Ladder Capital Corp
Form 424B4
February 07, 2014
Table of Contents

Filed Pursuant to Rule 424(b)(4)
Registration No. 333-193071

Prospectus

13,250,000 Shares

Ladder Capital Corp

Class A Common Stock

$17.00 per share

This is an initial public offering of shares of Class A common stock of Ladder Capital Corp, par value $0.001 per share.

Ladder Capital Corp is offering 13,250,000 shares of Class A common stock to be sold in the offering.

Prior to the offering, there has been no public market for our Class A common stock. We have received approval to list our Class A common stock on the New York Stock Exchange (NYSE) under the symbol LADR.

We have two authorized classes of common stock: Class A and Class B. Holders of our Class A common stock and holders of our Class B common stock are each entitled to one vote per share of the applicable class of common stock all such holders will vote together as a single class. However, holders of our Class B common stock do not have any right to receive dividends or distributions upon our liquidation or winding up. Each share of Class B common stock is, from time to time, exchangeable, when paired together with one LP Unit (as defined herein) of our operating partnership, for one share of Class A common stock, subject to equitable adjustment for stock splits, stock dividends and reclassifications.

Immediately following this offering, the holders of our Class A common stock will collectively own 100% of the economic interests in Ladder Capital Corp and have 50.0% of the voting power of Ladder Capital Corp. The holders of our Class B common stock will have the remaining 50.0% of the voting power of Ladder Capital Corp.

We are an emerging growth company, as that term is defined under the federal securities laws and, as such, may elect to comply with certain reduced public company reporting requirements.

See Risk Factors on page 25 to read about factors you should consider before buying shares of our Class A common stock.

Neither the Securities and Exchange Commission nor any state securities commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Initial public offering price	$ 17.0000	$ 225,250,000
Underwriting discount(1)	$ 1.1050	$ 14,641,250
Proceeds, before expenses, to us	$ 15.8950	$ 210,608,750

(1) Please see the section entitled Underwriting for a description of all compensation payable to the underwriters.

The underwriters have the option to purchase up to an additional 1,987,500 shares from us at the initial public offering price, less the underwriting discount, within 30 days from the date of this prospectus.

The underwriters expect to deliver the shares of Class A common stock against payment therefore in New York, New York on or about February 11, 2014.

Joint Book-Running Managers

Deutsche Bank Securities **Citigroup** **Wells Fargo Securities** **BofA Merrill Lynch** **J.P. Morgan**

Co-Managers

FBR **JMP Securities** **Keefe, Bruyette & Woods**

A Stifel Company

Prospectus dated February 5, 2014.

Table of Contents

TABLE OF CONTENTS

PROSPECTUS SUMMARY	1
RISK FACTORS	25
CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS	69
ORGANIZATIONAL STRUCTURE	71
USE OF PROCEEDS	78
DIVIDEND POLICY	79
CAPITALIZATION	80
DILUTION	81
SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION	83
UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION	85
MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	94
BUSINESS	140
MANAGEMENT	164
EXECUTIVE COMPENSATION	171
CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS	190
PRINCIPAL STOCKHOLDERS	198
DESCRIPTION OF CAPITAL STOCK	200
SHARES ELIGIBLE FOR FUTURE SALE	205
U.S. FEDERAL TAX CONSIDERATIONS FOR NON-U.S. HOLDERS	208
UNDERWRITING	212
MARKET, INDUSTRY AND OTHER DATA	221
LEGAL MATTERS	221
EXPERTS	221
WHERE YOU CAN FIND ADDITIONAL INFORMATION	221
INDEX TO FINANCIAL STATEMENTS	F-1

Through and including March 2, 2014 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in the offering, may be required to deliver a prospectus. This is in addition to a dealer s obligation to deliver a prospectus when acting as an underwriter and with respect to any unsold allotment or subscription.

Neither we nor the underwriters have authorized anyone to provide any information or to make any representations other than those contained in this prospectus or in any free writing prospectuses we have prepared. Neither we nor the underwriters take any responsibility for, nor can we or they provide any assurance as to the reliability of, any other information that others may give you. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date. Our business, prospects, financial condition and results of operations may have changed since that date.

Table of Contents

PROSPECTUS SUMMARY

This summary highlights material information about our business and the offering of our Class A common stock. This is a summary of material information contained elsewhere in this prospectus and is not complete and does not contain all of the information that may be important to you. For a more complete understanding of our business and the offering, you should read this entire prospectus, including the section entitled Risk Factors, as well as the consolidated financial statements and the related notes thereto.

Unless otherwise noted or indicated by the context, the terms Ladder, Company, we, our, and us refer (1) prior to the consummation of the Offering Transactions described under Organizational Structure Offering Transactions, to Ladder Capital Finance Holdings LLLP (LCFH) and its consolidated subsidiaries, and (2) after the Offering Transactions described under Organizational Structure Offering Transactions, to Ladder Capital Corp and its consolidated subsidiaries, including LCFH.

Our Company

We are a leading commercial real estate finance company with a proprietary loan origination platform and an established national footprint. As a non-bank operating company, we believe that we are well-positioned to benefit from the opportunities arising from the diminished supply of commercial real estate debt capital and the substantial demand for new financings in the sector. We believe our comprehensive, fully-integrated in-house infrastructure, access to a diverse array of committed financing sources and highly experienced management team of industry veterans will allow us to continue to prudently grow our business as we endeavor to capitalize on profitable opportunities in various market conditions.

We conduct our business through three major business lines: commercial mortgage lending, investments in securities secured by first mortgage loans, and investments in selected net leased and other commercial real estate assets. We have historically been able to generate attractive risk-adjusted returns by flexibly allocating capital among these well-established, complementary business lines. We believe that we have a competitive advantage through our ability to offer a wide range of products, providing complete solutions across the capital structure to our borrowers. We apply a comprehensive best practices underwriting approach to every loan and investment that we make, rooted in management s deep understanding of fundamental real estate values and proven expertise in these complementary business lines through multiple economic and credit cycles.

Our primary business strategy is originating first mortgage loans, which we refer to as conduit loans, on stabilized, income producing commercial real estate properties that are available for sale in securitizations. From our inception in October 2008 through September 30, 2013, we originated $5.4 billion of conduit commercial real estate loans, $5.1 billion of which were sold into 16 securitizations, making us, by volume, the second largest non-bank contributor of loans to Commercial Mortgage-Backed Securities (CMBS) securitizations in the United States for that period according to Commercial Mortgage Alert. The securitization of conduit loans has been a consistently profitable business for us and enables us to reinvest our equity capital into new loan originations or allocate it to other investments. In addition to conduit loans, we originated $1.1 billion of balance sheet loans held for investment from inception through September 30, 2013. During that timeframe, we also acquired $5.2 billion of investment grade-rated securities secured by first mortgage loans on commercial real estate and $654.2 million of selected net leased and other commercial real estate assets.

Table of Contents

Although our securities investments and real estate assets remain available for opportunistic sales, these balance sheet business lines provide for a stable base of net interest and rental income and are complementary to our conduit lending activities. As of September 30, 2013, we had $2.5 billion in total assets and $1.2 billion in total book equity.

We seek to operate an adaptable and sustainable business model by retaining and reinvesting earnings in complementary commercial real estate investments. We are structured as a C-Corp to allow us to reinvest our equity capital, which we believe enhances our overall growth prospects and return on equity and facilitates our securitization business.

We are led by a disciplined and highly aligned management team, the core of which has worked together for more than a decade. As of September 30, 2013, our management team and chairman held equity capital accounts in our company comprising $92.1 million of book equity, or 7.9% of our total partners capital. On average, our management team members have 25 years of experience in the industry. Our management team includes Brian Harris, Chief Executive Officer; Michael Mazzei, President; Greta Guggenheim, Chief Investment Officer; Pamela McCormack, Chief Strategy Officer, General Counsel and Co-Head of Securitization; Marc Fox, Chief Financial Officer; Thomas Harney, Head of Merchant Banking & Capital Markets; and Robert Perelman, Head of Asset Management.

Ladder was founded in October 2008 and we are currently capitalized by our management team and a group of leading global institutional investors, including affiliates of Alberta Investment Management Corp., GI International L.P. (GI Partners), Ontario Municipal Employees Retirement System and TowerBrook Capital Partners (TowerBrook). We have built our operating business to include 59 full-time industry professionals by hiring experienced personnel known to us in the commercial mortgage industry. Doing so has allowed us to maintain consistency in our culture and operations and to focus on strong credit practices and disciplined growth.

We have a diversified and flexible financing strategy supporting our business operations, including significant committed term financing from leading financial institutions. As of September 30, 2013, we had $1.2 billion of debt financing outstanding, including $608.0 million of financing from the FHLB (with an additional $797.0 million of committed term financing available to us), $291.2 million of third-party, non-recourse mortgage debt, $6.2 million of other securities financing, and $325.0 million of our 7.375% Senior Notes due October 1, 2017 (Notes). We had no committed secured term repurchase agreement financing outstanding (with an additional $1.9 billion of committed secured term financing available to us) as of September 30, 2013. As of September 30, 2013, our debt-to-equity ratio was 1.0:1.0, as we employ leverage prudently to maximize financial flexibility.

Our Market Opportunity

Commercial real estate is a capital-intensive business that relies heavily on debt capital to develop, acquire, maintain and refinance commercial properties. We believe that demand for commercial real estate debt financing, together with a reduction in the supply of traditional bank financing, presents compelling opportunities to generate attractive returns for an established, well-financed, non-bank lender like our firm.

There were $3.1 trillion of commercial mortgage loans outstanding in the United States as of September 30, 2013. The commercial real estate market faces significant near-term debt

Table of Contents

maturities, with over $1.6 trillion of commercial and multifamily real estate debt scheduled to mature from 2014 through 2018. The following chart shows commercial real estate debt maturities as of September 30, 2013:

Source: Trepp LLC

Improving commercial property values as well as a growing CMBS market have contributed to a more positive environment for commercial real estate assets over the last several years and created a substantial opportunity for new loan origination. New issuances in the CMBS market expanded from $11.6 billion in 2010 to $48.4 billion in 2012. In the first nine months of 2013, this growth trend showed signs of accelerating as $60.5 billion of new CMBS were issued, but is still a fraction of historical issuance levels. The following chart shows historical CMBS issuance from 1995 through the first nine months of 2013:

Source: Commercial Mortgage Alert

Table of Contents

Additionally, many traditional commercial real estate lenders that have historically competed for loans within our target market are facing tighter capital constraints due to changes in banking regulations. Given this confluence of market dynamics, we believe that we are well positioned to capitalize and profit from these industry trends.

Our Business and Growth Strategies

We have steadily built our business to capitalize on opportunities in the commercial real estate finance market, generating profitable growth while creating the diversified, national lending and investment platform we have today. We intend to utilize the net proceeds of the offering and the earnings we retain to expand our business by focusing on the following strategies:

Increasing the volume and frequency of our conduit loan securitizations. Our primary business strategy is to originate conduit loans for sale into CMBS securitizations. We expect to be able to increase the volume and frequency of our conduit loan securitizations as a result of the growth in new CMBS issuance driven by favorable supply and demand dynamics. We believe we are well-positioned to continue to increase our market share of new U.S. CMBS issuance, which was 2.8% in 2010, 3.1% in 2011, 3.3% in 2012, and 3.6% in the first nine months of 2013, while maintaining our high credit standards and pricing discipline.

Originating more loans and increasing the average size of the loans we originate. We expect our lending business to continue to grow as we build larger and more diverse portfolios of conduit loans for securitization, originate selected large loans for single-asset securitizations and originate additional, larger balance sheet loans held for investment. Our origination of balance sheet loans held for investment will support the growth of our conduit lending business in the future as the properties that secure these loans become eligible for longer-term conduit financing from us upon maturity. We believe that we have a competitive advantage through our ability to offer this wide range of products.

Expanding investments in selected net leased and other commercial real estate equity. We expect to grow our net leased and other real estate investment business through direct investments as well as investments in real estate partnerships with experienced managers and co-investors. Our net leased strategy is generally to purchase real estate, originate a non-recourse conduit loan secured by that real estate and subsequently securitize that loan. This strategy has enabled us to realize an attractive levered return on our net leased real estate investments while garnering a control position in the underlying properties. We may also sell such properties for a profit. In addition, as we grow our balance sheet loan portfolio, we expect to make loans with equity-linked participations to capture a portion of any appreciation in the value of such properties.

Pursuing other attractive opportunities. We expect to pursue other complementary growth opportunities as they arise. Such opportunities may include growing our third party asset management business as well as opportunistic acquisitions of third party commercial real estate finance-related businesses or assets that we view as synergistic with our current operations.

Table of Contents

Our Competitive Strengths

Our competitive strengths include:

Recognized national lending franchise. Ladder is a recognized and well-regarded brand name in the U.S. commercial real estate lending market. From inception through September 30, 2013, we originated $5.4 billion of conduit commercial real estate loans, $5.1 billion of which were sold into 16 CMBS securitizations, making us the second largest non-bank contributor by volume to CMBS securitizations in the United States for that period, according to Commercial Mortgage Alert. We have partnered in CMBS securitizations as a loan seller and co-manager with prominent commercial real estate platforms, including affiliates of Deutsche Bank Securities Inc., J.P. Morgan Securities LLC, RBS Securities Inc., UBS Securities LLC and Wells Fargo Securities, LLC. We believe our reputation as an established lender helps us access new borrowers in our origination business, and makes us an attractive partner to investors in the CMBS market as well as our lenders and securitization partners.

Established, fully-integrated commercial real estate finance platform. Since our inception, we have operated an internally managed and vertically integrated commercial mortgage origination platform. Our staff of 59 full-time industry professionals specializing in loan origination, underwriting, structuring, securitization, trading, financing and asset management allows us to manage and control the loan process from origination through closing and, when appropriate, sale or other disposition. In an industry characterized by high barriers to entry, including requisite relationships with borrowers, mortgage brokers, securitization partners, investors (including CMBS investors), and financing sources, we are a well-established operating business with a comprehensive in-house infrastructure.

Complementary, diverse business lines. We apply our knowledge of commercial real estate across the commercial real estate investing spectrum, including to whole loans, securities and real estate equity. We believe our ability to offer borrowers a diverse range of financing products, including interim balance sheet loans, gives us a competitive advantage compared to certain of our competitors who focus more exclusively on conduit loans. In addition, our robust and diversified investment platform provides us with the ability to capture relative value opportunities among the various products in different market environments. It affords us market presence and insight, as well as the ability to flexibly allocate our capital among our business lines to hedge risk and achieve attractive risk-adjusted returns.

Strong credit culture, experienced management team and alignment of interests. We conduct a comprehensive credit and underwriting review prior to closing any transaction and we have not had an event of default declared or credit loss on the loans and investments we have made since our inception. Our focus on strong credit practices is supported and monitored by our experienced management team, who together with our chairman, held equity capital accounts in our company comprising $92.1 million of book equity value, representing 7.9% of total partners capital, as of September 30, 2013. Our credit culture is further reinforced by the alignment of our loan origination team, whose members are compensated based on loan profitability and performance and not on volume.

Operating flexibility resulting from our corporate structure and moderate leverage. Our corporate structure facilitates our securitization business and allows us to retain and reinvest earnings. In addition, our access to diverse, long term and low-cost financing,

Table of Contents

particularly via our FHLB membership, is a mark of distinction compared to our non-bank competitors, allowing us to better match the characteristics of our funding liabilities with those of our investment assets at an attractive cost of funds. We also deploy leverage prudently. As of September 30, 2013, our debt-to-equity ratio was 1.0:1.0, and we had $2.7 billion of committed, undrawn funding capacity available to finance our business and $1.0 billion in unencumbered assets.

Our Business Segments

We invest primarily in loans, securities and other interests in U.S. commercial real estate, with a focus on senior secured assets. Our mix of business segments is 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:

	As of September 30, 2013	As of December 31, 2012	2011	2010
	($ in thousands)			
Loans				
Conduit first mortgage loans	$ 93,031	$ 623,333	$ 258,842	$ 353,946
Balance sheet first mortgage loans	266,180	229,926	229,378	149,104
Other commercial real estate-related loans	103,429	96,392	25,819	6,754
Total loans	$ 462,640	$ 949,651	$ 514,039	$ 509,804
Securities				
CMBS investments	1,084,791	833,916	1,664,001	1,736,043
U.S. Agency Securities investments	232,185	291,646	281,069	189,467
Total securities	$ 1,316,976	$ 1,125,562	$ 1,945,070	$ 1,925,510
Real Estate				
Total real estate, net	510,147	380,022	28,835	25,669
Total investments	$ 2,289,763	$ 2,455,235	$ 2,487,944	$ 2,460,983
Cash, cash equivalents and cash collateral held by broker	98,716	109,169	138,630	105,138
Other assets	117,688	64,626	27,815	21,667
Total assets	$ 2,506,167	$ 2,629,030	$ 2,654,389	$ 2,587,788

Loans

Conduit First Mortgage Loans. We originate first mortgage loans, which we refer to as conduit 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 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.

Table of Contents

Although our primary intent is to sell our conduit first mortgage loans to CMBS securitization trusts, we generally seek to maintain the flexibility to keep them on our balance sheet, offer them for sale to CMBS trusts as part of a securitization process or otherwise sell them as whole loans to third-party institutional investors. From our inception in 2008 through September 30, 2013, we originated and funded $5.4 billion of conduit first mortgage loans, and securitized $5.1 billion of such mortgage loans in 16 separate transactions, including two securitizations in 2010, three securitizations in 2011, six securitizations in 2012 and five securitizations in the nine months ended September 30, 2013. 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, RBS Securities Inc., UBS Securities LLC and Wells Fargo Securities, LLC, and we have also completed a single-asset securitization. During 2012 and the first nine months of 2013, conduit first mortgage loans have remained on our balance sheet for a weighted average of 80 and 75 days, respectively, prior to securitization. As of September 30, 2013, we held four first mortgage loans that were available to be offered for sale into a securitization with an aggregate book value of $93.0 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 64.1% at September 30, 2013.

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, renovation or repositioning. These mortgage loans are structured to fit the needs and business plans of the borrowers, and generally have floating rates and terms (including extension options) ranging from one to three 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 $20.0 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, or offer them for sale to our institutional bridge loan partnership. From our inception in October 2008 through September 30, 2013, we originated and funded $1.1 billion of balance sheet first mortgage 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) or sold to our institutional bridge loan partnership. As of September 30, 2013, we held a portfolio of 18 balance sheet first mortgage loans with an aggregate book value of $266.2 million. 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 58.4% at September 30, 2013.

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. As of September 30, 2013, we held $103.4 million of other commercial real estate-related loans. 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 74.9%.

Securities

CMBS Investments. We invest in CMBS secured by first mortgage loans on commercial real estate, and own predominantly AAA-rated securities. These investments provide a stable and attractive base of net interest income and help us manage our liquidity. We have significant

Table of Contents

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. CMBS investments in excess of $26.0 million require the approval of our Board of Directors Risk and Underwriting Committee. As of September 30, 2013, the estimated fair value of our portfolio of CMBS investments totaled $1.1 billion in 100 CUSIPs ($10.8 million average investment per CUSIP). As of that date, all of our CMBS investments were rated investment grade by Standard & Poor s Ratings Group (Standard & Poor s), Moody s Investors Service, Inc. (Moody s) or Fitch Ratings Inc. (Fitch), consisting of 78.9% AAA/Aaa-rated securities and 21.1% of other investment grade-rated securities, including 12.1% rated AA/Aa, 3.0% rated A/A and 6.0% rated BBB/Baa. In the future, we may invest in CMBS securities that are not rated. As of September 30, 2013, our CMBS investments had a weighted average duration of 4.3 years.

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 (Ginnie Mae), or by a government-sponsored enterprise (a GSE), such as the Federal National Mortgage Association (Fannie Mae) or the Federal Home Loan Mortgage Corporation (Freddie Mac). As of September 30, 2013, the estimated fair value of our portfolio of U.S. Agency Securities was $232.2 million in 52 CUSIPs ($4.5 million average investment per CUSIP), with a weighted average duration of 3.4 years.

Real estate

Commercial real estate properties. As of September 30, 2013, we owned 34 single tenant retail properties with an aggregate book value of $259.4 million. These properties are leased on a net basis where the tenant is generally responsible for payment of real estate taxes, building insurance and maintenance expenses. Sixteen of our properties are leased to a national pharmacy chain, and the remaining properties are leased to a national discount retailer, a regional sporting goods store, and a regional membership warehouse club. As of September 30, 2013, our net leased properties comprised a total of 1.4 million square feet, had a 100% occupancy rate, had an average age since construction of 6.6 years and a weighted average remaining lease term of 19.0 years. In addition, as of September 30, 2013, we owned a 13 story office building with a book value of $18.0 million through a joint venture with an operating partner, and a portfolio of office properties with a book value of $132.7 million through a separate joint venture with an operating partner.

Residential real estate. As of September 30, 2013, we owned 356 residential condominium units at Veer Towers in Las Vegas with a book value of $100.2 million through a joint venture with an operating partner. As of September 30, 2013, the units were 59% rented and occupied. We sold 71 units during the nine months ended September 30, 2013, generating aggregate gains on sale of $10.9 million, and we intend to sell the remaining units over time.

Other Investments

Institutional bridge loan partnership. In 2011, we established an institutional partnership with a Canadian sovereign pension fund to invest in first mortgage bridge loans that meet pre-defined criteria. Our partner owns 90% of the limited partnership interest and we own the remaining 10% on a pari passu basis as well as 100% of the general partnership interest. Our partner retains the discretion to accept or reject individual loans and following the expiration of an exclusivity period, we retain discretion on which loans to present to the partnership. As the general partner, we earn management fees and incentive fees from the partnership. In addition, we are entitled to retain origination fees of up to 1% on loans that we sell to the partnership. As of September 30, 2013, the partnership owned $146.2 million of first mortgage bridge loan assets that were financed by $50.1 million of term debt. Debt of the partnership is nonrecourse to the limited and general partners, except for customary nonrecourse carve-outs for certain actions and environmental liability. As of September 30, 2013, the book value of our investment in the institutional partnership was $9.9 million.

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, the loan was refinanced and we converted our kicker into a 25% limited liability company interest in Grace Lake JV, LLC (the LLC). As of September 30, 2013, the LLC owned an office building with a carrying value of $78.4 million that is financed by $78.2 million of long-term debt. Debt of the LLC is nonrecourse to the limited liability company members, except for customary nonrecourse carve-outs for certain actions and environmental liability. As of September 30, 2013, the book value of our investment in the LLC was $2.1 million.

Other asset management activities. As of September 30, 2013, we also managed three separate CMBS investment accounts for private investors with combined total assets of $7.0 million. As of October 2012, we are no longer purchasing any new investments for these accounts, however, we will continue to manage the existing investments until their full repayment or other disposition.

Our Current 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, current and future earnings and cash flow from operations, existing debt facilities, and other borrowing programs in which we participate, including as a member of the FHLB.

We finance our portfolio of commercial real estate loans using committed term facilities provided by multiple financial institutions, with total commitments of $1.3 billion at September 30, 2013, a $50.0 million credit agreement, and through our FHLB membership. As of September 30, 2013, there was no debt outstanding under the term facilities or credit agreement. We finance our securities portfolio, including CMBS and U.S. Agency Securities, through our FHLB membership, a $600.0 million committed term master repurchase agreement from a leading domestic financial institution and uncommitted master repurchase agreements with numerous counterparties. As of September 30, 2013, we had total outstanding balances of $6.2 million under all securities master repurchase agreements. We finance our real estate investments with nonrecourse first mortgage loans. As of September 30, 2013, we had outstanding balances of $291.2 million on these nonrecourse mortgage loans. In addition to the amounts outstanding on our other facilities, we had $608.0 million of borrowings from the FHLB outstanding at September 30, 2013. We also had $325.0 million of Notes issued and outstanding as of September 30, 2013. In addition, at the closing of the offering, we intend to enter into the

Table of Contents

$75.0 million New Revolving Credit Facility (as defined in Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources The New Revolving Credit Facility). See Note 7 to our consolidated financial statements for the nine months ended September 30, 2013 included elsewhere in this prospectus for more information about our financing arrangements.

The following table shows our sources of capital, including our financing arrangements, and our investment portfolio as of September 30, 2013:

Sources of Capital		**($ in thousands)**
Debt:		
Repurchase agreements	$	6,151
Borrowings under credit agreement		
Long term financing		291,238
Borrowings from the FHLB		608,000
Senior unsecured notes		325,000
New Revolving Credit Facility		
Total debt		1,230,389
Other liabilities		98,458
Capital (equity)		1,177,321
Total sources of capital	$	2,506,168

Assets		**($ in thousands)**
Loans:		
Conduit first mortgage loans	$	93,031
Balance sheet first mortgage loans		266,180
Other commercial real estate-related loans		103,429
Total loans	$	462,640
Securities:		
CMBS investments		1,084,791
U.S. Agency Securities investments		232,185
Total securities	$	1,316,976
Real estate:		
Total real estate, net		510,147
Total investments	$	2,289,763
Cash, cash equivalents and cash held by broker		98,716
Other assets		117,689
Total assets	$	2,506,168

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 assets that have a duration longer than two 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 seek to match fund our assets according to the liquidity characteristics and expected holding periods of our assets.

We seek to maintain a debt-to-equity ratio of 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 loans at intervals, and also because of changes in our asset mix, due in part to such securitizations. As of September 30, 2013, our debt-to-equity ratio was 1.0:1.0. 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.

Table of Contents

Organizational Structure

Following the offering, Ladder Capital Corp will be a holding company and its sole material asset will be a controlling equity interest in LCFH. Through its ability to appoint the board of LCFH, Ladder Capital Corp will indirectly operate and control all of the business and affairs and consolidate the financial results of LCFH and its subsidiaries. Prior to the completion of the offering, the limited liability limited partnership agreement of LCFH will be amended and restated to, among other things, modify its capital structure by replacing the different classes of interests currently held by the existing owners of LCFH with a single new class of units that we refer to as LP Units. Certain existing owners of LCFH will own LP Units and an equivalent number of shares of Ladder Capital Corp Class B common stock as of the completion of the offering (the Continuing LCFH Limited Partners). Our Class B common stock will entitle holders to one vote per share and will vote as a single class with our Class A common stock issued in the offering. However, the Class B common stock will not have any economic rights. Other existing owners of LCFH have elected to receive, at or prior to the closing of this offering, shares of our Class A common stock in lieu of any and all LP units and shares of Class B common stock that would otherwise be issued to such existing investors (Exchanging Existing Owners). The Continuing LCFH Limited Partners will have the right to exchange an equal number of LP Units and our shares of Class B common stock for shares of our Class A common stock on a one-for-one basis, subject to customary conversion rate adjustments for stock splits, stock dividends and reclassifications. Any of our shares of Class B common stock exchanged under the exchange provisions described above will be cancelled and any LP Units exchanged under the exchange provisions described above will thereafter be owned by Ladder Capital Corp. See Organizational Structure.

Investment Company Act Exemption

We intend to conduct our operations so that neither we nor any of our subsidiaries are required to register as an investment company under the Investment Company Act of 1940, as amended (the Investment Company Act).

We are organized as a holding company and conduct our businesses primarily through our wholly-owned and majority-owned subsidiaries. We intend to conduct our operations so that we do not come within the definition of an investment company under Section 3(a)(1)(C) of the Investment Company Act because less than 40% of the value of our total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis will consist of investment securities, which excludes, among other things, U.S. government securities and securities issued by majority-owned subsidiaries that are not themselves investment companies and are not relying on the exception from the definition of investment company set forth in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act. We will monitor our holdings to ensure continuing and ongoing compliance with this test. In addition, we believe that we will not be considered an investment company under Section 3(a)(1)(A) of the Investment Company Act because we will not engage primarily, hold ourselves out as being engaged primarily, or propose to engage primarily, in the business of investing, reinvesting or trading in securities. Rather, we will be engaged primarily in the business of holding securities of our wholly-owned and majority-owned subsidiaries.

We expect that certain of our subsidiaries may rely on the exclusion from the definition of an investment company under the Investment Company Act pursuant to Section 3(c)(5)(C) of the Investment Company Act, which is available for entities primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate.

Table of Contents

This exclusion, as interpreted by the staff of the SEC, requires that an entity invest at least 55% of its assets in qualifying real estate assets (as that term is interpreted under Section 3(c)(5)(C) of the Investment Company Act) and at least 80% of its assets in qualifying real estate assets and real estate-related assets.

Although we reserve the right to modify our business methods at any time, at the time of this offering we expect each of our subsidiaries relying on Section 3(c)(5)(C) to primarily hold assets in one or more of the following categories, which are comprised primarily of qualifying real estate assets : commercial mortgage loans and investments in selected net leased and other commercial real estate assets. We expect each of our subsidiaries relying on Section 3(c)(5)(C) to rely on guidance published by the SEC or its staff or on our analyses of such guidance to determine which assets are qualifying real estate assets and real estate-related assets. To the extent that the SEC or its staff publishes new or different guidance with respect to these matters, we may be required to adjust our strategies accordingly. In addition, we may be limited in our ability to make certain investments and these limitations could result in a subsidiary holding assets we might wish to sell or selling assets we might wish to hold.

In 2011, the SEC solicited public comment on a wide range of issues relating to Section 3(c)(5)(C) of the Investment Company Act, including the nature of the assets that qualify for purposes of the exclusion and whether companies that are engaged in the business of acquiring mortgages and mortgage-related instruments should be regulated in a manner similar to investment companies. There can be no assurance that the laws and regulations governing the Investment Company Act status of such companies, including the SEC or its staff providing more specific or different guidance regarding Section 3(c)(5)(C), will not change in a manner that adversely affects our operations.

Certain of our other subsidiaries, particularly those holding significant amount of CMBS or mezzanine loans, may rely upon the exemption from registration as an investment company under the Investment Company Act pursuant to Section 3(c)(1) or 3(c)(7) of the Investment Company Act.