Resource Capital Corp.
Form 10-Q
May 10, 2016

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 March 31, 2016
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 ¨	Accelerated filer þ
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 May 5, 2016 was 31,197,445 shares.

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
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ON FORM 10-Q

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PART I
ITEM 1. FINANCIAL STATEMENTS
RESOURCE CAPITAL CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	March 31, 2016 (unaudited)	December 31, 2015
ASSETS [(1)]		
Cash and cash equivalents	$71,403	$78,756
Restricted cash	8,721	40,635
Investment securities, trading	3,886	25,550
Investment securities available-for-sale, pledged as collateral, at fair value	87,662	162,306
Investment securities available-for-sale, at fair value	212,527	45,782
Loans held for sale ($122.5 million and $94.5 million at fair value)	126,153	95,946
Loans, pledged as collateral and net of allowances of $4.1 million and $47.5 million	1,771,917	2,160,751
Investments in unconsolidated entities	74,356	50,030
Derivatives, at fair value	4,689	3,446
Interest receivable	10,788	14,009
Deferred tax asset, net	12,634	12,646
Principal paydown receivable	—	17,941
Direct financing leases, net of allowances of $0.5 million	714	931
Intangible assets	25,511	26,228
Prepaid expenses	2,778	3,180
Other assets	12,540	22,295
Total assets	$2,426,279	$2,760,432
LIABILITIES [(2)]		
Borrowings	$1,602,025	$1,895,288
Distribution payable	17,125	17,351
Accrued interest expense	5,024	5,604
Derivatives, at fair value	2,742	3,941
Accrued tax liability	815	549
Accounts payable and other liabilities	10,912	10,939
Total liabilities	1,638,643	1,933,672
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 5,544,579 and 5,740,479 shares issued and outstanding	6	6
Preferred stock, par value $0.001: 10,000,000 shares authorized 8.625% Series C cumulative redeemable preferred shares, liquidation preference $25.00 per share 4,800,000 and 4,800,000 shares issued and outstanding	5	5
Common stock, par value $0.001: 125,000,000 shares authorized; 31,217,415 and 31,562,724 shares issued and outstanding (including 910,790 and 691,369 unvested restricted shares)	31	32
Additional paid-in capital	1,217,493	1,228,346
Accumulated other comprehensive income (loss)	(1,895)	(2,923)

Distributions in excess of earnings	(426,935)	(406,603)
Total stockholders' equity	788,706	818,864
Non-controlling interests	(1,070)	7,896
Total equity	787,636	826,760
TOTAL LIABILITIES AND EQUITY	$2,426,279	$2,760,432

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

	March 31, 2016 (unaudited)	December 31, 2015
(1) Assets of consolidated Variable Interest Entities ("VIEs") included in the total assets above:		
Cash and cash equivalents	$—	$ 95
Restricted cash	7,986	39,061
Investment securities available-for-sale, pledged as collateral, at fair value	—	66,137
Loans held for sale	153	1,475
Loans, pledged as collateral and net of allowances of $1.1 million and $42.8 million	1,039,119	1,416,441
Interest receivable	4,185	6,592
Prepaid expenses	64	238
Principal paydown receivable	—	17,800
Other assets	—	833
Total assets of consolidated VIEs	$1,051,507	$ 1,548,672
(2) Liabilities of consolidated VIEs included in the total liabilities above:		
Borrowings	$725,109	$ 1,032,581
Accrued interest expense	635	923
Derivatives, at fair value	—	3,346
Accounts payable and other liabilities	44	(117)
Total liabilities of consolidated VIEs	$725,788	$ 1,036,733

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 March 31,	
	2016	2015
REVENUES		
Interest income:		
Loans	$34,112	$32,663
Securities	4,798	4,052
Leases	(54)	95
Interest income - other	1,241	832
Total interest income	40,097	37,642
Interest expense	15,771	14,902
Net interest income	24,326	22,740
Dividend income	17	16
Fee income	(701)	1,170
Total revenues	23,642	23,926
OPERATING EXPENSES		
Management fees - related party	4,037	3,560
Equity compensation - related party	1,263	995
Rental operating expense	—	6
Lease operating	3	23
General and administrative	10,070	10,971
Depreciation and amortization	641	565
Impairment losses	—	59
Provision (recovery) for loan and lease losses	37	3,990
Total operating expenses	16,051	20,169
	7,591	3,757
OTHER INCOME (EXPENSE)		
Equity in earnings of unconsolidated subsidiaries	2,222	706
Net realized and unrealized gain (loss) on sales of investment securities available-for-sale and loans and derivatives	4,828	13,967
Net realized and unrealized gain (loss) on investment securities, trading	145	2,074
Unrealized gain (loss) and net interest income on linked transactions, net	—	235
(Loss) on reissuance/gain on extinguishment of debt	—	(900)
(Loss) gain on sale of real estate	(3)	(22)
Total other income (expense)	7,192	16,060
INCOME (LOSS) BEFORE TAXES	14,783	19,817
Income tax (expense) benefit	(763)	(1,847)
NET INCOME (LOSS)	14,020	17,970

The accompanying notes are an integral part of these statements

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

	For the Three Months Ended March 31,	
	2016	2015
Net (income) loss allocated to preferred shares	(6,048)	(6,091)
Carrying value in excess of consideration paid for preferred shares	1,611	—
Net (income) loss allocable to non-controlling interest, net of taxes	90	(2,477)
NET INCOME (LOSS) ALLOCABLE TO COMMON SHARES	$9,673	$ 9,402
NET INCOME (LOSS) PER COMMON SHARE – BASIC	$0.32	$ 0.29
NET INCOME (LOSS) PER COMMON SHARE – DILUTED	$0.31	$ 0.28
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC	30,600,407	32,814,227
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - DILUTED	31,038,095	33,076,104

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

	For the Three Months Ended March 31,	
	2016	2015
Net income (loss)	$14,020	$17,970
Other comprehensive income (loss):		
Reclassification adjustment for realized (gains) losses on available-for-sale securities included in net income	301	(6,258)
Unrealized gains (losses) on available-for-sale securities, net	(1,318)	3,123
Reclassification adjustments associated with unrealized gains (losses) from interest rate hedges included in net income	61	90
Unrealized gains on derivatives, net	27	1,142
Foreign currency translation adjustments	—	429
Total other comprehensive income (loss)	(929)	(1,474)
Comprehensive income (loss) before allocation to non-controlling interests and preferred shares	13,091	16,496
Unrealized (gains) losses on available-for-sale securities allocable to non-controlling interests	—	807
Net (income) loss allocable to non-controlling interests	90	(2,477)
Net (income) loss allocated to preferred shares	(6,048)	(6,091)
Carrying value in excess of consideration paid for preferred shares	1,611	—
Comprehensive income (loss) allocable to common shares	$8,744	$8,735

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 THREE MONTHS ENDED MARCH 31, 2016
(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, December 31, 2015	31,562,724	$32	$1	$6	$5	$1,228,346	$(2,923)	$—	$(406,603)	$818,864	$7,896	$826,760
Deconsolidation of variable interest entities	—	—	—	—	—	—	1,957	—	(16,932)	(14,975)	(8,876)	(23,851)
Balance, January 1, 2016	31,562,724	32	1	6	5	1,228,346	(966)	—	(423,535)	803,889	(980)	802,909
Proceeds from dividend reinvestment and stock purchase plan	3,541	—	—	—	—	35	—	—	—	35	—	35
Proceeds from issuance of preferred stock	—	—	—	—	—	—	—	—	—	—	—	—
Offering costs	—	—	—	—	—	—	—	—	—	—	—	—
Discount on 8.0% convertible senior notes	—	—	—	—	—	19	—	—	—	19	—	19
Stock based compensation	301,613	—	—	—	—	—	—	—	—	—	—	—
Amortization of stock based compensation	—	—	—	—	—	1,263	—	—	—	1,263	—	1,263
Purchase and retirement of common shares	(650,463)	(1)	—	—	—	(7,445)	—	—	—	(7,446)	—	(7,446)
Net income	—	—	—	—	—	—	—	14,110	—	14,110	(90)	14,020
Preferred dividends	—	—	—	—	—	—	—	(6,048)	—	(6,048)	—	(6,048)
Preferred stock redemption	—	—	—	—	—	(4,725)	—	1,611	—	(3,114)	—	(3,114)
Securities available-for-sale, fair value adjustment, net	—	—	—	—	—	—	(1,017)	—	—	(1,017)	—	(1,017)
Designated derivatives, fair	—	—	—	—	—	—	88	—	—	88	—	88

value adjustment												
Distributions on common stock	—	—	—	—	—	—	—	(9,673)	(3,400)	(13,073)	—	(13,073)
Balance, March 31, 2016	31,217,415	$31	$1	$6	$5	$1,217,493	$(1,895)	$—	$(426,935)	$788,706	$(1,070)	$787,636

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 Three Months Ended March 31,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$14,020	$17,970
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Provision for (recovery of) loan losses	37	3,990
Depreciation, amortization, and accretion	652	3,729
Amortization of stock-based compensation	1,263	995
Deferred income tax (benefit) expense	—	(48)
Sale (origination) of residential mortgage loans held for sale, net	(34,291)	(58,136)
Sale (purchase) of and principal payments on securities, trading, net	3	(8,173)
Net realized and unrealized loss (gain) on investment securities, trading	(145)	(2,074)
Net realized and unrealized (gain) loss on sales of investment securities available-for-sale and loans	(4,828)	(14,423)
Loss (gain) on the reissuance (extinguishment) of debt	—	900
Loss (gain) on sale of real estate	3	22
Settlement of derivative instruments	(1,403)	82
Net impairment losses recognized in earnings	—	59
Unrealized gain (loss) and net interest income on linked transactions, net	—	(235)
Equity in net (earnings) losses of unconsolidated subsidiaries	(2,222)	(706)
Changes in operating assets and liabilities, net of acquisitions	8,622	4,282
Net cash provided by (used in) operating activities	(18,289)	(51,766)
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) decrease in restricted cash	14,365	94,734
Deconsolidation of VIEs [(1)]	(472)	—
Purchase of securities available-for-sale	(6,467)	(4,000)
Principal payments on securities available-for-sale	16,229	37,860
Proceeds from sale of securities available-for-sale	—	7,113
Return of capital from (investment in) unconsolidated entity	9,381	4,391
Purchase and origination of loans	(110,026)	(207,983)
Principal payments received on loans	133,166	91,294
Proceeds from sale of loans	138	16,922
Purchase of furniture and fixtures	(23)	—
Acquisition of property and equipment	—	(171)
Investment in loans - related parties	—	(903)
Settlement of derivative instruments	56	3,091
Net cash (used in) provided by investing activities	56,347	42,348
CASH FLOWS FROM FINANCING ACTIVITIES:		

Net proceeds from issuances of common stock and dividend reinvestment and stock purchase plan (net of offering costs of $0 and $0)	33	106
Proceeds from issuance of preferred shares (net of offering costs of $0 and $111)	—	3,002
Repurchase of common stock	(7,445)	(5)
Repurchase of preferred shares	(3,114)	—
Net proceeds (borrowings) from repurchase agreements	49,796	(64,812)
Proceeds from borrowings:		
Securitizations	—	282,127
Convertible senior notes	—	99,000
Senior secured revolving credit facility	19,000	21,500
Reissuance of debt	—	8,100
Payments on borrowings:		
Securitizations	(28,334)	(161,713)
Senior secured revolving credit facility	(56,000)	—
Payment of debt issuance costs	—	(6,639)
Distributions to non-controlling interest and subordinated note holders	—	(2,987)
Proceeds received from non-controlling interests	—	1,802
Distributions paid on preferred stock	(6,115)	(6,044)
Distributions paid on common stock	(13,232)	(26,563)
Net cash provided by (used in) financing activities	$(45,411)	$146,874
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,353)	137,456
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	78,756	79,905
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$71,403	$217,361
SUPPLEMENTAL DISCLOSURE:		
Interest expense paid in cash	$12,946	$9,378
Income taxes paid in cash	$43	$1,739

(1) Cash and cash equivalents as of January 1, 2016 decreased by $472,000 due to the adoption of the amendments to the consolidation accounting guidance resulting in the deconsolidation of five variable interest entities (see Note 2).

The accompanying notes are an integral part of these statements

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016
(unaudited)

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION

Resource Capital Corp. and subsidiaries' (collectively the ''Company'') principal business activity is to originate, 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 was the primary beneficiary of the Company. In December 2015, Resource America early adopted the consolidation guidance issued by the Financial Accounting Standards Board ("FASB") (see Note 2) and it was determined that the Company was no longer a VIE. Therefore, the Company's financial statements are no longer consolidated into Resource America's financial statements.

On January 1, 2016, the Company adopted the amendments to the consolidation guidance as outlined in Note 2. As a result of its evaluation, the Company determined that it is no longer the primary beneficiary of the following VIEs and therefore, deconsolidated these entities: Resource Real Estate Funding CDO 2006-1, Ltd. ("RREF CDO 2006-1"), Resource Real Estate Funding CDO 2007-1, Ltd. ("RREF CDO 2007-1"), Apidos Cinco CDO, Ltd. ("Apidos Cinco CDO"), Pelium Capital Partners, L.P., ("Pelium Capital") and RCM Global, LLC ("RCM Global").

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 direct investments in real estate. RCC Real Estate owns 100% of the equity of the following VIEs:

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"). This entity was deconsolidated as of January 1, 2016 and the retained investment is now accounted for as an investment security, available-for-sale (see Note 2) in its consolidated financial statements. On April 25, 2016, RREF CDO 2006-1 was liquidated. As a result of the liquidation and in return for the Company's interests in RREF CDO 2006-1, the Company was distributed the remaining assets of the CDO (see Note 24).

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. This entity was deconsolidated as of January 1, 2016 and the retained investment is now accounted for as an investment security, available-for-sale (see Note 2) in its consolidated financial statements.

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

Resource Capital Corp. 2015-CRE4, Ltd. ("RCC 2015-CRE4"), a Cayman Islands limited liability company and QRS, 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”), 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, as a result, all of the assets were sold.

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
MARCH 31, 2016
(unaudited)

- 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, a Cayman Islands limited liability company and TRS, was established to complete a CDO issuance secured by a portfolio of bank loans, ABS and corporate bonds. This entity was deconsolidated as of January 1, 2016 and the retained investment is now accounted for as an investment security, available-for-sale (see Note 2).

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, substantially all of the assets were sold.

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

Apidos CDO I, Ltd. ("Apidos CDO I”), a Cayman Islands limited liability company and TRS 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 a 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 March 31, 2016. The remaining 29.6% of the equity is owned by RCC Commercial.

Pelium Capital, a Delaware limited partnership, which holds investment securities, trading. Resource TRS owns 80.2% of the equity in Pelium Capital as of March 31, 2016. This entity was deconsolidated as of January 1, 2016 and the retained investment is now accounted for as an equity method investment (see Note 2).

- 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 24% 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 previously owned 33% of the equity of Apidos CLO VIII, Ltd (“Apidos CLO VIII”), a Cayman Islands limited liability company and TRS, which was liquidated in October 2013.

- 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.

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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:

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
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Long Term Care Conversion Funding ("LTCC Funding"), a New York limited liability company, which owns a 70.9% 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, which owns a beneficial interest in the warehouse credit facility of ZAIS CLO 4, Limited, is a Cayman Islands exempted limited liability company, in equity form, that is 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 25.4% of the following entity:

RCM Global, a Delaware limited liability company, holds a portfolio of investment securities, available-for-sale. This entity was deconsolidated as of January 1, 2016 and the retained investment is now accounted for as an equity method investment (see Note 2).

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

*RCC Opp Trust, a Delaware statutory trust, which holds a portfolio of residential mortgage loans, available-for-sale.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reverse Stock Split and Amended and Restated Certificate of Incorporation

Effective August 31, 2015, the Company completed a one-for-four reverse stock split of its outstanding common stock. The accompanying financial statements and notes to the financial statements give retroactive effect to the reverse stock split for all periods presented. In addition, the Company adopted an Amended and Restated Certificate of Incorporation, which provides that its authorized capital stock consists of 125,000,000 shares of common stock, $0.001 par value per share, and 100,000,000 shares of preferred stock, $0.001 par value per share.

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") and the accounting policies set forth in Note 2 included in our annual report on Form 10-K for the year ended December 31, 2015. 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 March 31, 2016 and December 31, 2015, approximately $67.6 million and $74.3 million of the reported cash balances exceeded the 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.

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Income Taxes

Because modest changes in projected income or loss produce a significant variance in estimates of the Company's annual effective tax rate, the Company records its tax provision (benefit) based on its actual effective tax rate.

Recent Accounting Standards

In March 2016, the FASB issued guidance intended to simplify various aspects related to how share-based payments are accounted for and presented in the financial statements. The new guidance allows for entities to make an entity-wide accounting policy election to either estimate the number of awards that are expected to vest or account for forfeitures when they occur. In addition, the guidance allows employers to withhold shares to satisfy minimum statutory tax withholding requirements up to the employees' maximum individual tax rate without causing the award to be classified as a liability. The guidance also stipulates that cash paid by an employer to a taxing authority when directly withholding shares for tax-withholding purposes should be classified as a financing activity on the statement of cash flows. This guidance is effective for annual reporting periods beginning after December 15, 2016, and interim periods within that reporting period. Early adoption is permitted in any interim or annual period, with any adjustments reflected as of the beginning of the fiscal year of adoption. The Company is in the process of evaluating the impact of this new guidance.

In February 2016, the FASB issued guidance requiring lessees to recognize a lease liability and a right-of-use asset for all leases. Lessor accounting will remain largely unchanged. The guidance will also require new qualitative and quantitative disclosures to help financial statement users better understand the timing, amount and uncertainty of cash flows arising from leases. This guidance will be effective for reporting periods beginning on or after December 15, 2018, with early adoption permitted. The Company is currently evaluating the impact of this guidance and its impact on our consolidated financial statements.

In January 2016, the FASB issued guidance to address certain aspects of recognition, measurement, presentation and disclosure of financial instruments in order to provide users of financial statements with more decision-useful information. The guidance requires equity investments to be measured at fair value with changes in fair value recognized in net income; simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment; eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet; requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments; requires separate presentation of financial assets and financial liabilities by measurement category and form of financial assets on the balance sheet or the accompanying notes to the financial statements and clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets. It is effective for annual reporting periods, and the interim periods within those periods, beginning after December 15, 2017 and early adoption is permitted for certain provisions. The Company is currently evaluating the effect of adoption.

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In September 2015, the FASB issued guidance that simplifies the accounting for adjustments made to provisional amounts recognized in a business combination, which are currently recognized on a retrospective basis. Under the new requirements, adjustments to provisional amounts will be recognized in the reporting period in which the adjustments are determined. The effects of changes in depreciation, amortization, or other income arising from changes to the provisional amounts, if any, are included in earnings of the reporting period in which the adjustments to the provisional amounts are determined. An entity is also required to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. It is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. Adoption did not have a material impact on the Company's consolidated financial statements.

In April 2015, the 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. The Company has early adopted the provisions of this guidance. Note 12, Borrowings, reflects the presentation of debt issuance costs as prescribed by this accounting standards update. Adoption did not have a material impact on the Company's consolidated financial statements.

In February 2015, the FASB issued guidance that requires an entity to evaluate whether it 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 VIEs; (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.

On January 1, 2016, the Company adopted the above guidance as required. As a result of its re-evaluation, the Company determined it is no longer the primary beneficiary of the following VIEs; and, therefore, they were deconsolidated: RREF CDO 2006-1, RREF CDO 2007-1, Apidos Cinco CDO, Pelium Capital, and RCM Global. As a result of these deconsolidations, the Company will no longer reflect the underlying collateral (loans and securities) of those VIEs in its consolidated financial statements. Instead, the Company will prospectively reflect in its consolidated balance sheet, its direct investments (the "retained investments") in the issued and outstanding securities of those VIEs. The Company's retained investments in RREF CDO 2006-1, RREF CDO 2007-1, Apidos Cinco CDO are now accounted for as investment securities, available-for-sale and, as a result, are marked-to-market while the Company's retained investments in Pelium Capital and RCM Global are accounted for as equity method investments. The Company has elected to retrospectively reflect the deconsolidation of these entities on a modified basis, which resulted in a reduction to the beginning balance of retained earnings as of January 1, 2016, of $16.9 million. The reduction to retained earnings represents the effect of marking the investments to market as of the date of the required adoption.

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The following table summarizes the net impact of the deconsolidation of the five VIEs upon adoption on January 1, 2016 (in thousands) net of eliminations:

	Total Deconsolidated VIEs	Retained Interest as of 1/1/2016	Net Impact on Deconsolidation
ASSETS:			
Cash and cash equivalents	$ 472	$—	$ 472
Restricted cash	17,076	—	17,076
Loans, pledged as collateral and net of allowances [(1)(2)(3)]	364,589	—	364,589
Loans held for sale	1,322	—	1,322
Investment securities available-for-sale, at fair value	68,997	166,769	(97,772)
Investment securities, trading	21,851	—	21,851
Investments in deconsolidated entities	17,250	23,175	(5,925)
Interest receivable	4,299	—	4,299
Principal paydown receivable	17,800	—	17,800
Prepaid expenses	256	—	256
Other assets	972	—	972
Total assets	$ 514,884	$189,944	$ 324,940
LIABILTITES:			
Borrowings	$ 297,191	$—	$ 297,191
Accrued interest expense	297	—	297
Derivative liabilities, at fair value	3,346	—	3,346
Accounts payable and other liabilities	255	—	255
Total liabilities	301,089	—	301,089
Retained earnings	206,876	189,944	16,932
Non-controlling interests	8,876	—	8,876
Accumulated other comprehensive loss	(1,957)	—	(1,957)
Total equity	213,795	189,944	23,851
Total liabilities and equity	$ 514,884	$189,944	$ 324,940

(1) As part of the deconsolidation of RREF CDO 2006-1 and RREF CDO 2007-1, $40.3 million of specific reserves and $142,000 of general reserves on CRE loans were deconsolidated as of January 1, 2016.

(2) As part of the deconsolidation of Apidos Cinco CDO, $1.3 million of specific reserves on the bank loans were deconsolidated as of January 1, 2016.

(3) As part of the deconsolidation of RREF CDO 2006-1 and RREF CDO 2007-1, the Company deconsolidated four loans representing the senior participations in commercial real estate loans totaling $91.3 million that were previously disclosed as both impaired loans and troubled debt restructurings as of December 31, 2015.

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. Adoption did not have a material impact on the Company's consolidated financial statements.

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

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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 is currently evaluating the effect of adoption.

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 and the fair value of any beneficial interests retained by the reporting entity (including those beneficial interests 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 that any difference in the fair value of the financial assets and the fair value of the financial liabilities 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. Adoption did not have a material impact on the Company's consolidated financial statements.

Reclassifications

Certain reclassifications have been made to the 2015 consolidated financial statements to conform to the 2016 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), securitizations, guarantees and other financial contracts in order to determine if they are variable interests in VIEs. The Company regularly monitors these legal interests and contracts and, to the extent it has determined that it has a variable interest, analyzes the related entity for potential consolidation. A VIE is required to be consolidated by its primary beneficiary, which, generally, is the entity that has the power to direct the activities that are most significant to the VIE and the right to receive benefits or the obligation to absorb losses that could potentially be significant to the VIE. 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.

Consolidated VIEs (the Company is the primary beneficiary)

Based on management's analysis, the Company is the primary beneficiary of seven VIEs at March 31, 2016: Apidos CDO I, Apidos CDO III, Whitney CLO I, RCC CRE Notes 2013, RCC 2014-CRE2, RCC 2015-CRE3 and RCC 2015-CRE4 (collectively the "Consolidiated VIEs"). In performing the primary beneficiary analysis for the Consolidated VIEs , it was determined that the Company was part of a related party group and was the party within that group that both has the power to direct the activities that are most significant to each of these VIEs and that has the right to receive benefits or the obligation to absorb losses that could potentially be significant to these VIEs. The Consolidated VIEs 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. All of the Company's VIEs were reevaluated under the revised consolidation model effective for the Company on January 1, 2016 (see Note 2).

As of December 31, 2015, the Company was the primary beneficiary of thirteen VIEs: 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, RCC 2015-CRE4, Moselle CLO and RCM Global, LLC (collectively, the "Consolidated VIEs at December 31, 2015"). In performing the primary beneficiary analysis for the Consolidated VIEs at December 31, 2015, it was determined that the parties that have the power to direct the activities that are most significant to each of these VIEs and that had the right to receive benefits

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or the obligation to absorb losses that could potentially be significant to these VIEs, were a related-party group. It was then determined that the Company was the party within that group that was more closely associated with each such VIE considering the design of the VIE, the principal-agency relationship between the Company and other members of the related-party group, and the relationship and significance of the activities of the VIE to the Company compared to the other members of the related-party group. Apidos CDO I, Apidos CDO III, Apidos Cinco CDO, Apidos CLO VIII, RREF CDO 2006-1, RREF CDO 2007-1, RCC CRE Notes 2013, RCC 2014-CRE2, RCC 2015-CRE3 and RCC 2015-CRE4 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. As of March 31, 2016, the Company's interest in the Moselle CLO Subordinated Notes was fully redeemed.

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.

For a discussion of the Company’s consolidated 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.

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The creditors of the Company's seven consolidated VIEs have no recourse to the general credit of the Company. During the three months ended March 31, 2016, the Company has provided no financial support to any of its VIEs nor does it have any requirement to do so, although it may choose to do so in the future to maximize future cash flows on such investments by the Company. There are no explicit arrangements that obligate the Company to provide financial support to any of its consolidated VIEs.
The following table shows the classification and carrying value of assets and liabilities of the Company's consolidated VIEs as of March 31, 2016 (in thousands):

	Apidos I	Apidos III	Whitney CLO I	RCC CRE Notes 2013	RCC 2014-CRE2	RCC 2015-CRE3	RCC 2015-CRE4	Total
ASSETS								
Restricted cash (1)	$ 69	$ 123	$ 169	$949	$ 13	$ 6,661	$ 2	$7,986
Loans, pledged as collateral	—	—	—	94,228	297,475	337,192	310,224	1,039,119
Loans held for sale	153	—	—	—	—	—	—	153
Interest receivable	—	—	—	411	1,198	1,363	1,213	4,185
Prepaid assets	—	—	—	17	16	16	15	64
Total assets (2)	$ 222	$ 123	$ 169	$95,605	$ 298,702	$ 345,232	$ 311,454	$1,051,507
LIABILITIES								
Borrowings	$ —	$ —	$ —	$48,005	$ 177,478	$ 278,878	$ 220,748	$725,109
Accrued interest expense	—	—	—	65	126	256	188	635
Accounts payable and other liabilities	—	—	—	13	31	—	—	44
Total liabilities	$ —	$ —	$ —	$48,083	$ 177,635	$ 279,134	$ 220,936	$725,788

(1) Includes $962,000 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.

Unconsolidated VIEs (the Company is not the primary beneficiary, but has a variable interest)
Based on management's analysis, the Company is not the primary beneficiary of the VIEs discussed below since it does not have both (i) the power to direct the activities that most significantly impact the VIE's economic performance and (ii) the obligation to absorb the losses of the VIE or the right to receive the benefits from the VIE, which could be significant to the VIE. Accordingly, the following VIEs are not consolidated in the Company's financial statements as of March 31, 2016. 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.

RREF CDO 2006-1, RREF CDO 2007-1 and Apidos Cinco CDO
RREF CDO 2006-1, RREF CDO 2007-1 and Apidos Cinco CDO 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. On January 1, 2016, the Company adopted the amendments to the consolidation guidance as outlined in Note 2. As a result of its evaluation, the Company determined that it was no longer the primary beneficiary of these VIEs and these investments were deconsolidated. At deconsolidation, the Company recorded its investments in RREF CDO 2006-1, RREF CDO 2007-1 and Apidos Cinco CDO at fair value and will account for these investments as investment securities available-for-sale in its consolidated financial statements.

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RCM Global, LLC

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. On January 1, 2016, the Company adopted the amendments to the consolidation guidance as outlined in Note 2. Upon adoption, the Company reevaluated its variable interest in RCM Global and determined it would not be the primary beneficiary of RCM Global, as its investment in the limited liability company does not provide the Company with a controlling financial interest. As a result of its evaluation, the Company deconsolidated its investment in RCM Global. As of January 1, 2016, the Company accounted for its investment in RCM Global as an investment in an unconsolidated entity in its consolidated financial statements.

Pelium Capital

In September 2014, the Company contributed $17.5 million to Pelium Capital for an initial ownership interest of 80.4%. Pelium Capital is a specialized credit opportunity fund managed by Resource America. The Company funded its final commitment of $2.5 million, as of February 1, 2015. The Company will receive 10% of the carried interest in the partnership for the first five years which can increase its interest to 20% if the Company's capital contributions aggregate $40.0 million. Resource America contributed cash of $2.8 million to the formation of Pelium Capital. At December 31, 2015, Pelium Capital was accounted for a consolidated voting interest subsidiary. On January 1, 2016, the Company adopted the amendments to the consolidation guidance as outlined in Note 2. Upon adoption, the Company reevaluated its interest in Pelium Capital and determined that although it now possessed a variable interest in Pelium Capital, it would not be the primary beneficiary of Pelium Capital, as its investment in the limited liability company does not provide the Company with a controlling financial interest. As a result of its reevaluation, the Company deconsolidated its investment in Pelium Capital on January 1, 2016, and accounted for its investment in Pelium Capital as an investment in an unconsolidated entity in its consolidated financial statements.

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. 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 29.0% at March 31, 2016. The Company’s

investment in LCC was recorded at $43.4 million and $42.0 million as of March 31, 2016 and December 31, 2015, 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 29.0% 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 (see Note 17).

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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 $4.8 million and $5.3 million at March 31, 2016 and December 31, 2015, respectively. The Company recognized fee income of $402,000 and $965,000 for the three months ended March 31, 2016 and 2015, 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 ownership of the outstanding preferred equity to 68.3%. In September 2013, the Company liquidated Whitney CLO I, and, as a result, all of the assets were sold. In January 2016 another RCAM-managed CLO was called and $2.4 million of impairment, on a pre-tax basis, was recorded in depreciation and amortization on the Company's consolidated statements of operations the related intangible asset, as of December 31, 2015.

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 unconsolidated subsidiary Pelium Capital together with a Resource America employee. The Company, through ZAIS and Pelium Capital, committed to invest $10.0 million and $3.0 million, respectively, during the vehicle's warehousing period. The vehicle is managed by ZAIS Leveraged Loan Manager 4, LLC (the “Collateral Manager”), an entity unrelated 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 for cause by the entity’s administrative agent if there is an event of default or by a unanimous vote of

the entity’s equity investors, excluding any preference shares held by the Collateral Manager 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 March 31, 2016, the Company had invested $10.0 million and $3.0 million through ZAIS and Pelium Capital, respectively. The Company accounts for its investment in ZAIS as an investment security available-for-sale in its consolidated financial statements.

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Investments in the Harvest CLO Securities

In September 2013 and March 2014, the Company made investments in Harvest CLO VII Limited and Harvest CLO VIII Limited (collectively, the “Harvest Securities”), respectively, offshore limited liability companies created to acquire syndicated bank loans and issue collateral loan obligations, through its wholly-owned, direct subsidiary Commercial II. The Harvest Securities are managed by 3i Debt Management Investments Limited (the “Portfolio Manager”), an entity unrelated to the Company, and such collateral management activities were determined to be the activities that most significantly impacted the economic performance of the entity. The Portfolio Manager can be replaced only for cause by the Harvest Securities’ trustee. Although the Company has investments in the Harvest Securities that are potentially significant, because it was determined that the Company did not have the ability to unilaterally kick out the Portfolio Manager, the Company was not determined to be the primary beneficiary and, hence, not required to consolidate the Harvest Securities. As of March 31, 2016, the Company had investments of $3.9 million in Harvest CLO VII Limited and $4.7 million in Harvest CLO VIII Limited. The Company accounts for its investments in the Harvest Securities as investment securities available-for-sale in its consolidated financial statements.

Investment in Harvest CLO XV Designated Activity Company

In September 2015, the Company made an investment in Harvest CLO XV Designated Activity Company ("Harvest XV"), an offshore financing vehicle created to acquire and warehouse syndicated bank loans, through its wholly-owned, direct subsidiary Commercial II. The vehicle is managed by 3i Debt Management Investments Limited (the “Collateral Manager”), an entity unrelated to the Company, 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 only for cause by the entity’s administrative agent. 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 unilaterally kick out the collateral manager, the Company was not determined to be the primary beneficiary and, hence, not required to consolidate Harvest XV. As of March 31, 2016, the Company's investment in Harvest XV's warehouse was $17.3 million. The Company accounts for its investment in Harvest XV as an investment security available-for-sale in its consolidated financial statements.

The following table shows the classification, carrying value and maximum exposure to loss with respect to the Company’s unconsolidated VIEs as of March 31, 2016 (in thousands):

	Unconsolidated Variable Interest Entities										
	LCC	Unsecured Junior Subordinated Debentures	Resource Capital Asset Management CDOs	Investment in ZAIS and Harvest	RREF CDO 2006-1	RREF CDO 2007-1	Apidos Cinco CDO	RCM Global LLC	Pelium Capital	Total	Maximum Exposure to Loss
Investment in unconsolidated entities	$43,428	$1,548	$—	$35,660	$58,401	$92,695	$17,542	$470	$22,363	$272,107	$272,107
Intangible assets	—	—	4,841	—	—	—	—	—	—	4,841	$4,841
Total assets	43,428	1,548	4,841	35,660	58,401	92,695	17,542	470	22,363	276,948	
Borrowings	—	51,467	—	—	—	—	—	—	—	51,467	N/A
Total liabilities	—	51,467	—	—	—	—	—	—	—	51,467	N/A
	$43,428	$(49,919)	$4,841	$35,660	$58,401	$92,695	$17,542	$470	$22,363	$225,481	N/A

Net asset
(liability)
As of March 31, 2016, there were no explicit arrangements or implicit variable interests that could require the Company to provide financial support to any of its unconsolidated VIEs.

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NOTE 4 - SUPPLEMENTAL CASH FLOW INFORMATION

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

	For the Three Months Ended March 31,	
	2016	2015
Non-cash investing activities include the following:		
Reclassification of linked transactions, net at fair value to investment securities available-for-sale, pledged as collateral, at fair value [(1)]	$—	$48,605
Non-cash financing activities include the following:		
Distributions on common stock accrued but not paid	$13,073	$21,423
Distributions on preferred stock accrued but not paid	$4,010	$6,116
Reclassification of linked transactions, net at fair value to borrowings [(1)]	$—	$33,377

(1) As a result of an accounting standards update adopted on January 1, 2015, the Company unlinked its previously linked transactions, resulting in non-cash increases in both its investment securities available-for-sale, pledged as collateral, at fair value and related repurchase agreements borrowings balances.

NOTE 5 - INVESTMENT SECURITIES, TRADING

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 mortgage debt. 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):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
As of March 31, 2016:				
Structured notes	$ 5,994	$ —	$ (2,108)	$3,886
RMBS	1,896	—	(1,896)	—
Total	$ 7,890	$ —	$ (4,004)	$3,886
As of December 31, 2015:				
Structured notes	$ 28,576	$ 1,674	$ (4,700)	$25,550
RMBS	1,896	—	(1,896)	—
Total	$ 30,472	$ 1,674	$ (6,596)	$25,550

As a result of updated accounting guidance, effective January 1, 2016 (see Note 2), the Company deconsolidated all of the assets of Pelium Capital, resulting in the removal of $21.9 million of investment securities, trading and is the primary cause of the decrease of securities during the period. The Company sold no securities during the three months ended March 31, 2016. The Company sold twelve securities during the three months ended March 31, 2015, for a net realized gain of approximately $432,000. The Company held six and 56 investment securities, trading as of March 31, 2016 and December 31, 2015, respectively.

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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	Unrealized Gains	Unrealized Losses	Fair Value[1]
As of March 31, 2016:				
CMBS	$91,192	$ 313	$ (1,940)	$89,565
RMBS	2,033	111	(74)	2,070
ABS	208,213	1,326	(985)	208,554
Total	$301,438	$ 1,750	$ (2,999)	$300,189
As of December 31, 2015:				
CMBS	$158,584	$ 2,631	$ (1,791)	$159,424
RMBS	2,156	122	(88)	2,190
ABS	41,994	3,218	(998)	44,214
Corporate bonds	2,422	—	(162)	2,260
Total	$205,156	$ 5,971	$ (3,039)	$208,088

(1) As of March 31, 2016 and December 31, 2015, $87.7 million and $162.3 million, respectively, of investment securities available-for-sale were pledged as collateral under related financings.

As a result of updated accounting guidance, effective January 1, 2016 (see Note 2), the Company deconsolidated all of the assets of RREF CDO 2006-1, RREF CDO 2007-1 and Apidos Cinco CDO, resulting in the removal of $364.6 million of loans, pledged as collateral. These investments are now recorded as investment securities available-for-sale, which is the primary cause of the increase in securities during the period. This increase was offset by a decrease of $69.0 million of investment securities available-for-sale as a result of the deconsolidation of RREF CDO 2006-1, RREF CDO 2007-1, Apidos Cinco CDO, Pelium Capital and RCM Global.

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

Weighted Average Life	Fair Value	Amortized Cost	Weighted Average Coupon
As of March 31, 2016:			
Less than one year	$234,151 [1]	$ 234,946	8.44%
Greater than one year and less than five years	49,104	49,821	5.12%
Greater than five years and less than ten years	9,043	8,923	8.88%
Greater than ten years	7,891	7,748	11.56%
Total	$300,189	$ 301,438	7.99%
As of December 31, 2015:			
Less than one year	$117,221 [1]	$ 118,215	7.13%
Greater than one year and less than five years	71,370	68,808	5.31%
Greater than five years and less than ten years	12,382	11,271	10.45%
Greater than ten years	7,115	6,862	16.85%
Total	$208,088	$ 205,156	7.03%

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

At March 31, 2016, the contractual maturities of the CMBS investment securities available-for-sale range from April 2016 to December 2022. The contractual maturity date of RMBS investment securities available-for-sale is June 2029. The contractual maturities of the ABS investment securities available-for-sale range from October 2018 to July 2027.

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

	Less than 12 Months			More than 12 Months			Total		
	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses	Number of Securities	Fair Value	Unrealized Losses	Number of Securities
As of March 31, 2016:									
CMBS	$55,648	$ (1,576)	24	$13,151	$ (364)	9	$68,799	$ (1,940)	33
ABS	5,991	(985)	5	—	—	—	5,991	(985)	5
RMBS	1,106	(74)	2	—	—	—	1,106	(74)	2
Total temporarily impaired securities	$62,745	$ (2,635)	31	$13,151	$ (364)	9	$75,896	$ (2,999)	40
As of December 31, 2015:									
CMBS	$79,570	$ (849)	31	$13,783	$ (942)	15	$93,353	$ (1,791)	46
ABS	2,330	(824)	5	668	(174)	5	2,998	(998)	10
Corporate bonds	65	(18)	1	1,327	(144)	1	1,392	(162)	2

RMBS	1,157	(88)	2	—	—	—	1,157	(88)	2
Total temporarily impaired securities	$83,122	$(1,779)	39	$15,778	$(1,260)	21	$98,900	$(3,039)	60

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

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During the three months ended March 31, 2016 and 2015, 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	Positions Redeemed	Par Amount Sold/Redeemed	Realized Gain (Loss)
March 31, 2015:				
ABS	4	2	$ 11,911	$ 6,269

There were no sales or redemptions during the three months ended March 31, 2016.

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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] [3]
As of March 31, 2016:			
CRE whole loans	$1,461,959	$ (8,831)	$1,453,128
Middle market loans	321,848	(608)	321,240
Residential mortgage loans, held for investment	1,704	—	1,704
Subtotal loans before allowance	1,785,511	(9,439)	1,776,072
Allowance for loan loss	(4,155)	—	(4,155)
Total loans held for investment, net of allowance	1,781,356	(9,439)	1,771,917
Bank loans held for sale	153	—	153
Middle market held for sale	3,459	—	3,459
Residential mortgage loans held for sale, at fair value [4]	122,541	—	122,541
Total loans held for sale	126,153	—	126,153
Total loans, net	$1,907,509	$ (9,439)	$1,898,070
As of December 31, 2015:			
Commercial real estate loans:			
Whole loans	$1,640,744	$ (9,943)	$1,630,801
B notes	15,934	—	15,934
Mezzanine loans	45,368	4	45,372
Total commercial real estate loans	1,702,046	(9,939)	1,692,107
Bank loans	134,890	(373)	134,517
Middle market loans	380,687	(1,235)	379,452
Residential mortgage loans, held for investment	1,746	—	1,746
Subtotal loans before allowance	2,219,369	(11,547)	2,207,822
Allowance for loan loss	(47,071)	—	(47,071)
Total loans held for investment, net of allowance	2,172,298	(11,547)	2,160,751
Bank loans held for sale	1,475	—	1,475
Residential mortgage loans held for sale, at fair value [4]	94,471	—	94,471
Total loans held for sale	95,946	—	95,946
Total loans, net	$2,268,244	$ (11,547)	$2,256,697

(1) Amounts included deferred amendment fees of $26,000 and deferred upfront fees of $206,000 being amortized over the life of the loans as of March 31, 2016. Amounts include deferred amendment fees of $42,000 and deferred upfront fees of $12,000 being amortized over the life of the loans as of December 31, 2015. Amounts also include loan origination fees of $8.8 million and $9.9 million as of March 31, 2016 and December 31, 2015, respectively.

(2) As a result of the consolidation guidance adopted January 1, 2016, the Company deconsolidated loans held for investment in the amount of $271.8 million of its CRE loans and $134.5 million of its bank loans and the related allowance for loan losses of $41.7 million.(see Note 2).

(3) Substantially all loans are pledged as collateral under various borrowings at March 31, 2016 and December 31, 2015, respectively.
(4) Amortized cost approximates fair value.

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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 March 31, 2016:				
Whole loans, floating rate [1] [3] [4] [5] [6] [7]	76	$1,453,128	LIBOR plus 2.50% to LIBOR plus 15.00%	July 2016 to April 2019
Total [2] [9]	76	$1,453,128		
As of December 31, 2015:				
Whole loans, floating rate[1] [3] [4] [5] [6] [7]	87	$1,630,801	LIBOR plus 1.75% to LIBOR plus 15.00%	February 2016 to February 2019
B notes, fixed rate	1	15,934	8.68%	April 2016
Mezzanine loans, fixed rate [8]	2	45,372	9.01%	September 2016
Total [2]	90	$1,692,107		

(1) Whole loans had $102.5 million and $112.6 million in unfunded loan commitments as of March 31, 2016 and December 31, 2015, 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 $1.5 million and $41.8 million as of March 31, 2016 and December 31, 2015, respectively.

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

(4) Includes two whole loans with a combined $11.2 million and $51.2 million senior component that entered into modifications in 2016 and 2015 that resulted in a fixed rate of 0.50% as of March 31, 2016 and December 31, 2015, respectively (the difference of which was a result of the deconsolidation of RREF CDO 2006-1 and RREF CDO 2007-1 - see Note 2). The two loans were previously identified as troubled debt restructurings ("TDR's").

(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 March 31, 2016 and December 31, 2015.

(6) Includes a $799,000 junior mezzanine tranche of a whole loan that has a fixed rate of 10.0% as of March 31, 2016 and December 31, 2015.

(7) Contracted interest rates do not include a whole loan with an amortized cost of $2.0 million and $32.5 million that entered into a modification in 2016 and 2015 which reduced the floating rate spread to 1.00% as of March 31, 2016 and December 31, 2015, respectively (the difference of which was a result of the deconsolidation of RREF CDO 2007-1 - see Note 2). The loan was previously identified as a TDR.

(8) 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.

(9) As a result of updated accounting guidance, effective January 1, 2016 (see Note 2), the Company deconsolidated all of the assets of RREF CDO 2006-1 and RREF CDO 2007-1, resulting in the removal of $271.8 million of loans, pledged as collateral.

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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	2016	2017	2018 and Thereafter	Total
As of March 31, 2016:				
Whole loans	$—	$45,381	$1,407,747	$1,453,128
Total [(1)]	$—	$45,381	$1,407,747	$1,453,128

As of December 31, 2015:	2016	2017	2018 and Thereafter	Total
B notes	$15,934	$—	$—	$15,934
Mezzanine loans	13,011	—	32,361	45,372
Whole loans	9,958	140,712	1,480,131	1,630,801
Total [(1)]	$38,903	$140,712	$1,512,492	$1,692,107

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

At March 31, 2016, approximately 31.0%, 24.7% and 8.5% of the Company's commercial real estate portfolio was concentrated in Texas, California, and Georgia, respectively. At December 31, 2015, approximately 28.7%, 26.8%, and 7.4% of the Company's commercial real estate loan portfolio was concentrated in California, Texas, and Georgia, respectively.

Bank Loans

The following table provides information as to the lien position and status of the Company's bank loans, at amortized cost (in thousands) prior to deconsolidation of Apidos Cinco CDO as of January 1, 2016:

	Apidos I	Apidos III	Apidos Cinco	Total
As of December 31, 2015:				
Loans held for investment:				
First lien loans	$ —	$ —	$131,281	$131,281
Second lien loans	—	—	1,692	1,692
Defaulted first lien loans	—	—	1,544	1,544
Defaulted second lien loans	—	—	—	—
Total	—	—	134,517	134,517
First lien loans held for sale at fair value	153	—	1,322	1,475
Total	$ 153	$ —	$135,839	$135,992

At March 31, 2016, the Company had approximately $153,000 of bank loans, which were classified as loans held for sale.

At December 31, 2015, the Company’s bank loan portfolio, including loans held for sale, consisted of $134.7 million (net of allowance of $1.3 million) of floating rate loans, which bear interest ranging between the three month LIBOR plus 1.25% and the three month LIBOR plus 8% with maturity dates ranging from January 2016 to August 2021.

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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):

	December 31, 2015
Less than one year	$ 3,922
Greater than one year and less than five years	128,480
Five years or greater	3,590
	$ 135,992

At December 31, 2015, approximately 13.5%, 13.0% and 9.6% of the Company's bank loan portfolio was concentrated in the collective industry grouping of automobile, diversified/conglomerate service and retail stores, respectively.

Middle Market Loans

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

	March 31, 2016	December 31, 2015
First Lien	$ 184,374	$ 248,367
Second Lien	134,215	127,146
Second lien loans held for sale at fair value	3,459	
	$ 322,048	$ 375,513

At March 31, 2016, the Company's middle market loan portfolio consisted of $322.0 million (net of allowance of $2.7 million) of floating rate loans, which bear interest ranging between one or three month LIBOR plus 6.25% and one or three month LIBOR plus 12% with maturity dates ranging from June 2017 to July 2023.

At December 31, 2015, the Company's middle market loan portfolio consisted of $375.5 million (net of allowance of $3.9 million) of floating rate loans, which bore interest ranging between one or three month LIBOR plus 6.25% and three month LIBOR plus 12% with maturity dates ranging from December 2016 to July 2023.

The following is a summary of the weighted average maturity of the Company's middle market loans, at carrying value (in thousands):

	March 31, 2016	December 31, 2015
Less than one year	$ —	$ 14,960
Greater than one year and less than five years	220,146	250,709
Five years or greater	101,902	109,844
	$ 322,048	$ 375,513

At March 31, 2016 and December 31, 2015, approximately 15.0% and 12.8%, respectively, of the Company's middle market loan portfolio was concentrated in the collective industry grouping of diversified and conglomerate service and 13.2% and 12.4%, respectively, of the Company's middle market loan portfolio was concentrated in the collective industry grouping of healthcare, education, and childcare.

Residential Mortgage Loans

The Company originates and services residential mortgage loans through its indirect wholly-owned subsidiary PCM. PCM is an approved seller/servicer for the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Government National Mortgage Association and is licensed to originate loans insured by the Federal Housing Administration, the Department of Veterans Affairs and the United States Department of Agriculture and is

licensed to transact business in 41

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states. In order to maintain its licenses and status as an approved seller/servicer, PCM must meet certain capital requirements. PCM was in compliance with those capital requirements as of March 31, 2016.
Residential mortgage loans held for sale, at fair value, consisted of $31.6 million and $90.9 million of agency-conforming and jumbo mortgage loans (net of allowance of $11,000), respectively, as of March 31, 2016.
Residential mortgage loans held for sale, at fair value, consisted of $29.2 million and $65.3 million of agency-conforming and jumbo mortgage loans (net of allowance of $11,000), respectively, as of December 31, 2015.
During the quarter ended March 31, 2016, approximately 39.5% of the Company's residential mortgage loans were originated in Georgia, 16.9% in Utah, 15.2% in California, 6.5% in Virginia, and 4.6% in Florida. During the year ended December 31, 2015, approximately 44.9% of the Company's residential mortgage loans were originated in Georgia, 11.2% in Utah, 9.1% in Virginia, 4.4% in Florida, and 4.1% in Colorado.
Allowance for Loan Losses
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 (in thousands):

Description	Allowance for Loan Loss	Percentage of Total Allowance
As of March 31, 2016:		
CRE whole loans	$ 1,493	35.93%
Middle market loans	2,651	63.81%
Residential mortgage loans	11	0.26%
Total	$ 4,155	
As of December 31, 2015:		
B notes	$ 15	0.03%
Mezzanine loans	38,079	80.90%
Whole loans	3,745	7.96%
Bank loans	1,282	2.72%
Middle market loans	3,939	8.37%
Residential mortgage loans	11	0.02%
Total	$ 47,071	

(1) As a result of amendments to consolidation accounting guidance adopted January 1, 2016, the Company deconsolidated loans held for investment in the amount of $271.8 million of its CRE loans and $134.5 million of its bank loans and the related allowance for loan losses of $41.7 million (see Note 2).

Principal Paydown Receivables
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 March 31, 2016, the Company had no principal paydown receivables. At December 31, 2015, principal paydown receivables relating to the Company's loan portfolio totaled $17.9 million, the entirety of which the Company received in cash during January 2016.

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NOTE 8 - INVESTMENTS IN UNCONSOLIDATED ENTITIES

The following table shows the Company's investments in unconsolidated entities as of March 31, 2016 and December 31, 2015 and equity in earnings of unconsolidated subsidiaries for the three months ended March 31, 2016 and 2015 (in thousands):

				Equity in Earnings of Unconsolidated Subsidiaries	
		Balance as of	Balance as of	For the three months ended	For the three months ended
	Ownership %	March 31, 2016	December 31, 2015	March 31, 2016	March 31, 2015
RRE VIP Borrower, LLC [1]	—%	$ —	$ —	$ 25	$ 46
Investment in LCC Preferred Stock	29.0%	43,428	42,017	1,411	52
Investment in CVC Global Credit Opportunities Fund [2]	—%	—	—	—	608
Pearlmark Mezz IV L.P. [3]	47.4%	6,547	6,465	248	—
RCM Global, LLC [4]	25.4%	470	—	177	—
Pelium Capital Partners, L.P. [4]	80.2%	22,363	—	361	—
Subtotal		72,808	48,482	2,222	706
Investment in RCT I and II [5]	3.0%	1,548	1,548	(641)	(593)
Total		$ 74,356	$ 50,030	$ 1,581	$ 113

(1) The investment in RRE VIP Borrower was sold as of December 31, 2014. Earnings for the three months ended March 31, 2016 and 2015 are related to insurance premium refunds and the liquidation of bank accounts with respect to the underlying sold properties of the portfolio.
(2) In December 2015, the Company elected a full redemption of its remaining investment from the fund.
(3) The Company has committed to invest up to $50.0 million in Pearlmark Mezzanine Realty Partners IV, L.P. The commitment termination date ends the earlier of when the original commitment is fully funded, or the fifth anniversary following the final closing date of June 24, 2015.
(4) Pursuant to the new consolidation guidance adopted January 1, 2016, these previously consolidated VIEs are now accounted for under the equity method.
(5) For the three months ended March 31, 2016 and 2015, these amounts are recorded in interest expense on the Company's consolidated statements of operations.

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NOTE 9 - FINANCING RECEIVABLES

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

	Commercial Real Estate Loans	Bank Loans	Middle Market Loans	Residential Mortgage Loans	Direct Financing Leases	Total
As of March 31, 2016:						
Allowance for Loan and Leases Losses:						
Allowance for losses at January 1, 2016	$41,839	$1,282	$3,939	$ 11	$ 465	$47,536
Provision (recovery) for loan and lease losses	68	(138)	107	—	—	37
Loans charged-off	—	138	(1,395)	—	—	(1,257)
Recoveries	—	—	—	—	—	—
Deconsolidation of VIEs	(40,414)	(1,282)	—	—	—	(41,696)
Allowance for losses at March 31, 2016	$1,493	$—	$2,651	$ 11	$ 465	$4,620
Ending balance:						
Individually evaluated for impairment	$—	$—	$—	$ —	$ 465	$465
Collectively evaluated for impairment	$1,493	$—	$2,651	$ 11	$ —	$4,155
Loans acquired with deteriorated credit quality	$—	$—	$—	$ —	$ —	$—
Loans and Leases:						
Ending balance:						
Individually evaluated for impairment	$38,133	$—	$54,469	$ —	$ 1,179	$93,781
Collectively evaluated for impairment	$1,414,995	$—	$266,771	$ 1,704	$ —	$1,683,470
Loans acquired with deteriorated credit quality	$—	$—	$—	$ —	$ —	$—
As of December 31, 2015:						
Allowance for Loan and Lease Losses:						
Allowance for losses at January 1, 2015	$4,043	$570	$—	$ —	$ —	$4,613
Provision for loan and lease losses	37,735	2,887	8,901	(99)	465	49,889
Loans charged-off	—	(2,175)	(4,962)	110	—	(7,027)
Recoveries	61	—	—	—	—	61
Allowance for losses at December 31, 2015	$41,839	$1,282	$3,939	$ 11	$ 465	$47,536
Ending balance:						
Individually evaluated for impairment	$40,274	$1,282	$—	$ —	$ 465	$42,021
Collectively evaluated for impairment	$1,565	$—	$3,939	$ 11	$ —	$5,515
Loans acquired with deteriorated credit quality	$—	$—	$—	$ —	$ —	$—
Loans and Leases:						
Ending balance:						
Individually evaluated for impairment	$169,707	$1,544	$—	$ —	$ 1,396	$172,647
Collectively evaluated for impairment	$1,522,400	$132,973	$379,452	$ 1,746	$ —	$2,036,571
	$—	$—	$—	$ —	$ —	$—

Loans acquired with deteriorated credit quality

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Credit quality indicators
Bank Loans
Loans are graded at inception and updates to assigned grades are made continually as new information is received. Loans are graded on a scale of 1 to 5 with 1 representing the Company’s highest rating and 5 representing its lowest rating. Bank loans are first individually evaluated for impairment. To the extent no individual impairment is determined, a general reserve is established.
The characteristics of each rating category are as follows:

1. Loans with a rating of 1 are considered performing within expectations. All interest and principal payments are current, all future payments are anticipated and loss is not probable;
2. Loans with a rating of a 2 are considered to have limited liquidity concerns and are watched closely. Loans identified in this category show remote signs of liquidity concerns, loss is not probable and therefore no reserve is established;
3. Loans with a rating of a 3 are considered to have possible future liquidity concerns. Loans identified in this category show some liquidity concerns, but the ability to estimate potential defaults is not quantifiable and therefore no reserve is established;
4. Loans with a rating of a 4 are considered to have nearer term liquidity concerns. These loans have a reasonable possibility of future default. However, the risk of loss is not assignable to one specific credit. The noted risk of the loans in this category is covered by general reserves; and
5. Loans with a rating of a 5 have defaulted in payment of principal and interest or default is imminent. It is probable that impairment has occurred on these loans based on their payment status and that impairment is estimable. The noted risk of the loans in this category is covered by specific reserves.

Credit risk profiles of bank loans were as follows (in thousands):

	Rating 1	Rating 2	Rating 3	Rating 4	Rating 5	Held for Sale	Total
As of December 31, 2015:							
Bank loans	$113,897	$17,578	$1,498	$ —	$1,544	$1,475	$135,992

As of March 31, 2016 all of the Company's bank loans were deconsolidated (see Note 2) with the exception of loans with an amortized aggregate cost of $153,000, which were classified as held for sale. As of December 31, 2015, all of the Company's bank loans were current with respect to debt service with the exception of one loan with an amortized aggregate cost of $1.5 million, on which there was a reserve.
Middle Market Loans
At inception, all middle market loans are graded at a 2. Updates to assigned grades are made continually as new information is received. Loans are graded on a scale of 1 to 5 with 1 representing the Company’s highest rating and 5 representing its lowest rating. Middle market loans are only evaluated individually for impairment.

The characteristics of each rating category are as follows:

1. A loan with a rating of a 1 is considered performing above expectations and the likelihood of loss is remote;
2. A loan with a rating of a 2 is considered performing within expectations and the likelihood of loss is remote;
3. A loan with a rating of a 3 is considered performing below expectations and requires close monitoring but no loss of interest or principal is expected. Loans receiving this rating may be out of compliance with financial covenants; however, these loans are current with respect to interest and principal;

4. A loan with a rating of a 4 is considered performing below expectations and some loss of interest or dividend is expected but no loss of principal. In addition to the borrower being generally out of compliance with debt covenants, loan payments may be past due, but generally not more than 180 days past due; and
5. A loan with a rating of a 5 is considered performing substantially below expectations, in default and some loss of principal is expected. The borrower is out of compliance with most or all of the debt covenants and payments are substantially delinquent.

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Credit risk profiles of middle market loans were as follows (in thousands):

	Rating 1	Rating 2	Rating 3	Rating 4	Rating 5	Held for Sale	Total
As of March 31, 2016:							
Middle market loans	$53,269	$249,042	$18,929	$ —	$ —	$3,459	$324,699
As of December 31, 2015:							
Middle market loans	$44,252	$305,578	$29,622	$ —	$ —	$—	$379,452

All of the Company's middle market loans were current with respect to debt service as of March 31, 2016 and December 31, 2015.

Commercial Real Estate Loans

Loans are graded at inception and updates to assigned grades are made continually as new information is received, as such, a loan previously rated 4 may, over time and with improved performance, be rated less than 4. Loans are graded on a scale of 1 to 4 with 1 representing the Company's highest rating and 4 representing its lowest rating. Commercial real estate loans are first individually evaluated for impairment. To the extent no individual impairment is determined, a general reserve is established.

The characteristics of each rating category are as follows:

1. A loan with a rating of a 1 is considered to have satisfactory performance with no issues noted. All interest and principal payments are current and the probability of loss is remote;
2. A loan is graded with a rating of a 2 if a surveillance trigger event has occurred, but loss is not probable at this time. Such trigger events could include but are not limited to a trending decrease in occupancy rates or a flattening of lease revenues; and to a lesser extent, ground lease defaults, ground lease expirations that occur in the next six months or the borrower is delinquent on payment of property taxes or insurance.;
3. A loan with a rating of 3 has experienced an extended decline in operating performance, a significant deviation from its origination plan or the occurrence of one or more surveillance trigger events which create an increased risk for potential default. Loans identified in this category show some liquidity concerns. However, the risk of loss is not specifically assignable to any individual loan. The noted risk of the loans in this category is generally covered by general reserves;
4. A loan with a rating of a 4 is considered to be in payment default or default is expected, full recovery of the unpaid principal balance is improbable and loss is considered probable. The noted risk of the loans in this category is covered by specific reserves.

Credit risk profiles of commercial real estate loans were as follows (in thousands):

	Rating 1	Rating 2	Rating 3	Rating 4	Held for Sale	Total
As of March 31, 2016:						
CRE Whole loans	$1,451,128	$2,000	$ —	$—	$ —	$1,453,128
As of December 31, 2015:						
CRE Whole loans	$1,596,099	$32,500	$ —	$2,202	$ —	$1,630,801

B notes	15,934	—	—	—	—	15,934
Mezzanine loans	7,300	—	—	38,072	—	45,372
	$1,619,333	$32,500	$ —	$40,274	$ —	$1,692,107

The Company had no delinquent commercial real estate loans as of March 31, 2016. All of the Company's commercial real estate loans were current with exception of one mezzanine loan that had defaulted as of December 31, 2015. This loan was deconsolidated as part of the Company's adoption of amendments to consolidation accounting guidance as required on January 1, 2016 (see Note 2).

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Residential Mortgage Loans
Residential mortgage loans are reviewed periodically for collectability in light of historical experience, the nature and amount of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing underlying conditions.
Direct Financing Leases
During the year ended December 31, 2015, the Company recorded a provision against the value of the direct financing leases in the amount of $465,000. As of March 31, 2016, the Company held $714,000 of direct financing leases, net of provisions.
Loan Portfolios Aging Analysis
The following table presents the loan and lease portfolio aging analysis as of the dates indicated at amortized cost (in thousands):

	30-59 Days	60-89 Days	Greater than 90 Days	Total Past Due	Current [2]	Total Loans Receivable	Total Loans > 90 Days and Accruing
As of March 31, 2016:							
CRE whole loans	$—	$—	$ —	$—	$1,453,128	$1,453,128	$ —
Middle market loans	—	—	—	—	321,240	321,240	—
Direct Financing Leases	136	61	—	197	517	714	—
Residential mortgage loans [1]	371	—	170	541	123,704	124,245	—
Total loans	$507	$61	$ 170	$738	$1,898,589	$1,899,327	$ —
As of December 31, 2015:							
CRE whole loans [2]	$—	$—	$ —	$—	$1,630,801	$1,630,801	$ —
B notes	—	—	—	—	15,934	15,934	—
Mezzanine loans	—	38,072	—	38,072	7,300	45,372	—
Bank loans	1,544	—	—	1,544	132,973	134,517	—
Middle market loans	—	—	—	—	379,452	379,452	—
Direct Financing Leases	12	214	—	226	1,170	1,396	—
Residential mortgage loans [1]	27	41	80	148	96,069	96,217	—
Total loans	$1,583	$38,327	$ 80	$39,990	$2,263,699	$2,303,689	$ —

(1) Contains $122.5 million and $94.5 million of residential mortgage loans held for sale at fair value at March 31, 2016 and December 31, 2015, respectively.

(2) Current loans include one impaired whole loan with an amortized costs of $2.2 million, which was fully reserved as of December 31, 2015.

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Impaired Loans
The following tables show impaired loans as of the dates indicated (in thousands):

	Recorded Balance [1]	Unpaid Principal Balance	Specific Allowance	Average Investment in Impaired Loans	Interest Income Recognized
As of March 31, 2016:					
Loans without a specific valuation allowance:					
CRE whole loans	$ 38,133	$38,133	$—	$ 37,620	$ 178
Middle market loans	$ —	$—	$—	$ —	$ —
Residential mortgage loans	$ —	$—	$—	$ —	$ —
Loans with a specific valuation allowance:					
CRE whole loans	$ —	$—	$—	$ —	$ —
Middle market loans	$ —	$—	$—	$ —	$ —
Residential mortgage loans	$ —	$—	$—	$ —	$ —
Total:					
CRE whole loans	$ 38,133	$38,133	$—	$ 37,620	$ 178
Middle market loans	—	—	—	—	—
Residential mortgage loans	—	—	—	—	—
	$ 38,133	$38,133	$—	$ 37,620	$ 178
As of December 31, 2015:					
Loans without a specific valuation allowance:					
CRE whole loans	$ 129,433	$129,433	$—	$ 128,591	$ 3,939
B notes	$ —	$—	$—	$ —	$ —
Mezzanine loans	$ —	$—	$—	$ —	$ —
Bank loans	$ —	$—	$—	$ —	$ —
Middle market loans	$ —	$—	$—	$ —	$ —
Residential mortgage loans	$ —	$—	$—	$ —	$ —
Loans with a specific valuation allowance:					
CRE whole loans	$ 2,202	$2,202	$ (2,202)	$ 2,202	$ 63
B notes	$ —	$—	$—	$ —	$ —
Mezzanine loans	$ 38,072	$38,072	$ (38,072)	$ 38,072	$ (2,879)
Bank loans	$ 1,544	$1,551	$ (1,282)	$ 1,544	$ —
Middle market loans	$ —	$—	$—	$ —	$ —
Residential mortgage loans	$ —	$—	$—	$ —	$ —
Total:					
CRE whole loans	$ 131,635	$131,635	$ (2,202)	$ 130,793	$ 4,002
B notes	—	—	—	—	—
Mezzanine loans	38,072	38,072	(38,072)	38,072	(2,879)
Bank loans	1,544	1,551	(1,282)	1,544	—
Middle market loans	—	—	—	—	—
Residential mortgage loans	—	—	—	—	—

$ 171,251	$ 171,258	$ (41,556)	$ 170,409	$ 1,123

(1) As a result of the adoption of new consolidation accounting guidance as required on January 1, 2016, the Company deconsolidated $91.3 million in senior participations of four loans that were previously classified as impaired loans in the Company's consolidated financial statements as of December 31, 2015 (see Note 2).

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Troubled-Debt Restructurings

The following tables show troubled-debt restructurings in the Company's loan portfolio (in thousands):

	Number of Loans	Pre-Modification Outstanding Recorded Balance	Post-Modification Outstanding Recorded Balance
Three Months Ended March 31, 2016			
CRE whole loans	3	$ 29,459	$ 29,459
Middle market loans	—	—	—
Residential mortgage loans	—	—	—
Total loans	3	$ 29,459	$ 29,459

	Number of Loans	Pre-Modification Outstanding Recorded Balance	Post-Modification Outstanding Recorded Balance
Three Months Ended March 31, 2015			
CRE Whole loans	2	$ 67,459	$ 67,459
Middle market loans	—	—	—
Residential mortgage loans	—	—	—
Total loans	2	$ 67,459	$ 67,459

As of March 31, 2016 and 2015, there were no commercial real estate loan troubled-debt restructurings that subsequently defaulted.

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NOTE 10 - BUSINESS COMBINATIONS

On February 26, 2014, the Company made an additional capital contribution to LCF which gave the Company majority ownership at 50.2%. As a result, the Company began consolidating the LCF joint venture. The joint venture was established for the purpose of originating and acquiring life settlement contracts through a financing facility. On April 30, 2015, the Company committed to another capital contribution in the amount of $750,000, increasing its ownership of LCF to 60.7%. The first installment of $375,000 was funded on April 30, 2015 and the second installment of $375,000 was funded on July 30, 2015. On December 15, 2015, the Company committed to an additional capital contribution in the amount of $1.3 million, increasing its ownership of LCF to 70.9%. The first installment of $750,000 was funded on January 5, 2016 and the second installment of $500,000 is expected to be funded no later than July 1, 2016.

The Company engaged a third party expert to assist in determining the fair values of the assets and liabilities assumed on this investment. Based on the final valuation, which determined an enterprise value of LCF of approximately $4.1 million, and in accordance with guidance on business combinations, the Company confirmed that no further adjustments are necessary.

NOTE 11 - INTANGIBLE ASSETS

The following table summarizes the activity of intangible assets for the period indicated (in thousands):

	Management Contracts	Wholesale/Correspondent Relationships	Mortgage Servicing Rights	Total
Balance, January 1, 2016	$ 5,316	$ 90	$ 20,822	$ 26,228
Additions	—	—	3,315	3,315
Sales	—	—	—	—
Amortization	(474)	—	(1,058)	(1,532)
Total before impairment adjustment	4,842	90	23,079	28,011
Temporary impairment adjustment	—	—	(2,500)	(2,500)
Balance, March 31, 2016	$ 4,842	$ 90	$ 20,579	$ 25,511

Management Contracts and Wholesale/Correspondent Relationships

The Company recognized fee income on management contracts of $402,000 and $965,000 for the three months ended March 31, 2016 and March 31, 2015.

The Company recorded amortization expense of $474,000 and $507,000 in relation to the Company's management contracts and wholesale/correspondent relationships for the three months ended March 31, 2016 and the three months ended March 31, 2015, respectively. The Company expects to record amortization expense on its management contracts and wholesale/correspondent relationships of approximately $1.5 million for the year ending December 31, 2016, $1.3 million for the year ending December 31, 2017, $1.2 million for the year ending December 31, 2018, $514,000 for the year ending 2019, and $515,000 for the year ending December 31, 2020. The weighted average amortization period was 5.5 years and 5.8 years at March 31, 2016 and December 31, 2015, respectively.

Mortgage Servicing Rights

Through the Company's wholly-owned residential mortgage loan originator PCM, residential mortgage loans are sold through one of the following methods: (i) sales to or pursuant to programs sponsored by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and Government National Mortgage Association, or (ii) sales to private investors. The Company may have continuing involvement in mortgage loans sold by retaining servicing rights and servicing obligations.

The total servicing portfolio consists of loans associated with capitalized mortgage servicing rights (“MSRs”) and loans held for sale. In accordance with guidance on servicing assets and liabilities, the Company utilizes the amortization method for the subsequent measurement of its MSRs. The total servicing portfolio was $2.2 billion and $2.0 billion as of March 31, 2016 and December 31, 2015 respectively. MSRs recorded in the Company's consolidated balance sheets are related to the capitalized servicing portfolio and are created through the sale of originated residential mortgage loans.

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For the three months ended March 31, 2016, the Company recognized $1.1 million of amortization expense related to MSRs. For the three months ended March 31, 2015, the Company recognized $825,000. The Company expects to recognize amortization related to its MSRs portfolio in the amount of $4.0 million for the year ending December 31, 2016, $3.3 million for the year ending December 31, 2017, $2.7 million for the year ending December 31, 2018, $2.2 million for the year ending December 31, 2019, and $1.9 million for the year ending December 31, 2020. The weighted average amortization period was 1.3 years and 1.2 years at March 31, 2016 and December 31, 2015, respectively. The weighted average remaining life was 5.8 years and 6.7 years at at March 31, 2016 and December 31, 2015, respectively.

The Company also records MSRs at fair value on a non-recurring basis. MSRs are recorded at fair value at inception and at the end of each reporting period if the fair value is less than unamortized cost. The Company uses a discounted cash flow approach to estimate the fair value of MSRs utilizing the valuation services of an independent third party. The key assumptions used in the estimation of the fair value of MSRs include prepayment speeds, discount rates, default rates, cost to service, contractual servicing fees and escrow earnings. The fair value of MSRs was $20.6 million and $21.3 million at March 31, 2016 and December 31, 2015, respectively.

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

	March 31, 2016	December 31, 2015
Balance, beginning of period	$1,998,273	$894,767
Additions	289,210	1,236,145
Payoffs, sales and curtailments	(69,907)	(132,639)
Balance, end of period	$2,217,576	$1,998,273

The value of MSRs is driven by the net positive, or in some cases net negative, cash flows associated with servicing activities. These cash flows include contractually specified servicing fees, late fees and other ancillary servicing revenue and were recorded within fee income as follows (in thousands):

	For the Three Months Ended March 31,	
	2016	2015
Servicing fees from capitalized portfolio	$1,433	$551
Late fees	$49	$23
Other ancillary servicing revenue	$5	$3

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NOTE 12 - BORROWINGS

The Company historically has financed the acquisition of its investments, including investment securities and loans, through the use of secured and unsecured borrowings in the form of securitized notes, repurchase agreements, secured term facilities, warehouse facilities, convertible senior notes, senior secured revolving credit agreements and trust preferred securities issuances. Certain information with respect to the Company's borrowings is summarized in the following table (in thousands, except percentages):

	Principal Outstanding	Unamortized Issuance Costs and Discounts	Outstanding Borrowings	Weighted Average Borrowing Rate	Weighted Average Remaining Maturity	Value of Collateral
As of March 31, 2016:						
RCC CRE Notes 2013 Senior Notes	$48,465	$ 460	$48,005	3.44%	12.7 years	$94,847
RCC 2014-CRE2 Senior Notes	180,260	2,782	177,478	1.80%	16.1 years	296,295
RCC 2015-CRE3 Senior Notes	282,127	3,249	278,878	2.34%	16.0 years	342,405
RCC 2015-CRE4 Senior Notes	223,735	2,987	220,748	2.15%	16.4 years	308,928
Unsecured Junior Subordinated Debentures	51,548	81	51,467	4.43%	20.6 years	—
6.0% Convertible Senior Notes	115,000	4,497	110,503	6.00%	2.7 years	—
8.0% Convertible Senior Notes	100,000	4,330	95,670	8.00%	3.8 years	—
CRE - Term Repurchase Facilities (2)	257,500	2,000	255,500	2.75%	17 days	369,017
CMBS - Term Repurchase Facility (3)	24,316	1	24,315	1.65%	17 days	30,274
Trust Certificate - Term Repurchase Facility (4)	26,659	394	26,265	5.94%	2.6 years	89,181
Residential Investments - Term Repurchase Facility (5)	7,964	—	7,964	3.04%	187 days	8,903
Residential Mortgage Financing Agreements (6)	103,200	—	103,200	3.06%	169 days	143,658
CMBS - Short Term Repurchase Agreements (7)	51,825	—	51,825	2.08%	14 days	70,781
Senior Secured Revolving Credit Agreement	153,000	2,793	150,207	3.28%	3.0 years	326,092
Total	$ 1,625,599	$ 23,574	$ 1,602,025	3.20%	8.6 years	$2,080,381

	Principal Outstanding	Unamortized Issuance Costs and Discounts	Outstanding Borrowings	Weighted Average Borrowing Rate	Weighted Average Remaining Maturity	Value of Collateral
As of December 31, 2015:						
RREF CDO 2006-1 Senior Notes (1)	$52,772	$ —	$52,772	2.60%	30.6 years	$94,379
	91,752	—	91,752	1.65%	30.8 years	210,904

RREF CDO 2007-1 Senior Notes [1]						
RCC CRE Notes 2013 Senior Notes	58,465	664	57,801	3.21%	13.0 years	104,439
RCC 2014-CRE2 Senior Notes	198,594	2,991	195,603	1.68%	16.3 years	313,663
RCC 2015-CRE3 Senior Notes	282,127	3,466	278,661	2.25%	16.2 years	341,099
RCC 2015-CRE4 Senior Notes	223,735	3,160	220,575	2.06%	16.6 years	308,042
Apidos Cinco CDO Senior Notes [1]	135,417	—	135,417	1.25%	4.4 years	154,584
Unsecured Junior Subordinated Debentures	51,548	135	51,413	4.40%	20.8 years	—
6.0% Convertible Senior Notes	115,000	4,917	110,083	6.00%	2.9 years	—
8.0% Convertible Senior Notes	100,000	4,599	95,401	8.00%	4.0 years	—
CRE - Term Repurchase Facilities [2]	225,346	2,418	222,928	2.64%	17 days	321,267
CMBS - Term Repurchase Facility [3]	25,658	2	25,656	1.57%	18 days	31,650
Trust Certificates - Term Repurchase Facility [4]	26,659	415	26,244	5.85%	2.9 years	89,181
Residential Investments - Term Repurchase Facility [5]	782	—	782	2.75%	264 days	835
Residential Mortgage Financing Agreements [6]	85,819	—	85,819	3.10%	257 days	120,952
CMBS - Short Term Repurchase Agreements [7]	57,407	—	57,407	2.06%	18 days	79,347
Senior Secured Revolving Credit Agreement	190,000	3,026	186,974	3.09%	3.2 years	376,306
Total	$ 1,921,081	$ 25,793	$ 1,895,288	2.89%	10.4 years	$ 2,546,648

(1) On January 1, 2016, RREF CDO 2006-1, RREF CDO 2007-1 and Apidos Cinco CDO were deconsolidated in accordance with guidance on consolidation (see Note 2).

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(2) Amounts also include accrued interest expense of $384,000 and $315,000 related to CRE repurchase facilities as of March 31, 2016 and December 31, 2015, respectively.
(3) Amounts also include accrued interest expense of $13,000 and $18,000 related to CMBS repurchase facilities as of March 31, 2016 and December 31, 2015, respectively. Amounts do not reflect CMBS repurchase agreement borrowings that are components of linked transactions as of December 31, 2015.
(4) Amounts also include accrued interest expense of $62,000 and $61,000 related to trust certificate repurchase facilities as of March 31, 2016 and December 31, 2015, respectively.
(5) Amounts also include accrued interest expense of $16,000 and $30,000 related to residential investment facilities as of March 31, 2016 and December 31, 2015, respectively.
(6) The value of collateral related to residential mortgage financing agreements is the appraised value of the collateral underlying the residential mortgage loans subject to repurchase as of March 31, 2016 and December 31, 2015.
(7) Amounts also include accrued interest expense of $45,000 and $40,000 related to CMBS short term repurchase facilities as of March 31, 2016 and December 31, 2015.

The Company is in compliance with covenants as defined in the respective agreements as of March 31, 2016.

Securitizations

The following table sets forth certain information with respect to the Company's securitizations:

Securitization	Closing Date	Maturity Date	Designated Principal Reinvestment Period [1]	Total Note Paydowns as of March 31, 2016 (in millions)
RCC CRE Notes 2013	December 2013	December 2028	N/A	$ 212.4
RCC 2014-CRE2	July 2014	April 2032	July 2016	$ 55.1
RCC 2015-CRE3	February 2015	March 2032	February 2017	$ —
RCC 2015-CRE4	August 2015	August 2032	August 2017	$ —

(1) The designated principal reinvestment period is the period where principal payments received by each respective securitization may be designated by the Company to purchase funding participations of existing collateral originally underwritten at the close of each securitization which was funded outside of the deal structure.

The investments held by the Company's securitizations collateralize the securitization's borrowings and, as a result, are not available to the Company, its creditors, or stockholders. All senior notes retained at closing or subsequently repurchased by the Company as of March 31, 2016 eliminate in consolidation.

On January 1, 2016, the Company adopted the amendments to the consolidation guidance (see Note 2). As a result of its evaluation, the Company deconsolidated RREF CDO 2006-1, RREF CDO 2007-1 and Apidos Cinco CDO.

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Repurchase and Credit Facilities

Borrowings under the Company's repurchase agreements were guaranteed by the Company or one of its subsidiaries. The following table sets forth certain information with respect to the Company's borrowings (in thousands, except percentages):

	As of March 31, 2016				As of December 31, 2015			
	Outstanding Borrowings	Value of Collateral	Number of Positions as Collateral	Weighted Average Interest Rate	Outstanding Borrowings	Value of Collateral	Number of Positions as Collateral	Weighted Average Interest Rate
CMBS Term Repurchase Facility								
Wells Fargo Bank [(1)]	$24,315	$30,274	23	1.65%	$25,656	$31,650	21	1.57%
CRE Term Repurchase Facilities								
Wells Fargo Bank [(2)]	148,691	214,207	11	2.52%	123,937	179,169	9	2.39%
Morgan Stanley Bank [(3)]	106,809	154,810	8	3.05%	98,991	142,098	7	2.96%
Trust Certificates Term Repurchase Facility								
RSO Repo SPE Trust 2015 [(4)]	26,265	89,181	1	5.94%	26,244	89,181	1	5.85%
Short-Term Repurchase Agreements - CMBS								
Wells Fargo Securities, LLC	13,054	19,785	3	2.09%	13,548	19,829	3	1.93%
Deutsche Bank Securities, LLC	38,771	50,996	15	2.13%	43,859	59,518	17	2.10%
Residential Investments Term Repurchase Facility								
Wells Fargo Bank	7,964	8,903	13	3.04%	782	835	1	2.75%
Residential Mortgage Financing Agreements								
New Century Bank	43,000	55,845	197	3.24%	43,789	61,111	199	3.17%
Wells Fargo Bank	60,200	87,813	209	2.93%	42,030	59,841	166	3.03%
Totals	$469,069	$711,814			$418,836	$643,232		

(1)

The Wells Fargo Bank CMBS term repurchase facility includes $1,000 and $2,000 of deferred debt issuance costs as of March 31, 2016 and December 31, 2015, respectively.

(2) The Wells Fargo Bank CRE term repurchase facility includes $419,000 and $675,000 of deferred debt issuance costs as of March 31, 2016 and December 31, 2015, respectively.

(3) The Morgan Stanley Bank CRE term repurchase facility includes $1.6 million and $1.7 million of deferred debt issuance costs as of March 31, 2016 and December 31, 2015, respectively.

(4) The RSO Repo SPE Trust 2015 term repurchase facility includes $395,000 and $415,000 of deferred debt issuance costs as of March 31, 2016 and December 31, 2015, respectively.

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The following table shows information about the amount at risk under the repurchase facilities (dollars in thousands):

	Amount at Risk [1]	Weighted Average Maturity	Weighted Average Interest Rate
As of March 31, 2016:			
CMBS Term Repurchase Facility			
Wells Fargo Bank, National Association	$6,066	17 days	1.65%
CRE Term Repurchase Facilities			
Wells Fargo Bank, National Association	$64,963	18 days	2.52%
Morgan Stanley Bank, National Association	$46,048	15 days	3.05%
Trust Certificates Term Repurchase Facility			
RSO Repo SPE Trust 2015	$62,575	2.6 years	5.94%
Short-Term Repurchase Agreements - CMBS			
Wells Fargo Securities, LLC	$6,756	11 days	2.09%
Deutsche Bank Securities, LLC	$13,973	15 days	2.13%
Residential Investments Term Repurchase Facility			
Wells Fargo Bank, National Association	$940	187 days	3.04%
Residential Mortgage Financing Agreements			
New Century Bank	$12,844	64 days	3.24%
Wells Fargo Bank, National Association	$27,613	106 days	2.93%
As of December 31, 2015:			
CMBS Term Repurchase Facility			
Wells Fargo Bank, National Association	$6,053	18 days	1.57%
CRE Term Repurchase Facilities			
Wells Fargo Bank, National Association	$54,674	18 days	2.39%
Morgan Stanley Bank, National Association	$41,248	15 days	2.96%
Trust Certificates Term Repurchase Facility			
RSO Repo SPE Trust 2015	$62,575	2.9 years	5.85%
Short-Term Repurchase Agreements - CMBS			
Wells Fargo Securities, LLC	$6,288	11 days	1.93%
Deutsche Bank Securities, LLC	$16,330	20 days	2.05%
Residential Investments Term Repurchase Facility			
Wells Fargo Bank, National Association	$54	264 days	2.75%

Residential Mortgage Financing Agreements			
New Century Bank	$17,322	124 days	3.17%
Wells Fargo Bank, National Association	$17,811	134 days	3.03%

(1) Equal to the estimated fair value of securities or loans sold, plus accrued interest income, minus the sum of repurchase agreement liabilities plus accrued interest expense.

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