

Ladder Capital Corp
Form 10-Q
November 07, 2014
[Table of Contents](#)

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2014

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

(State or other jurisdiction of
incorporation or organization)

80-0925494

(IRS Employer
Identification No.)

345 Park Avenue, New York

(Address of principal executive offices)

10154

(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 ☒ No ☐

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

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

Large accelerated filer ☐

Accelerated filer ☐

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

Smaller reporting company ☐

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

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

Edgar Filing: Ladder Capital Corp - Form 10-Q

Class	Outstanding at November 1, 2014
Class A Common Stock, \$0.001 par value	51,471,579
Class B Common Stock, no par value	47,655,160

Table of Contents

LADDER CAPITAL CORP

FORM 10-Q

September 30, 2014

<u>PART I - FINANCIAL INFORMATION</u>	4
<u>Item 1. Financial Statements (Unaudited)</u>	4
<u>Combined Consolidated Balance Sheets</u>	5
<u>Combined Consolidated Statements of Income</u>	6
<u>Combined Consolidated Statements of Comprehensive Income</u>	7
<u>Combined Consolidated Statements of Changes in Equity/Capital</u>	8
<u>Combined Consolidated Statements of Cash Flows</u>	9
<u>Notes to Combined Consolidated Financial Statements</u>	10
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	53
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	83
<u>Item 4. Controls and Procedures</u>	85
<u>PART II - OTHER INFORMATION</u>	86
<u>Item 1. Legal Proceedings</u>	86
<u>Item 1A. Risk Factors</u>	86
<u>Item 2. Unregistered Sales of Securities</u>	86
<u>Item 3. Defaults Upon Senior Securities</u>	86
<u>Item 4. Mine Safety Disclosures</u>	86
<u>Item 5. Other Information</u>	86
<u>Item 6. Exhibits</u>	87
<u>SIGNATURES</u>	88

Table of Contents

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 (Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (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, continue, and 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 the Company's Annual Report on Form 10-K (the Annual Report), as well as our combined consolidated financial statements, related notes, and the other financial information appearing elsewhere in this Quarterly Report on Form 10-Q 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;
- 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 assets;
- 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;

Edgar Filing: Ladder Capital Corp - Form 10-Q

- a potential downgrade in the credit ratings assigned to our investments;
- the impact of and changes in governmental regulations, tax laws and rates, accounting guidance and similar matters;
- 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;
- the market trends in our industry, interest rates, real estate values, the debt securities markets or the general economy; and
- the prepayment of the mortgages and other loans underlying our mortgage-backed and other asset-backed securities.

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.

Table of Contents

REFERENCES TO LADDER CAPITAL CORP

Ladder Capital Corp is a holding company and its primary asset is a controlling equity interest in Ladder Capital Finance Holdings LLLP (LCFH or the Operating Partnership). Unless the context suggests otherwise, references in this report to Ladder, Ladder Capital, the Company, we, and our refer (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 (or Predecessor) and its consolidated subsidiaries and (2) after our IPO and related transactions, to Ladder Capital Corp and its combined consolidated subsidiaries.

Table of Contents

Part I - Financial Information

Item 1. Financial Statements (Unaudited)

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

Index to Combined Consolidated Financial Statements (unaudited)

<u>Combined Consolidated Balance Sheets</u>	5
<u>Combined Consolidated Statements of Income</u>	6
<u>Combined Consolidated Statements of Comprehensive Income</u>	7
<u>Combined Consolidated Statements of Changes in Equity/Capital</u>	8
<u>Combined Consolidated Statements of Cash Flows</u>	9
<u>Notes to Combined Consolidated Financial Statements</u>	10

Edgar Filing: Ladder Capital Corp - Form 10-Q

Table of Contents

Ladder Capital Corp and Predecessor

Combined Consolidated Balance Sheets

(unaudited)

	September 30, 2014	December 31, 2013
Assets		
Cash and cash equivalents	\$ 87,833,330	\$ 78,742,257
Cash collateral held by broker	54,524,990	28,520,788
Mortgage loan receivables held for investment, net, at amortized cost	1,323,279,126	539,078,182
Mortgage loan receivables held for sale	206,501,369	440,489,789
Real estate securities, available-for-sale:		
Investment grade commercial mortgage backed securities	1,652,052,327	1,164,936,448
GN construction securities	23,004,029	13,006,860
GN permanent securities	39,312,154	113,216,186
Interest-only securities	462,246,662	366,086,700
Real estate, net	652,587,432	624,219,015
Investments in unconsolidated joint ventures	5,938,241	9,262,762
FHLB stock	59,740,000	49,450,000
Derivative instruments	5,750,654	8,244,355
Due from brokers	4,276	1,503
Accrued interest receivable	21,074,036	14,971,167
Other assets	79,944,556	38,837,255
Total assets	\$ 4,673,793,182	\$ 3,489,063,267
Liabilities and Capital		
Liabilities		
Repurchase agreements	\$ 761,627,218	\$ 609,834,793
Mortgage loan financing	398,265,284	291,053,406
Borrowings from the FHLB	1,291,000,000	989,000,000
Senior unsecured notes	625,000,000	325,000,000
Derivative instruments	7,529,568	7,031,033
Amount payable pursuant to tax receivable agreement	672,235	
Accrued expenses	74,139,211	64,400,382
Other liabilities	29,989,945	17,509,888
Total liabilities	3,188,223,461	2,303,829,502
Commitments and contingencies		
Equity (capital)		
Series A preferred units		825,985,422
Series B preferred units		290,846,531
Common units		59,565,278
Class A common stock, par value \$0.001 per share, 600,000,000 shares authorized; 51,471,579 shares issued and outstanding	51,471	
Class B common stock, no par value, 100,000,000 shares authorized; 47,656,143 shares issued and outstanding		