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

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

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

For the transition period from _________ to __________

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

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

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

(212) 506-3870
(Registrant's telephone number, including area code)
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	þ		Accelerated filer	¨
Non-accelerated filer	¨	(Do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ¨ Yes þ No
The number of outstanding shares of the registrant’s common stock on August 5, 2015 was 134,187,213 shares.

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
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ON FORM 10-Q

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PART I

ITEM 1. FINANCIAL STATEMENTS

RESOURCE CAPITAL CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share data)

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

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

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

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

The accompanying notes are an integral part of these statements

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

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

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

The accompanying notes are an integral part of these statements

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

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

The accompanying notes are an integral part of these statements

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

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

The accompanying notes are an integral part of these statements

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

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

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

The accompanying notes are an integral part of these statements

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

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

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

The accompanying notes are an integral part of these statements

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

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

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

All inter-company transactions and balances have been eliminated.

Cash and Cash Equivalents

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

Investment in Unconsolidated Entities

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

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

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

Recent Accounting Standards

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

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

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

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

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

Topic 820, and any difference in the fair value of the financial assets and the fair value of the financial liabilities would be reflected in earnings and attributed to the reporting entity in the consolidated statement of operations. This guidance is effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted as of the beginning of an annual period. The Company is currently evaluating the effect of adoption.

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

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

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

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

Reclassifications

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

NOTE 3 - VARIABLE INTEREST ENTITIES

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

Consolidated VIEs (the Company is the primary beneficiary)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

LEAF Commercial Capital, Inc.

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

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

Unsecured Junior Subordinated Debentures

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

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

Resource Capital Asset Management CLOs

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

Investment in ZAIS

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

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

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

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

NOTE 4 - SUPPLEMENTAL CASH FLOW INFORMATION

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

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

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

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NOTE 5 - INVESTMENT SECURITIES, TRADING
The following table summarizes the Company's structured notes and RMBS that are classified as investment securities, trading and carried at fair value (in thousands). Structured notes are CLO debt securities collateralized by syndicated bank loans, and RMBS is a type of mortgage-backed debt obligation whose cash flows come from residential debt.

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

The Company sold ten and one securities during the six months ended June 30, 2015 and 2014, for a net realized gain of approximately $621,000 and $379,000, respectively. The Company held 47 and 37 investment securities, trading as of June 30, 2015 and December 31, 2014, respectively.
NOTE 6 - INVESTMENT SECURITIES AVAILABLE-FOR-SALE
The following table summarizes the Company's investment securities, including those pledged as collateral and classified as available-for-sale, which are carried at fair value (in thousands):

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Bank Loans

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

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

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

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

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

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

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

Middle Market Loans

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

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

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

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

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

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

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

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

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

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

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

NOTE 8 - INVESTMENTS IN UNCONSOLIDATED ENTITIES

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

				Equity in Earnings of Unconsolidated subsidiaries			
	Ownership %	Balance as of June 30, 2015	Balance as of December 31, 2014	For the three months ended June 30, 2015	For the six months ended June 30, 2015	For the three months ended June 30, 2014	For the six months ended June 30, 2014
Varde Investment Partners, L.P	7.5%	$654	$654	$—	$—	$(19)	$(20)
RRE VIP Borrower, LLC [1]	3% to 5%	—	—	—	46	870	1,736
Investment in LCC Preferred Stock	28.4%	39,819	39,416	350	402	(278)	(872)
Investment in CVC Global Credit Opportunities Fund [2]	17.4%	14,129	18,209	312	920	1,124	1,958
Investment in Life Care Funding [3]	60.7%	—	—	—	—	—	(75)
Investment in School Lane House [1]		—	—	—	—	65	1,049
Subtotal		54,602	58,279	662	1,368		