance costs associated with the retired debt.

On March 1, 2017, the Company delivered a notice of conditional full redemption to holders of the 2017 Notes, pursuant to which the Company redeemed all outstanding 2017 Notes at 100% of the principal amount thereof (plus any accrued and unpaid interest to the redemption date) as of April 1, 2017. The redemption was conditioned on the completion by the Company of a senior notes offering with gross proceeds of not less than $500 million. The Company's offering of the 2022 Notes, described below, satisfied this condition. On April 3, 2017, the Company repaid the remaining outstanding principal amount of the 2017 Notes (including accrued and unpaid interest as of that date).

2021 Notes

On August 1, 2014, LCFH issued $300.0 million in aggregate principal amount of 5.875% senior notes due August 1, 2021 (the "2021 Notes"). The 2021 Notes require interest payments semi-annually in cash in arrears on February 1 and August 1 of each year, beginning on February 1, 2015. The 2021 Notes will mature on August 1, 2021. The 2021

Notes are unsecured and are subject to incurrence-based covenants, including limitations on the incurrence of additional debt, restricted payments, liens, sales of assets, affiliate transactions and other covenants typical for financings of this type. At any time on or after August 1, 2020, the 2021 Notes are redeemable at the option of the Company, in whole or in part, upon not less than 30 nor more than 60 days' notice, without penalty. On February 24, 2016, the board of directors authorized the Company to make up to $100.0 million in repurchases of the 2021 Notes from time to time without further approval.

During the year ended December 31, 2016, the Company retired $33.8 million of principal of the 2021 Notes for a repurchase price of $28.2 million, recognizing a $5.1 million net gain on extinguishment of debt after recognizing $(0.4) million of unamortized debt issuance costs associated with the retired debt. As of June 30, 2017, the remaining $266.2 million in aggregate principal amount of the 2021 Notes is due August 1, 2021.

2022 Notes

On March 16, 2017, LCFH issued $500.0 million in aggregate principal amount of 5.250% senior notes due March 15, 2022 (the “2022 Notes”). The 2022 Notes require interest payments semi-annually in cash in arrears on March 15 and September 15 of each year, beginning on September 15, 2017. The 2022 Notes will mature on March 15, 2022. The 2022 Notes are unsecured and are subject to an unencumbered assets to unsecured debt covenant. At any time on or after September 15, 2021, the 2022 Notes are redeemable at the option of the Company, in whole or in part, upon not less than 15 nor more than 60 days’ notice, without penalty.

Liability for Transfers Not Considered Sales (Non-Recourse)

As more fully described in Note 3, the Company sold its interests in $625.7 million of loans to the LCCM 2017-LC26 securitization trust. The assets sold to the trust were comprised of 34 loans to third parties with a combined outstanding face amount of $549.0 million and a combined carrying value of $547.7 million as well as 23 intercompany loans secured by certain of the Company’s real estate assets with a combined principal balance of $76.7 million (which had not previously been recognized for accounting purposes because they eliminated in consolidation). In connection with this transaction, pursuant to the 5% risk retention requirement of the Dodd-Frank Act described in Part 2, Item 1A “Risk Factors,” in this Quarterly Report, (i) the Company retained a $12.9 million restricted “vertical interest” of approximately 2% in each class of securities issued by the trust which must be held by the Company until the principal balance of the pool has been reduced to a level prescribed by the risk retention rules and (ii) sold an approximately 3% restricted “horizontal interest” in the form of 98% of the controlling classes (excluding the 2% included in the vertical interest) to a “Third Party Purchaser” (“TPP”), which must be held by the TPP for at least five years. In addition, the Company purchased $62.7 million in securities which are not restricted.

Transfer restrictions placed on the TPP, imposed by the risk retention rules of the Dodd-Frank Act, precluded sale accounting for these loans. Accordingly, the Company continues to recognize these loans to third parties transferred in the transaction on its consolidated balance sheets. In connection with this transaction, the Company recognized a liability of $580.0 million representing the loan sale proceeds of $655.6 million (net of issue costs) less the $75.6 million of securities purchased discussed above, not reflected in these consolidated financial statements. This liability is effectively a non-recourse borrowing secured by these securitized third-party loans and the Company’s real estate collateral pledged under the previously unrecognized intercompany loans. This obligation bears effective interest of 4.30% per annum (based on contractual payments to third parties) and requires principal payments upon repayment of the underlying mortgage loans receivable, which have a weighted average term of 9.05 years with the final loan maturing in 2027. The securities purchased by the Company are not reflected in these financial statements because the sale of these loans was not recognized for accounting purposes.

This liability also includes $52.1 million for a non-participating loan interest previously sold to a third party, for which the controlling portion was transferred to the LCCM 2017-LC26 securitization trust on June 29, 2017, which also precluded sale accounting on the original transaction. This liability bears an effective interest rate of 5.29% per annum and matures contemporaneously with the underlying mortgage loan receivable. This transaction was considered a financing for accounting purposes.

Stock Repurchases

On October 30, 2014, the board of directors authorized the Company to make up to $50.0 million in repurchases of the Company’s Class A common stock from time to time without further approval. Stock repurchases by the Company are generally made for cash in open market transactions at prevailing market prices but may also be made in privately negotiated transactions or otherwise. The timing and amount of purchases are determined based upon prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. As of June 30, 2017, the

Company has a remaining amount available for repurchase of $44.4 million, which represents 3.8% in the aggregate of its outstanding Class A common stock, based on the closing price of $13.41 per share on such date.

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The following table is a summary of the Company’s repurchase activity of its Class A common stock during the six months ended June 30, 2017 and 2016 ($ in thousands):

	Shares	Amount(1)
Authorizations remaining as of December 31, 2016		$ 44,353
Additional authorizations		—
Repurchases paid	—	—
Repurchases unsettled		—
Authorizations remaining as of June 30, 2017		**$ 44,353**

(1) Amount excludes commissions paid associated with share repurchases.

	Shares	Amount(1)
Authorizations remaining as of December 31, 2015		$ 49,006
Additional authorizations		—
Repurchases paid	424,317	(4,653)
Repurchases unsettled		—
Authorizations remaining as of June 30, 2016		**$ 44,353**

(1) Amount excludes commissions paid associated with share repurchases.

Dividends

To maintain our qualification as a REIT under the Code, we must annually distribute at least 90% of our taxable income and, for 2015, we had to distribute our undistributed accumulated earnings and profits attributable to taxable periods prior to January 1, 2015 (the “E&P Distribution”). The Company made the E&P Distribution on January 21, 2016 and has paid and in the future intend to declare regular quarterly distributions to our shareholders in an amount approximating our net taxable income.

Consistent with a Private Letter Ruling we may, subject to a cash/stock election by our shareholders, pay a portion of our dividends in stock, to provide for meaningful capital retention; however, the REIT distribution requirements limit our ability to retain earnings and thereby replenish or increase capital for operations. The timing and amount of future distributions is based on a number of factors, including, among other things, our future operations and earnings, capital requirements and surplus, general financial condition and contractual restrictions. All dividend declarations are subject to the approval of our board of directors. Generally, we expect the distributions to be taxable as ordinary dividends to our shareholders, whether paid in cash or a combination of cash and common stock, and not as a tax-free return of capital or a capital gain. We believe that our significant capital resources and access to financing will provide the financial flexibility at levels sufficient to meet current and anticipated capital requirements, including funding new investment opportunities, paying distributions to our shareholders and servicing our debt obligations.

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The following table presents dividends declared (on a per share basis) of Class A common stock for the six months ended June 30, 2017 and 2016:

Declaration Date	Dividend per Share
March 1, 2017	$ 0.300
June 1, 2017	0.300
Total	**$ 0.600**
March 1, 2016	$ 0.275
June 1, 2016	0.275
Total	**$ 0.550**

Principal repayments on investments

We receive principal amortization on our loans and securities as part of the normal course of our business. Repayment of mortgage loan receivables provided net cash of $176.8 million for the six months ended June 30, 2017 and $374.6 million for the six months ended June 30, 2016. Repayment of real estate securities provided net cash of $81.7 million for the six months ended June 30, 2017 and $135.6 million for the six months ended June 30, 2016.

Proceeds from securitizations and sales of loans

We sell our conduit mortgage loans to securitization trusts and to other third parties as part of our normal course of business. Proceeds from sales of mortgage loans provided no net cash for the six months ended June 30, 2017 and $359.6 million for the six months ended June 30, 2016.

On June 29, 2017, the Company transferred its interests in $625.7 million of loans to the LCCM 2017-LC26 securitization trust. The assets sold to the trust were comprised of 34 loans to third parties with a combined outstanding face amount of $549.0 million and a combined carrying value of $547.7 million as well as 23 intercompany loans secured by certain of the Company's real estate assets with a combined principal balance of $76.7 million (which had not previously been recognized for accounting purposes because they eliminated in consolidation). In connection with this transaction, pursuant to the 5% risk retention requirement of the Dodd-Frank Act described in Part 2, Item 1A "Risk Factors," in this Quarterly Report, (i) the Company retained a $12.9 million restricted "vertical interest" of approximately 2% in each class of securities issued by the trust which must be held by the Company until the principal balance of the pool has been reduced to a level prescribed by the risk retention rules and (ii) sold an approximately 3% restricted "horizontal interest" in the form of 98% of the controlling classes (excluding the 2% included in the vertical interest) to a "Third Party Purchaser" ("TPP"), which must be held by the TPP for at least five years. In addition, the Company purchased $62.7 million in securities which are not restricted.

Transfer restrictions placed on the TPP, imposed by the risk retention rules of the Dodd-Frank Act, precluded sale accounting for these loans. Accordingly, the Company continues to recognize these loans to third parties transferred in the transaction on its consolidated balance sheets. In connection with this transaction, the Company recognized a liability of $580.0 million representing the loan sale proceeds of $655.6 million (net of issue costs) less the $75.6 million of securities purchased discussed above, not reflected in these consolidated financial statements. This liability is effectively a non-recourse borrowing secured by these securitized third-party loans and the Company's real estate collateral pledged under the previously unrecognized intercompany loans. The securities purchased by the Company are not reflected in these financial statements because the sale of these loans was not recognized for accounting purposes.

Proceeds from the sale of securities

We invest in CMBS and U.S. Agency Securities. Proceeds from sales of securities provided net cash of $669.8 million for the six months ended June 30, 2017 and $129.6 million for the six months ended June 30, 2016.

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Proceeds from the sale of real estate

We own a portfolio of commercial real estate properties as well as residential condominium units. Proceeds from sales of real estate provided net cash of $12.6 million for the six months ended June 30, 2017 and $37.6 million for the six months ended June 30, 2016.

Proceeds from the issuance of equity

For the six months ended June 30, 2017 and 2016, there were no proceeds realized in connection with the issuance of equity. We may issue additional equity in the future.

Other potential sources of financing

In the future, we may also use other sources of financing to fund the acquisition of our assets, including credit facilities, warehouse facilities, repurchase facilities and other secured and unsecured forms of borrowing. These financings may be collateralized or non-collateralized, may involve one or more lenders and may accrue interest at either fixed or floating rates. We may also seek to raise further equity capital or issue debt securities in order to fund our future investments.

Contractual obligations

Contractual obligations as of June 30, 2017 were as follows ($ in thousands):

	Contractual Obligations				
	Less than 1 Year	**1-3 Years**	**3-5 Years**	**More than 5 Years**	**Total**
Secured financings	$1,244,819(1)	$822,074	$265,034	$1,442,256	$3,774,183
Unsecured revolving credit facility	100,000 (1)	—	—	—	100,000
Senior unsecured notes	—	—	766,201		766,201
Interest payable(2)	71,716	140,731	129,045	51,861	393,353
Other funding obligations(3)	129,950	—	—	—	129,950
Payments pursuant to tax receivable agreement	163	325	325	1,625	2,438
Operating lease obligations	628	2,386	2,360	99	5,473
Total	**$1,547,276**	**$965,516**	**$1,162,965**	**$1,495,841**	**$5,171,598**

(1) As more fully disclosed in Note 7, Debt Obligations, Net, these obligations are subject to existing Company controlled extension options for one or more additional one-year periods or could be refinanced by other existing facilities.
(2) Composed of interest on secured financings and on senior unsecured notes. For borrowings with variable interest rates, we used the rates in effect as of June 30, 2017 to determine the future interest payment obligations.
(3) Comprised of our off-balance sheet unfunded commitment to provide additional first mortgage loan financing as of June 30, 2017.

The tables above do not include amounts due under our derivative agreements as those contracts do not have fixed and determinable payments. Our contractual obligations will be refinanced and/or repaid from earnings as well as amortization and sales of our liquid collateral.

Off-Balance Sheet Arrangements

We have made investments in various unconsolidated joint ventures. See Note 6, Investment in Unconsolidated Joint Ventures for further details of our unconsolidated investments. Our maximum exposure to loss from these investments is limited to the carrying value of our investments.

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Unfunded Loan Commitments

We may be a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financial needs of our borrowers. As of June 30, 2017, our off-balance sheet arrangements consisted of $130.0 million of unfunded commitments of mortgage loan receivables held for investment, which was composed of $130.0 million to provide additional first mortgage loan financing. As of December 31, 2016, our off-balance sheet arrangements consisted of $147.7 million of unfunded commitments of mortgage loan receivables held for investment, which was comprised of $146.3 million to provide additional first mortgage loan financing and $1.4 million to provide additional mezzanine loan financing. Such commitments are subject to our borrowers' satisfaction of certain financial and nonfinancial covenants and involve, to varying degrees, elements of credit risk in excess of the amount recognized in the consolidated balance sheets and are not reflected on our consolidated balance sheets.

Critical Accounting Policies

See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates" within the Annual Report for a full discussion of our critical accounting policies. Other than disclosed in Note 2, Significant Accounting Policies, our critical accounting policies have not materially changed since December 31, 2016.

Reconciliation of Non-GAAP Financial Measures

Core Earnings

We present Core Earnings, which is a non-GAAP financial measure, as a supplemental measure of our performance. We believe Core Earnings assists investors in comparing our performance across reporting periods on a consistent basis by excluding non-cash expenses and unrecognized results from derivatives and Agency interest-only securities, which we believe makes comparisons across reporting periods more relevant by eliminating timing differences related to changes in the values of assets and derivatives. In addition, we use Core Earnings: (i) to evaluate our earnings from operations and (ii) because management believes that it may be a useful performance measure for us. Core Earnings is also used as a factor in determining the annual incentive compensation of our senior managers and other employees.

We consider the Class A common shareholders of the Company and Continuing LCFH Limited Partners to have fundamentally equivalent interests in our pre-tax earnings. Accordingly, for purposes of computing Core Earnings we start with pre-tax earnings and adjust for other noncontrolling interest in consolidated joint ventures but we do not adjust for amounts attributable to noncontrolling interest held by Continuing LCFH Limited Partners.

We define Core Earnings as income before taxes adjusted for: (i) real estate depreciation and amortization; (ii) the impact of derivative gains and losses related to the hedging of assets on our balance sheet as of the end of the specified accounting period; (iii) unrealized gains/(losses) related to our investments in Agency interest-only securities; (iv) Economic Gains on Securitization transactions not recognized for GAAP accounting for which risk has substantially transferred during the period and the exclusion of resultant GAAP recognition of the related economics during the subsequent periods; (v) non-cash stock-based compensation; and (vi) certain one-time transactional items.

For Core Earnings, we include adjustments for Economic Gains on Securitization transactions not recognized for GAAP accounting for which risk has substantially transferred during the period and exclusion of resultant GAAP recognition of the related economics during the subsequent periods. This adjustment is reflected in Core Earnings when there is a true risk transfer on the mortgage loan transfer and settlement. Historically, this has represented the impact of economic gains on (discounts) on intercompany loans secured by our own real estate which we had not previously recognized because they were eliminated in consolidation. In addition, beginning in June 2017, this includes economic gains for the impact of mortgage loans transferred but not considered sold for accounting purposes merely because of transfer restrictions put on the third party purchasers (“TPP”) of a portion of the securities issued by the securitization trust pursuant to the risk retention requirements of the Dodd Frank Act (See Note 3, Mortgage Loan Receivables for more information on these transactions). Conversely, if the economic risk was not substantially transferred, no adjustments to net income would be made relating to those transactions for core earnings purposes. Management believes recognizing these amounts for Core Earnings purposes in the period of transfer of economic risk is a reasonable supplemental measure of our performance.

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As discussed in Note 2 to the consolidated financial statements included elsewhere in this Quarterly Report, we do not designate derivatives as hedges to qualify for hedge accounting and therefore any net payments under, or fluctuations in the fair value of, our derivatives are recognized currently in our income statement. However, fluctuations in the fair value of the related assets are not included in our income statement. We consider the gain or loss on our hedging positions related to assets that we still own as of the reporting date to be "open hedging positions." While recognized for GAAP purposes, we exclude the results on the hedges from Core Earnings until the related asset is sold and the hedge position is considered "closed," whereupon they would then be included in Core Earnings in that period. These are reflected as "Adjustments for unrecognized derivative results" for purposes of computing Core Earnings for the period. We believe that excluding these specifically identified gains and losses associated with the open hedging positions adjusts for timing differences between when we recognize changes in the fair values of our assets and changes in the fair value of the derivatives used to hedge such assets.

As more fully discussed in Note 2 to the consolidated financial statements included elsewhere in this Quarterly Report, our investments in Agency interest-only securities are recorded at fair value with changes in fair value recorded in current period earnings. We believe that excluding these specifically identified gains and losses associated with the Agency interest-only securities adjusts for timing differences between when we recognize changes in the fair values of our assets.

Set forth below is a reconciliation of income (loss) before taxes to Core Earnings ($ in thousands):

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2017	**2016**	**2017**	**2016**
Income (loss) before taxes	$11,983	$1,644	$30,238	$(10,674)
Net (income) loss attributable to noncontrolling interest in consolidated joint ventures and operating partnership (GAAP) (1)	(85)	(248)	(414)	(16)
Our share of real estate depreciation, amortization and gain adjustments (2)	9,503	8,020	17,298	16,325

Adjustments for unrecognized derivative results (3)	721	16,124	(1,212)	55,472
Unrealized (gain) loss on Agency IO securities	(299)	584	(457)	(76)
Adjustment for economic gain on securitization transactions not recognized for GAAP for which risk has substantially transferred, net of reversal/amortization (4)	28,123	(220)	27,996	(255)
Non-cash stock-based compensation	1,146	4,978	9,295	8,308
Core Earnings	**$51,192**	**$30,882**	**$82,744**	**$69,084**

(1) Includes $8 thousand and $16 thousand of net income attributable to noncontrolling interest in consolidated joint ventures which are included in net (income) loss attributable to noncontrolling interest in operating partnership on the consolidated statements of income for the three and six months ended June 30, 2017, respectively. Includes $13 thousand of net income attributable to noncontrolling interest in consolidated joint ventures which are included in net (income) loss attributable to noncontrolling interest in operating partnership on the consolidated statements of income for the three and six months ended June 30, 2016.

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(2) The following is a reconciliation of GAAP depreciation and amortization to our share of real estate depreciation, amortization and gain adjustments presented in the computation of Core Earnings in the preceding table ($ in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	**2016**	**2017**	**2016**
Total GAAP depreciation and amortization	$10,125	$9,254	$18,717	$19,057
Less: Depreciation and amortization related to non-rental property fixed assets	(23)	(52)	(47)	(57)
Less: Non-controlling interest in consolidated joint ventures' share of accumulated depreciation and amortization	(122)	(532)	(496)	(1,205)
Our share of real estate depreciation and amortization	9,980	8,670	18,174	17,795
Realized gain from accumulated depreciation and amortization on real estate sold (see below)	(480)	(657)	(882)	(1,481)
Less: Non-controlling interest in consolidated joint ventures' share of accumulated depreciation and amortization on real estate sold	3	7	6	11
Our share of accumulated depreciation and amortization on real estate sold	(477)	(650)	(876)	(1,470)
Our share of real estate depreciation, amortization and gain adjustments	**$9,503**	**$8,020**	**$17,298**	**$16,325**

GAAP gains/losses on sales of real estate include the effects of previously recognized real estate depreciation and amortization. For purposes of Core Earnings, our share of real estate depreciation and amortization is eliminated and, accordingly, the resultant gain/losses also must be adjusted. Following is a reconciliation of the related consolidated GAAP amounts to the amounts reflected in Core Earnings:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	**2016**	**2017**	**2016**
GAAP realized gain on sale of real estate, net	$2,232	$4,873	$4,563	$10,968
Adjusted gain/loss on sale of real estate for purposes of Core Earnings	$(1,755)	$(4,223)	(3,687)	(9,498)
Our share of accumulated depreciation and amortization on real estate sold	**$477**	**$650**	**$876**	**$1,470**

(3) The following is a reconciliation of GAAP net results from derivative transactions to our unrecognized derivative result presented in the computation of Core Earnings in the preceding table ($ in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	**2016**	**2017**	**2016**
Net results from derivative transactions	$(16,022)	$(24,642)	$(18,003)	$(75,504)
Hedging interest expense	5,395	7,163	9,123	14,584
Hedging realized result	9,906	1,355	10,092	5,448
Adjustments for unrecognized derivative results	**$(721)**	**$(16,124)**	**$1,212**	**$(55,472)**

(4) The Company reflected in Core Earnings, an economic gain of $28.5 million for the three and six months ended June 30, 2017, primarily relating to the LCCM 2017-LC26 securitization transaction. This is offset by amortization of discounts in prior securitizations of intercompany debt.

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Core Earnings has limitations as an analytical tool. Some of these limitations are:

- Core Earnings does not reflect the impact of certain cash charges resulting from matters we consider not to be indicative of our ongoing operations and is not necessarily indicative of cash necessary to fund cash needs; and

- other companies in our industry may calculate Core Earnings differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, Core Earnings should not be considered in isolation or as a substitute for net income (loss) attributable to shareholders or any other performance measures calculated in accordance with GAAP, or as an alternative to cash flows from operations as a measure of our liquidity.

In the future we may incur gains and losses that are the same as or similar to some of the adjustments in this presentation. Our presentation of Core Earnings should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

Income from sales of securitized loans, net of hedging

We present income from sales of securitized loans, net of hedging, a non-GAAP financial measure, as a supplemental measure of the performance of our loan securitization business. Income from sales of securitized loans, net is a key component of our results. Since our loans sold into securitizations to date are comprised of long-term fixed-rate loans, the result of hedging those exposures prior to securitization represents a substantial portion of our securitization profitability. Therefore, we view these two components of our profitability together when assessing the performance of this business activity and find it a meaningful measure of the Company’s performance as a whole. When evaluating the performance of our sale of loans into securitization business, we generally consider the income from sales of securitized loans, net, in conjunction with other income statement items that are directly related to such securitization transactions, including portions of the realized net result from derivative transactions that are specifically related to hedges on the securitized or sold loans, which we reflect as hedge gain/(loss) related to loans securitized, a non-GAAP financial measure, in the table below.

Set forth below is an unaudited reconciliation of income from sale of securitized loans, net to income from sale of loans, net as reported in our consolidated financial statements included herein and an unaudited reconciliation of hedge gain/(loss) relating to loans securitized to net results from derivative transactions as reported in our consolidated financial statements included herein ($ in thousands except for number of loans and securitizations):

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2017(1)	**2016(2)**	**2017(1)**	**2016**
Number of loans	57	—	57	26
Face amount of loans sold into securitizations	$625,653	$ —	$625,653	$249,156

Number of securitizations	1	—	1	2
Income from sales of securitized loans, net (3)	$ —	$ —	$ —	$ 7,545
Hedge gain/(loss) related to loans securitized (4)	(7,720)	—	(7,720)	(3,808)
Income from sales of securitized loans, net of hedging	**(7,720)**	**—**	**(7,720)**	**3,737**
Adjustment for economic gain on securitization transactions not recognized for GAAP for which risk has substantially transferred	28,461	—	28,461	—
Core gain on sale of securitized	**$ 20,741**	**$ —**	**$ 20,741**	**$ 3,737**

loans

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(1) On June 29, 2017, the Company transferred its interests in $625.7 million of loans to the LCCM 2017-LC26 securitization trust. The assets transferred to the trust were comprised of 34 loans to third parties with a combined outstanding face amount of $549.0 million and a combined carrying value of $547.7 million as well as 23 intercompany loans secured by certain of the Company's real estate assets with a combined principal balance of $76.7 million (which had not previously been recognized for accounting purposes because they eliminated in consolidation). In connection with this transaction, pursuant to the 5% risk retention requirement of the Dodd-Frank Act described in Part 2, Item 1A "Risk Factors," in this Quarterly Report, (i) the Company retained a $12.9 million restricted "vertical interest" of approximately 2% in each class of securities issued by the trust which must be held by the Company until the principal balance of the pool has been reduced to a level prescribed by the risk retention rules and (ii) sold an approximately 3% restricted "horizontal interest" in the form of 98% of the controlling classes (excluding the 2% included in the vertical interest) to a "Third Party Purchaser" ("TPP"), which must be held by the TPP for at least five years. In addition, the Company purchased $62.7 million in securities which are not restricted. The securities purchased by the Company are not reflected in these financial statements because the sale of these loans was not recognized for accounting purposes. Transfer restrictions placed on the TPP, imposed by the risk retention rules of the Dodd-Frank Act, precluded sale accounting for these loans. Accordingly, the Company continues to recognize these loans to third parties transferred in the transaction on its consolidated balance sheets. In connection with this transaction, the Company recognized a liability of $580.0 million representing the loan sale proceeds of $655.6 million (net of issue costs) less the $75.6 million of securities purchased discussed above, not reflected in these consolidated financial statements. This liability is effectively a non-recourse borrowing secured by these securitized third-party loans and the Company's real estate collateral pledged under the previously unrecognized intercompany loans. The securities purchased by the Company are not reflected in these financial statements because the sale of these loans was not recognized for accounting purposes.

(2) There were no securitization transactions completed in the three months ended June 30, 2016.

(3) The following is a reconciliation of the non-GAAP financial measure of income from sales of securitized loans, net to income from sale of loans, net, which is the closest GAAP measure, as reported in our consolidated financial statements included herein ($ in thousands):

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2017	**2016**	**2017**	**2016**
Income from sales of loans, net	$—	$2,795	$(999)	$10,625
Unrealized losses on loans recorded as other than temporary impairments related to lower of cost or market adjustments	—		999	—
(Income) loss from sale of loans (non-securitized), net	—		—	(3,080)
Income from sales of securitized loans, net	**$—**	**$2,795**	**$—**	**$7,545**

(4) The following is a reconciliation of the non-GAAP financial measure of hedge gain/(loss) related to loans securitized to net results from derivative transactions, which is the closest GAAP measure, as reported in our consolidated financial statements included herein ($ in thousands):

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2017	**2016**	**2017**	**2016**
Net results	$(16,022)	$(24,642)	$(18,003)	$(75,504)

from derivative transactions				
Hedge gain/(loss) related to lending and securities positions	8,302	23,872	11,432	70,641
Hedge gain/(loss) related to loans (non-securitized)	—	770	(1,149)	1,055
Hedge gain/(loss) related to loans securitized	**$(7,720)**	**$—**	**$(7,720)**	**$(3,808)**

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Cost of funds

We present cost of funds, which is a non-GAAP financial measure, as a supplemental measure of the Company's cost of debt financing. We define cost of funds as interest expense as reported on our consolidated statements of income adjusted to include the net interest expense component resulting from our hedging activities, which is currently included in net results from derivative transactions on our consolidated statements of income. Interest income, net of cost of funds, which is a non-GAAP financial measure, is defined as interest income, less cost of funds.

Set forth below is an unaudited reconciliation of interest expense to cost of funds ($ in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	**2016**	**2017**	**2016**
Interest expense	$(35,604)	$(28,402)	$(67,019)	$(57,938)
Net interest expense component of hedging activities (1)	(5,395)	(7,163)	(9,123)	(14,584)
Cost of funds	**$(40,999)**	**$(35,565)**	**$(76,142)**	**$(72,522)**
Interest income	$66,136	$55,766	$123,647	$115,366
Cost of funds	(40,999)	(35,565)	(76,142)	(72,522)
Interest income, net of cost of funds	**$25,137**	**$20,201**	**$47,505**	**$42,844**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	**2016**	**2017**	**2016**
(1) Net result from derivative transactions	$(16,022)	$(24,642)	$(18,003)	$(75,504)
Hedging realized result	9,906	1,355	10,092	5,448
Hedging unrecognized result	721	16,124	(1,212)	55,472
Net interest expense component of hedging activities	**$(5,395)**	**$(7,163)**	**$(9,123)**	**$(14,584)**

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Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

The nature of the Company's business exposes it to market risk arising from changes in interest rates. Changes, both increases and decreases, in the rates the Company is able to charge its borrowers, the yields the Company is able to achieve in its securities investments, and the Company's cost of borrowing directly impacts its net income. The Company's interest income stream from loans and securities is generally fixed over the life of its assets, whereas it uses floating-rate debt to finance a significant portion of its investments. Another component of interest rate risk is the effect changes in interest rates will have on the market value of the assets the Company acquires. The Company faces the risk that the market value of its assets will increase or decrease at different rates than that of its liabilities, including its hedging instruments. The Company mitigates interest rate risk through utilization of hedging instruments, primarily interest rate swap and futures agreements. Interest rate swap and futures agreements are utilized to hedge against future interest rate increases on the Company's borrowings and potential adverse changes in the value of certain assets that result from interest rate changes. The Company generally seeks to hedge assets that have a duration longer than five years, including newly originated conduit first mortgage loans, securities in the Company's CMBS portfolio if long enough in duration, and most of its U.S. Agency Securities portfolio.

The following table summarizes the change in net income for a 12-month period commencing June 30, 2017 and the change in fair value of our investments and indebtedness assuming an increase or decrease of 100 basis points in the LIBOR interest rate on June 30, 2017, both adjusted for the effects of our interest rate hedging activities ($ in thousands):

	Projected change in net income(1)	Projected change in portfolio value
Change in interest rate:		
Decrease by 1.00%	$ (8,963)	$ 25,923
Increase by 1.00%	11,514	(25,550)

(1) Subject to limits for floors on our floating rate investments and indebtedness.

Market Value Risk

The Company's securities investments are reflected at their estimated fair value. The change in estimated fair value of securities available-for-sale is reflected in accumulated other comprehensive income. The change in estimated fair value of Agency interest-only securities is recorded in current period earnings. The estimated fair value of these securities fluctuates primarily due to changes in interest rates and other factors. Generally, in a rising interest rate environment, the estimated fair value of these securities would be expected to decrease; conversely, in a decreasing interest rate environment, the estimated fair value of these securities would be expected to increase. As market volatility increases or liquidity decreases, the market value of the Company's assets may be adversely impacted. The Company's fixed rate mortgage loan portfolio is subject to the same risks. However, to the extent those loans are classified as held for sale, they are reflected at the lower of cost or market. Otherwise, held for investment mortgage loans are reflected at values equal to the unpaid principal balances net of certain fees, costs and loan loss allowances.

Liquidity Risk

Market disruptions may lead to a significant decline in transaction activity in all or a significant portion of the asset classes in which the Company invests and may at the same time lead to a significant contraction in short-term and long-term debt and equity funding sources. A decline in liquidity of real estate and real estate-related investments, as well as a lack of availability of observable transaction data and inputs, may make it more difficult to sell the Company's investments or determine their fair values. As a result, the Company may be unable to sell its investments, or only be able to sell its investments at a price that may be materially different from the fair values presented. Also, in such conditions, there is no guarantee that the Company's borrowing arrangements or other arrangements for obtaining leverage will continue to be available or, if available, will be available on terms and conditions acceptable to the Company. In addition, a decline in market value of the Company's assets may have particular adverse consequences in instances where it borrowed money based on the fair value of its assets. A decrease in the market value of the Company's assets may result in the lender requiring it to post additional collateral or otherwise sell assets at a time when it may not be in the Company's best interest to do so. The Company's captive insurance company subsidiary, Tuebor, is subject to state regulations which require that dividends may only be made with regulatory approval. The Company's broker-dealer subsidiary, LCS, is also required to be compliant with FINRA and SEC regulations which require that dividends may only be made with regulatory approval.

Credit Risk

The Company is subject to varying degrees of credit risk in connection with its investments. The Company seeks to manage credit risk by performing deep credit fundamental analyses of potential assets and through ongoing asset management. The Company's investment guidelines do not limit the amount of its equity that may be invested in any type of its assets; however, investments greater than a certain size are subject to approval by the Risk and Underwriting Committee of the board of directors.

Credit Spread Risk

Credit spread risk is the risk that interest rate spreads between two different financial instruments will change. In general, fixed-rate commercial mortgages and CMBS are priced based on a spread to Treasury or interest rate swaps. The Company generally benefits if credit spreads narrow during the time that it holds a portfolio of mortgage loans or CMBS investments, and the Company may experience losses if credit spreads widen during the time that it holds a portfolio of mortgage loans or CMBS investments. The Company actively monitors its exposure to changes in credit spreads and the Company may enter into credit total return swaps or take positions in other credit related derivative instruments to moderate its exposure against losses associated with a widening of credit spreads.

Risks Related to Real Estate

Real estate and real estate-related assets, including loans and commercial real estate-related securities, are subject to volatility and may be affected adversely by a number of factors, including, but not limited to, national, regional and local economic conditions (which may be adversely affected by industry slowdowns and other factors); local real estate conditions; changes or continued weakness in specific industry segments; construction quality, age and design; demographic factors; environmental conditions; competition from comparable property types or properties; changes in tenant mix or performance and retroactive changes to building or similar codes. In addition, decreases in property values reduce the value of the collateral and the potential proceeds available to a borrower to repay the underlying loans, which could also cause the Company to suffer losses.

Covenant Risk

In the normal course of business, the Company enters into loan and securities repurchase agreements and credit facilities with certain lenders to finance its real estate investment transactions. These agreements contain, among other conditions, events of default and various covenants and representations. If such events are not cured by the Company or waived by the lenders, the lenders may decide to curtail or limit extension of credit, and the Company may be forced to repay its advances or loans. In addition, the Company's Notes are subject to covenants, including limitations on the incurrence of additional debt, restricted payments, liens, sales of assets, affiliate transactions and other covenants typical for financings of this type. The Company's failure to comply with these covenants could result in an event of default, which could result in the Company being required to repay these borrowings before their due date. As of June 30, 2017, the Company believes it was in compliance with all covenants.

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Diversification Risk

The assets of the Company are concentrated in the real estate sector. Accordingly, the investment portfolio of the Company may be subject to more rapid change in value than would be the case if the Company were to maintain a wide diversification among investments or industry sectors. Furthermore, even within the real estate sector, the investment portfolio may be relatively concentrated in terms of geography and type of real estate investment. This lack of diversification may subject the investments of the Company to more rapid change in value than would be the case if the assets of the Company were more widely diversified.

Concentrations of Market Risk

Concentrations of market risk may exist with respect to the Company's investments. Market risk is a potential loss the Company may incur as a result of change in the fair values of its investments. The Company may also be subject to risk associated with concentrations of investments in geographic regions and industries.

Regulatory Risk

The Company established a broker-dealer subsidiary, LCS, which was initially licensed and capitalized to do business in July 2010. LCS is required to be compliant with FINRA and SEC requirements on an ongoing basis and is subject to multiple operating and reporting requirements to which all broker-dealer entities are subject. Additionally, Ladder Capital Asset Management LLC ("LCAM") is a registered investment adviser. LCAM is required to be compliant with SEC requirements on an ongoing basis and is subject to multiple operating and reporting requirements to which all registered investment advisers are subject. In addition, Tuebor is subject to state regulation as a captive insurance company. If LCS, the Adviser or Tuebor fail to comply with regulatory requirements, they could be subject to loss of their licenses and registration and/or economic penalties.

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Item 4. Controls and Procedures

Disclosure Controls and Procedures

The Company's management, with the participation of the Chief Executive Officer and the Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as required by Rules 13a-15 and 15d-15 under the Exchange Act as of June 30, 2017. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective, as of June 30, 2017, to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the quarter ended June 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II - Other Information

Item 1. Legal Proceedings

From time to time, we may be involved in litigation and claims incidental to the conduct of our business in the ordinary course. Further, certain of our subsidiaries, including our registered broker-dealer, registered investment advisers and captive insurance company, are subject to scrutiny by government regulators, which could result in enforcement proceedings or litigation related to regulatory compliance matters. We are not presently a party to any material enforcement proceedings, litigation related to regulatory compliance matters or any other type of material litigation matters. We maintain insurance policies in amounts and with the coverage and deductibles we believe are adequate, based on the nature and risks of our business, historical experience and industry standards.

Item 1A. Risk Factors

There have been no material changes during the three months ended June 30, 2017 to the risk factors previously disclosed in Item 1A of our Annual Report, except as set forth below:

As of December 31, 2017, we will no longer be an "emerging growth company," and the reduced disclosure and compliance requirements applicable to emerging growth companies will no longer apply to us.

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act ("JOBS Act"). Because the market value of our common stock held by non-affiliates exceeded $700 million as of June 30, 2017, as of December 31, 2017, we will be deemed a large accelerated filer and we will no longer qualify as an emerging growth company. Accordingly, we will be subject to certain disclosure and compliance requirements that apply to other public companies but have not previously applied to us due to our prior status as an emerging growth company. These requirements include:

- compliance with the auditor attestation requirements on the assessment of our internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act of 2002;
- compliance with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements;
- full disclosure obligations regarding executive compensation; and
- compliance with the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved;

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As a large accelerated filer, the Company is required to file its Form 10-K with the Securities and Exchange Commission within 60 days after the Company's fiscal year end. As an accelerated filer, the Company was only required to file its Form 10-K within 75 days after the Company's fiscal year end. There has been no change to the Form 10-Q filing due dates.
Failure to comply with these requirements could subject us to enforcement actions by the SEC, divert management's attention, damage our reputation and adversely affect our business, operating results or financial condition.
We expect that the loss of "emerging growth company" status and compliance with the additional requirements of being a large accelerated filer will substantially increase our legal and financial compliance costs and make some activities more time consuming and costly. In particular, we expect to incur significant expenses and devote substantial management effort toward ensuring compliance with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act.

Our participation in the market for mortgage loan securitizations may expose us to risks that could result in losses to us.

We have generally participated in the market for mortgage loan securitizations by contributing loans to securitizations led by various large financial institutions and by leading single-asset securitizations on single mortgage loans we originated. We have recently completed our first multi-asset securitization where a Ladder affiliate served as issuer and may, in the future, take a larger role in multi-asset securitizations of mortgage loans, including as an issuer. We also occasionally, and may in the future, act as a co-manager and/or co-underwriter in the securitizations in which we participate. To date, when we have primarily acted as a mortgage loan seller into, and occasionally as an issuer of securitizations, we have been obligated to assume certain customary liabilities. Specifically, in connection with any particular securitization, we: (i) make certain representations and warranties regarding ourselves and the characteristics of, and origination process for, the mortgage loans that we contribute to the securitization; (ii) undertake to cure, repurchase or replace any mortgage loan that we contribute to the securitization that is affected by a material breach of any such representation or warranty or a material loan document deficiency; and (iii) assume, either directly or through the indemnification of third-parties, potential securities law liabilities for disclosure to investors regarding ourselves and the mortgage loans that we contribute to the securitization. When we lead a single-asset or multi-asset securitization as an issuer and/or lead manager, we assume, either directly or through indemnification agreements, additional potential securities law liabilities and third-party liabilities beyond the liabilities we would assume when we act only as a mortgage loan seller into a securitization.

As a result of the dislocation of the credit markets during the last recession, the securitization industry has become subject to additional and changing regulation. For example, pursuant to the Dodd-Frank Act, various federal agencies have promulgated, or are in the process of promulgating, regulations and rules with respect to various issues that affect securitizations, including: (a) a rule that took effect December 24, 2016 (the "Risk Retention Rule") requiring that either (i) a securitization's sponsor retain, until the unpaid balance of the bonds or the loans is reduced by a certain amount, a 5% vertical interest in each class of securities issued, (ii) the sponsor or certain third-party purchasers (each, a "Third Party Purchaser") retain, until the unpaid balance of the bonds or the loans is reduced by a certain amount (or for third-party purchasers, for at least five years), securities in an amount equal to 5% of the credit risk associated with the issued securities in the form of the subordinate tranches or (iii) a combination of (i) and (ii); (b) requirements for additional disclosure; (c) requirements for additional review and reporting (including revisions to Regulation AB); (d) for public securitizations, requirements that the chief executive officer ("CEO") of an issuer file with the SEC an individual certificate attesting to certain matters, as described below; and (e) certain restrictions designed to prohibit conflicts of interest. Other regulations have been and may ultimately be adopted.

Risk retention interests (with respect to CMBS) must be retained by the sponsor, certain mortgage loan originators and/or, upon satisfaction of certain requirements, a Third Party Purchaser. Significant restrictions exist, and additional restrictions may be added in the future, regarding who may hold risk retention interests, the structure of the entities that hold risk retention interests and when and how such risk retention interests may be transferred or financed. Therefore such risk retention interests will be generally illiquid and may not be easily financed. As a result of the Risk Retention Rule, we may be required to purchase and retain certain interests in a securitization into which we sell mortgage loans and/or when we act as issuer, may be required to sell certain interests in a securitization at prices below levels that such interests have historically yielded and/or may be required to enter into certain arrangements related to risk retention that we have not historically been required to enter into and, accordingly, the Risk Retention Rule may increase our potential liabilities and/or reduce our potential profits in connection with securitization of mortgage loans. Further the risk retention rules may impact our evaluation of whether the transfer or the loans constitutes a sale or whether we we need to consolidate the securitization trust (which would also preclude sale accounting).

The requirement that the CEO of an issuer of public securities file an individual certificate with the SEC may introduce additional potential liabilities whether we serve as issuer in a securitization or solely as a loan seller or loan originator. The CEO certification includes statements as to the absence of any untrue or omitted material information relating to the mortgage loans and the ability of the mortgage loans to support the payments required to be made under the bonds issued in connection

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with the securitization in accordance with their terms. The full extent of liability that the CEO may have to the SEC and/or investors on account of the certified statements is difficult to determine at this time. If we serve as issuer in a securitization, we would likely to be obligated to indemnify the CEO of our issuer entity against any liabilities that such individual may incur in connection with such certification. In addition, in securitization transactions in which we serve as only loan seller or an originator that sells loans to a loan seller (and not as an issuer), we would likely be obligated to provide a back-up officer’s certificate from a senior officer as to our mortgage loans as support for the issuer’s CEO certification, and similarly be obligated to indemnify that senior officer against any liabilities that individual may incur in connection with his/her back-up officer’s certification.

The Risk Retention Rule, CEO certification requirement and other rules and regulations that have been adopted or may be adopted in the future may alter the structure of securitizations and could pose additional risks to or reduce or eliminate the economic benefits of our participation in the securitization market. In addition, such rules and regulations could reduce or eliminate the economic benefits of securitization or discourage traditional issuers, underwriters, b-piece buyers or other participants from participating in future securitizations and affect the availability of securitization platforms into which we can contribute mortgage loans, which may require that we take on additional roles and risks in connection with effectuating securitizations of our mortgage loans.

Historically, when we have served as issuer in connection with a securitization, the offering has been a private offering. In the future, we may elect to serve as issuer of a securitization involving a public offering, which we would conduct pursuant to a registration statement filed with the SEC by our subsidiary Ladder Capital Commercial Mortgage Securities LLC. Maintaining a registration statement and acting as an issuer in connection with securitizations will expose us to potential liability under various securities laws and will impose ongoing reporting and other obligations, many of which are more extensive than the potential liabilities and obligations we incur when we act as issuer in a private offering or when we sell loans into another issuer’s publicly offered securitization. In addition to the CEO certification requirement referenced above, certain individuals associated with the issuer entity would be obligated to sign the registration statement and be exposed to liability under various securities laws. We would likely be obligated to indemnify such individuals.

Prior to any securitization, we generally finance mortgage loans with relatively short-term facilities until a sufficient portfolio is accumulated. We are subject to the risk that we will not be able to originate or acquire sufficient eligible assets to maximize the efficiency of a securitization. We also bear the risk that, upon expiration of a short-term facility, we might not be able to renew such short-term facility or obtain a new short-term facility. Our inability to refinance any short-term facility would also increase our risk because borrowings thereunder would likely be recourse to us or one of our subsidiaries. If we are unable to obtain and renew short-term facilities or to consummate securitizations to finance our assets on a long-term basis, we may be required to seek other forms of potentially less attractive financing or to liquidate assets at an inopportune time or price.

We may sponsor, or purchase the equity securities of collateralized loan obligations, or CLOs, and such instruments involve significant risks, including that CLO equity receives distributions from the CLO only if the CLO generates enough income to first pay all debt service obligations to the investors holding senior tranches and all CLO expenses.

In CLOs, investors purchase specific tranches, or slices, of debt or equity instruments that are secured or backed by a pool of loans. The CLO debt classes have a specific seniority structure and priority of payments. The equity interests in a CLO are the most subordinate interests and are usually entitled to all of the income generated by the pool of loans after the payment of debt service on all the more senior classes of debt and the payment of all expenses. Defaults on the pool of loans therefore immediately affect the equity tranche. The subordinate tranches of CLO debt may also experience a lower recovery and greater risk of loss, including risk of deferral or non-payment of interest than more senior tranches of the CLO debt because they bear the bulk of defaults from the loans held in the CLO and serve to protect the other, more senior tranches from default in all but the most severe circumstances. Despite the protection provided by the subordinate and equity tranches, CLO tranches can experience substantial losses due to actual defaults, increased sensitivity to defaults due to collateral default and disappearance of protecting tranches, decline in market value due to market anticipation of defaults and aversion to CLO securities as a class. Further, the transaction documents relating to the issuance of CLO securities may impose eligibility criteria on the assets of the CLO, restrict the ability of the CLO's sponsor to trade investments and impose certain portfolio-wide asset quality requirements. Finally, the Risk Retention Rule imposes a retention requirement of 5% of the issued debt classes by the sponsor of the CLO (as described above). These criteria, restrictions and requirements may limit the ability of the CLO's sponsor (or collateral manager) to maximize returns on the CLO securities.

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In addition, CLOs are not actively traded and are relatively illiquid investments and volatility in CLO trading market may cause the value of these investments to decline. The market value of CLO Securities may be affected by, among other things, changes in the market value of the underlying loans held by the CLO, changes in the distributions on the underlying loans, defaults and recoveries on the underlying loans, capital gains and losses on the underlying losses (or foreclosure assets), prepayments on underlying loan and the availability, prices and interest rate of underlying loans. Furthermore, the leveraged nature of the equity tranche and each subordinated tranche may magnify the adverse impact on such class of changes in the value of the loans, changes in the distributions on the loans, defaults and recoveries on the loans, capital gains and losses on the loans (or foreclosure assets), prepayment on loans and availability, price and interest rates of the loans. Moreover, because of the requirements of the Risk Retention Rule, if we purchase a horizontal subordinate strip of a CLO to satisfy the Risk Retention Rule, we would not be able to dispose of that portion of the equity interests during the required risk retention period, which may increase our risk of loss.

A CLO may include certain interest coverage tests, overcollateralization coverage tests or other tests that, if not met, may result in a change in the priority of distributions, which may result in the reduction or elimination of distributions to the subordinate debt and equity tranches until the tests have been met or certain senior classes of securities have been paid in full. Accordingly, if we hold subordinate debt or equity interests in a CLO that contains such tests and such tests are not satisfied, we may experience a significant reduction in our cash flow from those interests.

Furthermore, if any CLO that we sponsor or hold equity interests in fails to meet certain tests relevant to the most senior debt issued and outstanding by the CLO issuer, an event of default may occur under that CLO. If that occurs, (i) if we were serving as manager of the CLO, our ability to manage the CLO may be terminated and (ii) our ability to attempt to cure any defaults in the CLO may be limited, which would increase the likelihood of a reduction or elimination of cash flow and returns to us in the CLOs for an indefinite time.

Item 2. Unregistered Sale of Securities

None.

Stock Repurchases

On October 30, 2014, our board of directors authorized the Company to make up to $50.0 million in repurchases of the Company’s Class A common stock from time to time without further approval. Stock repurchases by the Company are generally made in open market transactions at prevailing market prices but may also be made in privately negotiated transactions or otherwise. The timing and amount of purchases are determined based upon prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. During the three months ended June 30, 2017, there were no repurchases of Class A common stock by the Company.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

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Item 6. Exhibits

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
10.1	Third Amended and Restated Employment Agreement with Brian Harris (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on May 26, 2017)
10.2	Separation Agreement with Michael Mazzei (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on June 22, 2017)
31.1	Certification of Brian Harris pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Marc Fox pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Brian Harris pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Marc Fox pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* The certifications attached hereto as Exhibits 32.1 and 32.2 are furnished to the SEC pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed 'filed' for purposes of Section 18 of the Exchange Act, nor shall they be deemed incorporated by reference in any filing under the Securities Act, except as shall be expressly set forth by specific reference in such filing.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	LADDER CAPITAL CORP (Registrant)
Date: August 2, 2017	By: /s/ BRIAN HARRIS Brian Harris *Chief Executive Officer*
Date: August 2, 2017	By: /s/ MARC FOX Marc Fox *Chief Financial Officer*