Resource Capital Corp.
Form 10-Q
May 11, 2015

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

FORM 10-Q
(Mark One)
þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2015
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _________ to __________

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

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

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ¨ Yes þ No
The number of outstanding shares of the registrant’s common stock on May 6, 2015 was 134,169,500 shares.

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
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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, 2015 (unaudited) | December 31, 2014 |
|---|---|---|
| ASSETS [1] | | |
| Cash and cash equivalents | $217,361 | $79,905 |
| Restricted cash | 26,768 | 122,138 |
| Investment securities, trading | 29,770 | 20,786 |
| Investment securities available-for-sale, pledged as collateral, at fair value | 161,971 | 197,800 |
| Investment securities available-for-sale, at fair value | 122,099 | 77,920 |
| Linked transactions, net at fair value | — | 15,367 |
| Loans held for sale | 248,254 | 111,736 |
| Property held for sale | 180 | 180 |
| Loans, pledged as collateral and net of allowances of $7.4 million and $4.6 million | 1,960,250 | 1,925,980 |
| Loans receivable–related party | 1,229 | 1,277 |
| Investments in unconsolidated entities | 55,488 | 59,827 |
| Derivatives, at fair value | 14,036 | 5,304 |
| Interest receivable | 18,111 | 16,260 |
| Deferred tax asset, net | 12,579 | 12,634 |
| Principal paydown receivable | 26,906 | 40,920 |
| Direct financing leases | 1,951 | 2,109 |
| Intangible assets | 9,229 | 9,736 |
| Prepaid expenses | 4,263 | 4,196 |
| Other assets | 22,761 | 24,604 |
| Total assets | $2,933,206 | $2,728,679 |
| LIABILITIES [2] | | |
| Borrowings | $1,924,598 | $1,716,871 |
| Distribution payable | 25,521 | 30,592 |
| Accrued interest expense | 5,437 | 2,123 |
| Derivatives, at fair value | 8,860 | 8,476 |
| Accrued tax liability | 6,982 | 9,219 |
| Accounts payable and other liabilities | 13,091 | 9,287 |
| Total liabilities | 1,984,489 | 1,776,568 |
| EQUITY | | |
| Preferred stock, par value $0.001: 10,000,000 shares authorized 8.50% Series A cumulative redeemable preferred shares, liquidation preference $25.00 per share, 1,069,016 and 1,069,016 shares issued and outstanding | 1 | 1 |
| Preferred stock, par value $0.001: 10,000,000 shares authorized 8.25% Series B cumulative redeemable preferred shares, liquidation preference $25.00 per share 5,740,479 and 5,601,146 shares issued and outstanding | 6 | 6 |
| Preferred stock, par value $0.001: 10,000,000 shares authorized 8.625% Series C cumulative redeemable preferred shares, liquidation preference $25.00 per share 4,800,000 and 4,800,000 shares issued and outstanding | 5 | 5 |
| Common stock, par value $0.001: 500,000,000 shares authorized; 134,158,805 and 132,975,177 shares issued and outstanding (including 2,800,324 and 2,023,639 | 134 | 133 |

| | | |
|---|---|---|
| unvested restricted shares) | | |
| Additional paid-in capital | 1,253,556 | 1,245,245 |
| Accumulated other comprehensive income (loss) | 5,376 | 6,043 |
| Distributions in excess of earnings | (327,952) | (315,910) |
| Total stockholders' equity | 931,126 | 935,523 |
| Non-controlling interests | 17,591 | 16,588 |
| Total equity | 948,717 | 952,111 |
| TOTAL LIABILITIES AND EQUITY | $2,933,206 | $2,728,679 |

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

| | March 31, 2015 (unaudited) | December 31, 2014 |
|---|---|---|
| (1) Assets of consolidated Variable Interest Entities ("VIEs") included in the total assets above: | | |
| Cash and cash equivalents | $133 | $25 |
| Restricted cash | 25,262 | 121,247 |
| Investment securities available-for-sale, pledged as collateral, at fair value | 94,658 | 119,203 |
| Loans held for sale | 73,892 | 282 |
| Loans, pledged as collateral and net of allowances of $4.2 million and $3.3 million | 1,445,136 | 1,261,137 |
| Interest receivable | 9,895 | 8,941 |
| Prepaid expenses | 193 | 221 |
| Principal paydown receivable | 26,700 | 25,767 |
| Other assets | (742) | (12) |
| Total assets of consolidated VIEs | $1,675,127 | $1,536,811 |
| | | |
| (2) Liabilities of consolidated VIEs included in the total liabilities above: | | |
| Borrowings | $1,170,687 | $1,046,494 |
| Accrued interest expense | 1,329 | 1,000 |
| Derivatives, at fair value | 7,305 | 8,439 |
| Unsettled loan purchases | — | (529) |
| Accounts payable and other liabilities | 56 | (386) |
| Total liabilities of consolidated VIEs | $1,179,377 | $1,055,018 |

The accompanying notes are an integral part of these statements

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

| | For the Three Months Ended March 31, | |
|---|---|---|
| | 2015 | 2014 |
| REVENUES | | |
| Interest income: | | |
| Loans | $32,663 | $20,229 |
| Securities | 4,052 | 4,004 |
| Leases | 95 | — |
| Interest income – other | 832 | 2,852 |
| Total interest income | 37,642 | 27,085 |
| Interest expense | 14,902 | 9,628 |
| Net interest income | 22,740 | 17,457 |
| Rental income | — | 5,152 |
| Dividend income | 16 | 136 |
| Fee income | 1,605 | 2,500 |
| Total revenues | 24,361 | 25,245 |
| OPERATING EXPENSES | | |
| Management fees – related party | 3,560 | 3,080 |
| Equity compensation – related party | 995 | 1,667 |
| Rental operating expense | 6 | 3,396 |
| Lease operating | 23 | — |
| General and administrative - Corporate | 4,783 | 2,840 |
| General and administrative - PCM | 7,079 | 3,426 |
| Depreciation and amortization | 565 | 836 |
| Impairment losses | 59 | — |
| Provision (recovery) for loan losses | 3,990 | (3,960) |
| Total operating expenses | 21,060 | 11,285 |
| | 3,301 | 13,960 |
| OTHER INCOME (EXPENSE) | | |
| Equity in earnings of unconsolidated subsidiaries | 706 | 2,014 |
| Net realized gain (loss) on sales of investment securities available-for-sale and loans and derivatives | 14,423 | 2,088 |
| Net realized and unrealized gain (loss) on investment securities, trading | 2,074 | (1,560) |
| Unrealized gain (loss) and net interest income on linked transactions, net | 235 | 2,305 |
| (Loss) on reissuance/gain on extinguishment of debt | (900) | (69) |
| (Loss) gain on sale of real estate | (22) | — |
| Other income (expense) | — | (1,262) |
| Total other income (expense) | 16,516 | 3,516 |
| INCOME (LOSS) BEFORE TAXES | 19,817 | 17,476 |
| Income tax (expense) benefit | (1,847) | (16) |
| NET INCOME (LOSS) | 17,970 | 17,460 |

| | | |
|---|---|---|
| Net (income) loss allocated to preferred shares | (6,091) | (2,400) |

The accompanying notes are an integral part of these statements

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

| | | |
|---|---|---|
| Net (income) loss allocable to non-controlling interest, net of taxes | (2,477 ) | 56 |
| NET INCOME (LOSS) ALLOCABLE TO COMMON SHARES | $9,402 | $15,116 |
| NET INCOME (LOSS) PER COMMON SHARE – BASIC | $0.07 | $0.12 |
| NET INCOME (LOSS) PER COMMON SHARE – DILUTED | $0.07 | $0.12 |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – BASIC | 131,256,909 | 125,616,537 |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING – DILUTED | 132,304,417 | 126,667,614 |

The accompanying notes are an integral part of these statements

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

| | For the Three Months Ended March 31, | |
|---|---|---|
| | 2015 | 2014 |
| Net income | $17,970 | $17,460 |
| Other comprehensive income (loss): | | |
| Reclassification adjustment for (gains) losses on available-for-sale securities included in net income | (6,258) | 1,465 |
| Unrealized gains (losses) on available-for-sale securities, net | 3,123 | (1,754) |
| Reclassification adjustments associated with unrealized gains (losses) from interest rate hedges included in net income | 90 | 70 |
| Unrealized gains on derivatives, net | 1,142 | 387 |
| Foreign currency translation adjustments | 429 | (196) |
| Total other comprehensive income (loss) | (1,474) | (28) |
| Comprehensive income (loss) before allocation to non-controlling interests and preferred shares | 16,496 | 17,432 |
| Unrealized (gains) losses on available-for-sale securities allocable to non-controlling interests | 807 | — |
| Net (income) loss allocable to non-controlling interests | (2,477) | 56 |
| Net (income) loss allocated to preferred shares | (6,091) | 2,400 |
| Comprehensive income allocable to common shares | $8,735 | $19,888 |

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, 2015
(in thousands, except share and per share data)
(unaudited)

| | Common Stock | | Preferred Shares - Series A | Preferred Shares - Series B | Preferred Shares - Series C | Additional Paid-In Capital | Accumulated Other Comprehensive (Loss) Income | Retained Earnings | Distributions in Excess of Earnings | Total Stockholders Equity | Non-Controlling Interests | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | | | | | | | | | | |
| Balance, January 1, 2015 | 132,975,177 | $133 | $1 | $6 | $5 | $1,245,245 | $6,043 | $— | $(315,910) | $935,523 | $16,588 | $952,111 |
| Proceeds from dividend reinvestment and stock purchase plan | 22,085 | — | — | — | — | 106 | — | — | — | 106 | — | 106 |
| Proceeds from issuance of preferred stock | — | — | — | — | — | 3,113 | — | — | — | 3,113 | — | 3,113 |
| Offering costs | — | — | — | — | — | (111) | — | — | — | (111) | — | (111) |
| Discount on 8% convertible senior notes | — | — | — | — | — | 4,213 | — | — | — | 4,213 | — | 4,213 |
| Stock based compensation | 1,163,817 | 1 | — | — | — | — | — | — | — | 1 | — | 1 |
| Amortization of stock based compensation | — | — | — | — | — | 995 | — | — | — | 995 | — | 995 |
| Purchase and retirement of shares | (1,003) | — | — | — | — | (5) | — | — | — | (5) | — | (5) |
| Forfeiture of unvested stock | (1,271) | — | — | — | — | — | — | — | — | — | — | — |
| Contributions, net of distributions from non-controlling interests | — | — | — | — | — | — | — | — | — | — | (667) | (667) |
| Net income | — | — | — | — | — | — | — | 15,493 | — | 15,493 | 2,477 | 17,970 |
| Preferred dividends | — | — | — | — | — | — | — | (6,091) | — | (6,091) | — | (6,091) |
| Securities available-for-sale, fair value adjustment, net | — | — | — | — | — | — | (2,328) | — | — | (2,328) | (807) | (3,135) |
| Designated derivatives, fair value adjustment | — | — | — | — | — | — | 1,232 | — | — | 1,232 | — | 1,232 |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Foreign currency translation adjustment | — | — | — | — | — | — | 429 | — | — | 429 | — | 429 |
| Distributions on common stock | — | — | — | — | — | — | — | (9,402) | (12,042) | (21,444) | — | (21,444) |
| Balance, March 31, 2015 | 134,158,805 | $134 | $1 | $6 | $5 | $1,253,556 | $5,376 | $— | $(327,952) | $931,126 | $17,591 | $948,717 |

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)

| | Three Months Ended March 31, 2015 | 2014 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income (loss) | $17,970 | $17,460 |
| Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities: | | |
| Provision for (recovery of) loan losses | 3,990 | (3,960) |
| Depreciation | 139 | 392 |
| Amortization of intangible assets | 507 | 444 |
| Amortization of term facilities | 115 | 534 |
| Accretion (amortization) of net discounts (premiums) on loans held for investment | (338) | (574) |
| Accretion (amortization) of net discounts (premiums) on securities available-for-sale | 837 | (769) |
| Amortization (accretion) of discount (premium) on notes of securitization | 463 | 434 |
| Amortization of debt issuance costs on notes of securitizations | 1,066 | 796 |
| Amortization of stock-based compensation | 995 | 1,667 |
| Amortization (accretion) of terminated derivative instruments | 67 | 70 |
| Accretion (amortization) of interest-only available-for-sales securities | 873 | (137) |
| Deferred income tax (benefit) expense | (48) | (89) |
| Purchase of residential mortgage loans held for sale, net | (58,136) | (877) |
| Purchase of securities, trading | (16,268) | — |
| Principal payments on securities, trading | — | 42 |
| Proceeds from sales of securities, trading | 8,095 | — |
| Net realized and unrealized loss (gain) on investment securities, trading | (2,074) | 1,560 |
| Net realized (gain) loss on sales of investment securities available-for-sale and loans | (14,423) | (3,680) |
| Loss (gain) on the reissuance (extinguishment) of debt | 900 | 69 |
| Loss (gain) on sale of real estate | 22 | — |
| Settlement of derivative instruments | 82 | — |
| Net impairment losses recognized in earnings | 59 | — |
| Unrealized gain (loss) and net interest income on linked transactions, net | (235) | (1,763) |
| Equity in net (earnings) losses of unconsolidated subsidiaries | (706) | (2,014) |
| Changes in operating assets and liabilities, net of acquisitions | 65,786 | 9,563 |
| Net cash provided by (used in) operating activities | 9,738 | 19,168 |
| | | |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| (Increase) decrease in restricted cash | 33,230 | (12,849) |
| Acquisition of controlling interest in Moselle CLO S.A. | — | (30,433) |
| Purchase of securities available-for-sale | (4,000) | (48,321) |
| Principal payments on securities available-for-sale | 37,860 | 17,325 |
| Proceeds from sale of securities available-for-sale | 7,113 | 12,314 |
| Return of capital from (investment in) unconsolidated entity | 4,391 | 5,650 |

| | | |
|---|---|---|
| Purchase of loans | (207,983) | (169,380) |
| Principal payments received on loans | 91,294 | 90,948 |
| Proceeds from sale of loans | 16,922 | 15,974 |
| Purchase of furniture and fixtures | — | (38) |
| Acquisition of property and equipment | (171) | (269) |
| Investment in loans - related parties | (903) | (285) |
| Principal payments received on loans – related parties | — | 753 |
| Net cash (used in) provided by investing activities | (22,247) | (118,611) |
| | | |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Net proceeds from issuances of common stock (net of offering costs of $0 and $0) | — | 245 |
| Net proceeds from dividend reinvestment and stock purchase plan (net of offering costs of $0 and $0) | 106 | — |
| Proceeds from issuance of 8.5% Series A redeemable preferred shares (net of offering costs of $0 and $0) | — | 4,440 |
| Proceeds from issuance of 8.25% Series B redeemable preferred shares (net of offering costs of $111 and $565) | 3,002 | 10,975 |
| Repurchase of common stock | (5) | — |
| Proceeds from borrowings: | | |
| Repurchase agreements, net of repayments | — | 75,877 |
| CRE Securitization | 282,127 | — |
| Convertible Senior Notes | 99,000 | — |
| Senior Secured Revolving Credit Facility, net of repayments | 21,500 | — |
| Reissuance of debt | 8,100 | — |
| Payments on borrowings: | | |
| CRE Securitization | (161,713) | (59,668) |
| Repurchase agreements, net of borrowings | (64,812) | — |
| Payment of debt issuance costs | (6,639) | (8) |
| Settlement of derivative instruments | 3,091 | — |
| Distributions to subordinated note holders | — | (307) |
| Proceeds received from non-controlling interests | 1,802 | — |
| Distributions paid to non-controlling interests | (2,987) | — |
| Distributions paid on preferred stock | (6,044) | (2,159) |
| Distributions paid on common stock | (26,563) | (25,536) |
| Net cash provided by (used in) financing activities | $149,965 | $3,859 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 137,456 | (95,584) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 79,905 | 262,270 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | $217,361 | $166,686 |
| SUPPLEMENTAL DISCLOSURE: | | |
| Interest expense paid in cash | $9,378 | $8,576 |
| Income taxes paid in cash | $1,739 | $1,774 |

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, 2015
(unaudited)

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION

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

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

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

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

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

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

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

- RCC Commercial, Inc. ("RCC Commercial") holds a 32.8% investment in Northport TRS, LLC ("Northport LLC") and owns 100% of the equity of the following VIE:

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

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

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

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

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

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

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
MARCH 31, 2015
(unaudited)

Apidos CDO I, Ltd. ("Apidos CDO I"), a Cayman Islands limited liability company and TRS. Apidos CDO I was established to complete a CDO issuance secured by a portfolio of bank loans and ABS. In October 2014, the Company liquidated Apidos CLO I, and as a result, all of the assets were sold.

- Resource TRS, Inc. ("Resource TRS"), a TRS directly owned by the Company, holds the Company's equity investment in a leasing company and holds all of its investment securities, trading (through both direct and indirect investments in such securities). Resource TRS also owns equity in the following:

Resource TRS, LLC, a Delaware limited liability company, which holds an 17.8% 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 49.4% of the equity in Northport LLC as of March 31, 2015. The remaining 32.8% of the equity is owned by RCC Commercial.
Pelium Capital Partners, L.P., ("Pelium Capital") a Delaware limited partnership, which holds investment securities, trading. Resource TRS owns 71.8% of the equity in Pelium Capital as of March 31, 2015.

- Resource TRS II, Inc. ("Resource TRS II"), a TRS directly owned by the Company, holds the Company's management rights in bank loan CLOs not originated by the Company. Resource TRS II owns 100% of the equity of the following VIE:

Resource Capital Asset Management ("RCAM"), a domestic limited liability company, which is entitled to collect senior, subordinated, and incentive fees related to three CLO issuers to which it provides management services through CVC Credit Partners, LLC, formerly Apidos Capital Management ("ACM"), a subsidiary of CVC Capital Partners SICAV-FIS, S.A., a private equity firm ("CVC"). Resource America, Inc. owns a 33% interest in CVC Credit Partners, LLC, ("CVC Credit Partners").

- Resource TRS III, Inc. ("Resource TRS III"), a TRS directly owned by the Company, held the Company's interests in a bank loan CDO originated by the Company. Resource TRS III owned 33% of the equity of the following VIE:

Apidos CLO VIII, Ltd ("Apidos CLO VIII"), a Cayman Islands limited liability company and TRS. In October 2013, the Company substantially liquidated Apidos CLO VIII, and as a result, all of the assets were sold.

- Resource TRS IV, Inc. ("Resource TRS IV"), a TRS directly owned by the Company, held the Company's equity investment in hotel condominium units acquired in conjunction with a loan foreclosure. The hotel condominium units were sold in April 2014.
- Resource TRS V, Inc. ("Resource TRS V"), a TRS directly owned by the Company, held the Company's equity investment in a held for sale condominium complex. All of the condominiums were sold as of December 31, 2013.
- RSO EquityCo, LLC owns 10% of the equity of Apidos CDO I and 10% of the equity of Apidos CLO VIII.
- Long Term Care Conversion, Inc. ("LTCC"), a TRS directly owned by the Company, is a Delaware corporation that owns 100% of the following entities:

Long Term Care Conversion Funding ("LTCC Funding"), a New York limited liability company, which owns a 50.2% equity interest in Life Care Funding, LLC ("LCF") and provides funding through a financing facility to fund the acquisition of life settlement contracts. LCF, a New York limited liability company, is a joint venture between LTCC and Life Care Funding Group Partners and was established for the purpose of originating and acquiring life settlement contracts.
ZWH4, LLC ("ZAIS"), a Delaware limited liability company, owns an equity investment in the warehouse of ZAIS CLO 4, Limited, a Cayman Islands exempted limited liability company, that will be used to finance the purchase of syndicated bank loans.

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

Primary Capital Mortgage, LLC ("PCM"), (formerly known as Primary Capital Advisors, LLC), a limited liability company that originates and services residential mortgage loans.
RCM Global Manager, LLC ("RCM Global Manager"), a Delaware limited liability company, owns 53.2% of the following entity:
RCM Global, LLC ("RCM Global"), a Delaware limited liability company, holds a portfolio of investment securities, available-for-sale.
RCC Residential Portfolio, Inc. ("RCC Resi Portfolio"), a Delaware corporation directly owned by the Company, invests in residential mortgage-backed securities ("RMBS").

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RCC Residential Portfolio TRS, Inc. ("RCC Resi TRS"), a TRS directly owned by the Company, is a Delaware corporation which intends to hold strategic residential positions which cannot be held by RCC Resi Portfolio.
RCC Residential Depositor, LLC ("RCC Resi Depositor"), a Delaware limited liability company, owns 100% of the following entity:
RCC Opportunities Trust ("RCC Opp Trust"), a Delaware Statutory Trust, holds a portfolio of residential mortgage loans, available-for-sale.
RCC Residential Acquisition, LLC ("RCC Resi Acquisition"), a Delaware limited liability company, purchases residential mortgage loans from PCM and transfers the assets to RCC Opp Trust.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”). The consolidated financial statements include the accounts of the Company.
All inter-company transactions and balances have been eliminated.

Recent Accounting Standards

In April 2015, the Financial Accounting Standards Board ("FASB") issued guidance that simplifies the presentation of debt issuance costs by requiring that debt issuance costs be presented in the balance sheet as a deduction from the carrying amount of the related debt liability, consistent with debt discounts or premiums. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. It is effective for annual reporting periods beginning after December 15, 2015, but early adoption is permitted. The Company has early adopted the provisions of this guidance. Note 12, Borrowings, reflects the presentation of debt issuance costs as prescribed by this accounting standards update. Adoption did not have a material impact on the Company's consolidated financial statements.
In February 2015, the FASB issued guidance that requires an entity to evaluate whether they should consolidate certain legal entities. All legal entities are subject to reevaluation under the revised consolidation model. Specifically, the amendments: (1) modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities (VIEs) or voting interest entities; (2) eliminate the presumption that a general partner should consolidate a limited partnership; (3) affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related-party relationships; and (4) provide a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. This guidance is effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. Early application is permitted. The Company is currently evaluating the effect of adoption.
In November 2014, the FASB issued guidance to eliminate the use of different methods in practice and thereby reduce existing diversity under GAAP in the accounting for hybrid financial instruments issued in the form of a share. 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 ASC Subtopic 815-10 on derivatives and hedging if certain criteria are met. This guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted. The Company is currently evaluating the effect of adoption.
In August 2014, the FASB issued guidance that clarifies the disclosures management must make in its interim and annual financial statement footnotes when management has determined that conditions exist that raise substantial

doubt about the entity's ability to continue as a going concern within one year after the date the financial statements are issued (or within one year after the date the financial statements are available to be issued when applicable). In accordance with this guidance, management's assessment is required to be made each reporting period and should be based on relevant conditions and events that are known and reasonably knowable at the date the financial statements are issued. In all cases, to the extent that substantial doubt about the entity's ability to continue as a going concern is determined to be probable, management must disclose the principal conditions or events that gave rise to the substantial doubt about the entity's ability to continue as a going concern, management's evaluation of the significance of those conditions or events in relation to the entity's ability to meet its obligations, and management's plans

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that either alleviated or are intended to mitigate the conditions or events that gave rise to the substantial doubt about the entity’s ability to continue as a going concern. Additionally, to the extent substantial doubt about the entity’s ability to continue as a going concern is not alleviated by management’s plans, management must indicate in the footnotes that there is substantial doubt about the entity’s ability to continue as a going concern. This guidance is effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early adoption is permitted. The Company does not expect adoption will have a material impact on its consolidated financial statements.

In August 2014, the FASB issued guidance that provides for the election of a measurement alternative when a reporting entity determines that it is the primary beneficiary of a collateralized financing entity and, hence, is required to consolidate that collateralized financing entity. The measurement alternative allows a qualifying, consolidated collateralized financing entity to use the more observable of the fair value of the financial assets or the fair value of the financial liabilities adjusted by the carrying amount of non-financial assets, the fair value of any beneficial interests retained by the reporting entity (including those beneficial interest that represent compensation for services). Alternatively, if the measurement alternative is not elected for a qualifying, consolidated collateralized financing entity, this guidance requires that the financial assets and financial liabilities be measured in accordance with ASC Topic 820, and any difference in the fair value of the financial assets and the fair value of the financial liabilities would be reflected in earnings and attributed to the reporting entity in the consolidated statement of income (loss). This guidance is effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted as of the beginning of an annual period. The Company is currently evaluating the effect of adoption.

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

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

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

Reclassifications

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

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NOTE 3 - VARIABLE INTEREST ENTITIES

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

Consolidated VIEs (the Company is the primary beneficiary)

Based on management’s analysis, the Company is the primary beneficiary of twelve VIEs at March 31, 2015: Apidos CDO I, Apidos CDO III, Apidos Cinco CDO, Apidos CLO VIII, RREF CDO 2006-1, RREF CDO 2007-1, Whitney CLO I, RCC CRE Notes 2013, RCC 2014-CRE2, RCC 2015-CRE3, Moselle CLO and RCM Global, LLC. In performing the primary beneficiary analysis for Apidos CDO I, Apidos CDO III, Apidos Cinco CDO, Apidos CLO VIII, RREF CDO 2006-1, RREF CDO 2007-1, RCC CRE Notes 2013, RCC 2014-CRE2, RCC 2015-CRE3 and RCM Global, LLC, it was determined that the parties that have the power to direct the activities that are most significant to each of these VIEs and who have the right to receive benefits and the obligation to absorb losses that could potentially be significant to these VIEs, are a related-party group. It was then determined that the Company was the party within that group that is more closely associated with each such VIE considering the design of the VIE, the principal-agency relationship between the Company and other members of the related-party group, and the relationship and significance of the activities of the VIE to the Company compared to the other members of the related-party group.

Apidos CDO I, Apidos CDO III, Apidos Cinco CDO, Apidos CLO VIII, RREF CDO 2006-1, RREF CDO 2007-1, RCC CRE Notes 2013, RCC 2014-CRE2 and RCC 2015-CRE3 were formed on behalf of the Company to invest in real estate-related securities, CMBS, property available-for-sale, bank loans, corporate bonds and asset-backed securities and were financed by the issuance of debt securities. The Manager and CVC Credit Partners manage these 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 sold as of March 31, 2015.

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

On July 9, 2014, RCC Residential, together with Resource America and certain Resource America employees, acquired through RCM Global a portfolio of securities from JP Morgan for $23.5 million.  The portfolio is managed by Resource America. RCC Residential contributed $15.0 million for a 63.8% membership interest.  Each of the members of RCM Global will be allocated the revenue/expenses of RCM Global in accordance with its or his membership interest. RCM Global was determined to be a VIE based on the equity holders' inability to direct the activities that are most significant to the entity. The Company was determined to be the primary beneficiary of RCM Global and, therefore, consolidated the entity. The Company's ownership interest was 53.2% as of March 31, 2015.

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In September 2014, the Company contributed $17.5 million of capital to Pelium Capital for an 80.4% interest. Pelium Capital is a specialized credit opportunity fund managed by Resource America. The Company will receive 10% of the carried interest in the partnership for the first five years, which can increase to 20% if the Company's capital contributions aggregate $40.0 million. Pelium Capital was determined not to be a VIE as there was sufficient equity at risk, the Company does not have disproportionate voting rights and Pelium Capital's partners have all of the following characteristics (1) the power to direct the activities (2) the obligation to absorb losses and (3) the right to receive residual returns. However, Pelium Capital was consolidated as a result of the Company's majority ownership and the Company's unilateral kick-out rights. The non-controlling interest in Pelium Capital is owned by Resource America and outside investors. In February 2015, the Company made an additional capital contribution of $2.5 million. The Company's ownership interest in Pelium decreased to 71.8% as of March 31, 2015 as a result of additional outside investors investing in the fund.

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

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

The Company has exposure to losses on its securitizations to the extent of its subordinated debt and preferred equity interests in them. The Company is entitled to receive payments of principal and interest on the debt securities it holds and, to the extent revenues exceed debt service requirements and other expenses of the securitizations, distributions with respect to its preferred equity interests. As a result of consolidation, debt and equity interests the Company holds in these securitizations have been eliminated, and the Company’s consolidated balance sheets reflects both the assets held and debt issued by the securitizations to third parties and any accrued expense to third parties. The Company's operating results and cash flows include the gross amounts related to the securitizations' assets and liabilities as opposed to the Company's net economic interests in the securitizations. Assets and liabilities related to the securitizations are disclosed, in the aggregate, on the Company's consolidated balance sheets.

The creditors of the Company’s twelve consolidated VIEs have no recourse to the general credit of the Company. However, in its capacity as manager, the Company has voluntarily supported two credits in one of its commercial real estate CDOs as the credits went through a restructuring in order to maximize future cash flows from the CDO. For the three months ended March 31, 2015 and 2014, the Company has provided financial support of $0 and $539,000, respectively. The Company has provided no other financial support to any other of its VIEs nor does it have any requirement to do so, although it may choose to do so in the future to maximize future cash flows on such investments by the Company. There are no explicit arrangements that obligate the Company to provide financial support to any of its consolidated VIEs.

The following table shows the classification and carrying value of assets and liabilities of the Company's consolidated VIEs as of March 31, 2015 (in thousands):

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| | Apidos I | Apidos III | Apidos Cinco | Whitney CLO I | RREF 2006-1 | RREF 2007-1 | RCC CRE Notes 2013 | RCC 2014-CRE2 | RCC 2015-CRE3 | Moselle | RCM Global, LLC | Tota |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ASSETS | | | | | | | | | | | | |
| Cash and cash equivalents | $— | $— | $— | $— | $— | $— | $— | $— | $— | $— | $133 | $13 |
| Restricted cash (1) | 76 | 4,519 | 17,227 | 116 | 18 | 250 | 2,514 | — | 5 | 537 | $— | 25,2 |
| Investment securities available-for-sale, pledged as collateral, at fair value | — | 2,856 | 10,891 | — | 5,777 | 57,930 | — | — | — | — | 17,204 | 94,6 |
| Loans, pledged as collateral | 153 | (79) | 223,524 | — | 125,373 | 199,987 | 204,181 | 350,362 | 341,635 | — | — | 1,44 |
| Loans held for sale | — | 71,611 | 2,281 | — | — | — | — | — | — | — | — | 73,8 |
| Interest receivable | — | 433 | 744 | — | 2,485 | 2,081 | 1,081 | 1,377 | 1,285 | — | 409 | 9,89 |
| Prepaid assets | — | 15 | 40 | — | 47 | 48 | 43 | — | — | — | — | 193 |
| Principal paydown receivable | — | — | — | — | — | 5,775 | 20,925 | — | — | — | — | 26,7 |
| Other Assets | — | — | — | — | — | — | — | 9 | — | — | (751) | (742 |
| Total assets (2) | $229 | $79,355 | $254,707 | $116 | $133,700 | $266,071 | $228,744 | $351,748 | $342,925 | $537 | $16,995 | $1,6 |
| LIABILITIES | | | | | | | | | | | | |
| Borrowings | $— | $67,028 | $229,644 | $— | $52,958 | $131,717 | $179,547 | $231,662 | $278,011 | $120 | $— | $1,1 |
| Accrued interest expense | — | 45 | 234 | — | 42 | 148 | 289 | 195 | 376 | — | — | 1,32 |
| Derivatives, at fair value | — | — | — | — | 608 | 6,697 | — | — | — | — | — | 7,30 |
| Unsettled loan purchases | — | — | — | — | — | — | — | — | — | — | — | — |
| Accounts payable and other liabilities | — | 33 | 13 | — | 4 | 1 | — | — | 3 | — | 2 | 56 |
| Total liabilities | $— | $67,106 | $229,891 | $— | $53,612 | $138,563 | $179,836 | $231,857 | $278,390 | $120 | $2 | $1,1 |

(1) Includes $2.8 million available for reinvestment in certain of the securitizations.
(2) Assets of each of the consolidated VIEs may only be used to settle the obligations of each respective VIE.
(3) In October 2013, the Company liquidated Apidos CLO VIII and all of the assets were sold. However, the Company still owns its share of beneficial interests that caused it to consolidate it.

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

Based on management’s analysis, the Company is not the primary beneficiary of the VIEs discussed below since it does not have both (i) the power to direct the activities that most significantly impact the VIE’s economic performance and (ii) the obligation to absorb the losses of the VIE or the right to receive the benefits from the VIE, which could be significant to the VIE. Accordingly, the following VIEs are not consolidated in the Company’s financial statements as of March 31, 2015. The Company’s maximum exposure to risk for each of these unconsolidated VIEs is set forth in the “Maximum Exposure to Loss” column in the table below.

LEAF Commercial Capital, Inc.

On November 16, 2011, the Company together with LEAF Financial, Inc. ("LEAF Financial"), a subsidiary of Resource America, and LEAF Commercial Capital, Inc. (“LCC”), another subsidiary of Resource America, entered into a stock purchase agreement and related agreements (collectively the “SPA”) with Eos Partners, L.P., a private investment firm, and its affiliates (“Eos”). In exchange for its prior interests in its lease related investments, the Company received 31,341 shares of Series A Preferred Stock (the "Series A Preferred Stock"), 4,872 shares of newly issued 8% Series B Redeemable Preferred Stock (the "Series B Preferred Stock") and 2,364 shares of newly issued Series D Redeemable Preferred Stock (the "Series D Preferred Stock"), collectively representing, on a fully-diluted basis assuming conversion, a 26.7% interest in LCC. At the time of investment, the Company’s investment in LCC was valued at $36.3 million based on a third-party valuation at that time.  During 2013, the Company entered into a third stock purchase agreement with LCC to purchase 3,682 shares of newly issued Series A-1 Preferred Stock (the "Series A-1 Preferred Stock") for $3.7 million and 4,445 shares of newly issued Series E Preferred Stock (the "Series E Preferred Stock") for $4.4 million. The Series E Preferred Stock has priority over all other classes of preferred stock. The Company's fully-diluted interest in LCC assuming conversion was 28.4% at March 31, 2015. The Company’s investment in LCC was recorded at $39.5 million and $39.4 million as of March 31, 2015 and December 31, 2014, respectively. The Company determined that it is not the primary beneficiary of LCC because it does not participate in any management or portfolio decisions, holds only two of six board positions, and only controls 28.4% of the voting rights in the

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entity. Furthermore, Eos holds consent rights with respect to significant LCC actions, including incurrence of indebtedness, consummation of a sale of the entity, liquidation or initiating a public offering.

Unsecured Junior Subordinated Debentures

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

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

Resource Capital Asset Management CLOs

In February 2011, the Company purchased a company that managed bank loan assets through five CLOs. As a result, the Company became entitled to collect senior, subordinated and incentive management fees from these CLOs. The purchase price of $22.5 million resulted in an intangible asset that was allocated to each of the five CLOs and is amortized over the expected life of each CLO. The unamortized balance of the intangible asset was $9.0 million and $9.4 million at March 31, 2015 and December 31, 2014, respectively. The Company recognized fee income of $965,000 and $1.7 million for the three months ended March 31, 2015 and 2014, respectively. With respect to four of these CLOs, the Company determined that it does not hold a controlling financial interest and, therefore, is not the primary beneficiary. One of the CLOs was liquidated in February 2013. With respect to the fifth CLO, Whitney CLO I, in October 2012, the Company purchased 66.6% of its preferred equity, which resulted in consolidation. Based upon that purchase, the Company determined that it had an obligation to absorb losses and/or the right to receive benefits that could potentially be significant to Whitney CLO I and that a related party had the power to direct the activities that are most significant to the VIE. As a result, together with the related party, the Company had both the power to direct and the right to receive benefits and the obligation to absorb losses. It was then determined that, between the Company and the related party, the Company was the party within that group that was more closely associated with Whitney CLO I because of its preferred equity interest in Whitney CLO I. The Company, therefore, consolidated Whitney CLO I. In May 2013, the Company purchased additional equity in this CLO which increased its equity ownership to 68.3% of the outstanding preferred equity of Whitney CLO I. In September 2013, the Company liquidated Whitney CLO I, and, as a result, all of the assets were sold.

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, 2015 (in thousands):

| | Unconsolidated Variable Interest Entities | | | | |
|---|---|---|---|---|---|
| | LCC | Unsecured Junior Subordinated Debentures | Resource Capital Asset Management CDOs | Total | Maximum Exposure to Loss |
| Investment in unconsolidated entities | $39,469 | $1,548 | $— | $41,017 | $41,017 |

| | | | | | |
|---|---|---|---|---|---|
| Intangible assets | — | — | 8,990 | 8,990 | $8,990 |
| Total assets | 39,469 | 1,548 | 8,990 | 50,007 | |
| | | | | | |
| Borrowings | — | 51,256 | — | 51,256 | N/A |
| Total liabilities | — | 51,256 | — | 51,256 | N/A |
| Net asset (liability) | $39,469 | $(49,708) | $8,990 | $(1,249) | N/A |

As of March 31, 2015, there were no explicit arrangements or implicit variable interests that could require the Company to provide financial support to any of its unconsolidated VIEs.

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NOTE 4 - SUPPLEMENTAL CASH FLOW INFORMATION

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2015 | 2014 |
| Non-cash investing activities include the following: | | |
| Conversion of linked transaction assets to CMBS [1] | $48,605 | $— |
| Non-cash financing activities include the following: | | |
| Distributions on common stock declared but not paid | $21,423 | $25,663 |
| Distributions on preferred stock declared but not paid | $6,116 | $2,520 |
| Issuance of restricted stock | $1,163 | $640 |
| Conversion of linked transaction liabilities to repurchase agreement borrowings [1] | $33,377 | $— |

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

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NOTE 5 - INVESTMENT SECURITIES, TRADING

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

| | Amortized Cost | Unrealized Gains | Unrealized Losses | Fair Value |
|---|---|---|---|---|
| As of March 31, 2015: | | | | |
| Structured notes | $30,308 | $2,063 | $(2,601) | $29,770 |
| RMBS | 1,896 | — | (1,896) | — |
| Total | $32,204 | $2,063 | $(4,497) | $29,770 |
| | | | | |
| As of December 31, 2014: | | | | |
| Structured notes | $22,876 | $1,098 | $(3,188) | $20,786 |
| RMBS | 1,896 | — | (1,896) | — |
| Total | $24,772 | $1,098 | $(5,084) | $20,786 |

The Company sold twelve securities during the three months ended March 31, 2015, for a net realized gain of approximately $432,000. The Company held 45 and 37 investment securities, trading as of March 31, 2015 and December 31, 2014, respectively.

NOTE 6 - INVESTMENT SECURITIES AVAILABLE-FOR-SALE

The following table summarizes the Company's investment securities, including those pledged as collateral and classified as available-for-sale, which are carried at fair value (in thousands):

| | Amortized Cost (1) | Unrealized Gains | Unrealized Losses | Fair Value |
|---|---|---|---|---|
| As of March 31, 2015: | | | | |
| CMBS | $188,052 | $6,450 | $(734) | $193,768 |
| RMBS | 28,964 | 1,192 | — | 30,156 |
| ABS | 45,889 | 12,233 | (387) | 57,735 |
| Corporate bonds | 2,417 | 14 | (20) | 2,411 |
| Total | $265,322 | $19,889 | $(1,141) | $284,070 |
| | | | | |
| As of December 31, 2014: | | | | |
| CMBS | $168,669 | $4,938 | $(3,202) | $170,405 |
| RMBS | 29,814 | 937 | — | 30,751 |
| ABS | 55,617 | 16,876 | (336) | 72,157 |
| Corporate bonds | 2,415 | 10 | (18) | 2,407 |
| Total | $256,515 | $22,761 | $(3,556) | $275,720 |

(1) As of March 31, 2015 and December 31, 2014, $162.0 million and $197.8 million, respectively, of investment securities available-for-sale were pledged as collateral under related financings.

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

| Weighted Average Life | Fair Value | | Amortized Cost | Weighted Average Coupon |
|---|---|---|---|---|
| As of March 31, 2015: | | | | |
| Less than one year | $84,119 | (1) | $ 82,983 | 4.97% |
| Greater than one year and less than five years | 125,176 | | 113,882 | 8.34% |
| Greater than five years and less than ten years | 16,808 | | 14,358 | 10.86% |
| Greater than ten years | 57,967 | | 54,099 | 6.50% |
| Total | $284,070 | | $ 265,322 | 7.12% |
| | | | | |
| As of December 31, 2014: | | | | |
| Less than one year | $78,095 | (1) | $ 79,649 | 4.13% |
| Greater than one year and less than five years | 115,302 | | 100,909 | 4.64% |
| Greater than five years and less than ten years | 20,177 | | 17,516 | 16.45% |
| Greater than ten years | 62,146 | | 58,441 | 7.86% |
| Total | $275,720 | | $ 256,515 | 6.08% |

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

At March 31, 2015, the contractual maturities of the CMBS investment securities available-for-sale range from May 2015 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 May 2015 to October 2050. The contractual maturities of the corporate bond investment securities available-for-sale range from May 2016 to December 2019.

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

| | Less than 12 Months | | | More than 12 Months | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | Fair Value | Unrealized Losses | Number of Securities | Fair Value | Unrealized Losses | Number of Securities | Fair Value | Unrealized Losses | Number of Securities |
| As of March 31, 2015: | | | | | | | | | |
| CMBS | $25,380 | $(220) | 19 | $16,396 | $(514) | 12 | $41,776 | $(734) | 31 |
| ABS | 197 | (1) | 1 | 1,388 | (386) | 9 | 1,585 | (387) | 10 |
| Corporate bonds | 1,447 | (20) | 1 | — | — | — | 1,447 | (20) | 1 |
| Total temporarily impaired securities | $27,024 | $(241) | 21 | $17,784 | $(900) | 21 | $44,808 | $(1,141) | 42 |
| | | | | | | | | | |
| As of December 31, 2014: | | | | | | | | | |

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

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

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During the three months ended March 31, 2015 and 2014, the Company did not recognize any other-than-temporary impairment on its investment securities available-for-sale.

The following table summarizes the Company's sales of investment securities available-for-sale (in thousands, except number of securities):

| | For the Three Months Ended | | |
|---|---|---|---|
| | Positions Sold | Par Amount Sold | Realized Gain (Loss) |
| March 31, 2015 | | | |
| ABS | 4 | $9,411 | $2,669 |
| March 31, 2014 | | | |
| CMBS | 3 | $12,500 | $(298) |

The amounts above do not include redemptions. During the three months ended March 31, 2015, the Company did not redeem any corporate bond positions. During the three months ended March 31, 2014, the Company had one corporate bond position redeemed with a total par of $630,000, and recognized a loss of approximately $1,000. In addition, during the three months ended March 31, 2015, the Company redeemed two ABS positions with a total par value of $2.5 million, and recognized a gain of $3.6 million. During the three months ended March 31, 2014, the Company had one ABS position redeemed with a total par of $2.5 million, and recognized a gain of $26,000.

NOTE 7 - LOANS

The following is a summary of the Company’s loans (in thousands):

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| Loan Description | Principal | Unamortized (Discount) Premium, net [(1)] | Carrying Value [(2)] |
|---|---|---|---|
| As of March 31, 2015: | | | |
| Commercial real estate loans: | | | |
| Whole loans | $1,370,303 | $(7,921) | $1,362,382 |
| B notes | 16,070 | (39) | 16,031 |
| Mezzanine loans | 67,535 | (64) | 67,471 |
| Total commercial real estate loans | 1,453,908 | (8,024) | 1,445,884 |
| Bank loans | 225,216 | (899) | 224,317 |
| Middle market loans | 295,478 | (685) | 294,793 |
| Residential mortgage loans, held for investment | 2,641 | — | 2,641 |
| Subtotal loans before allowances | 1,977,243 | (9,608) | 1,967,635 |
| Allowance for loan loss | (7,385) | — | (7,385) |
| Total loans held for investment, net of allowances | 1,969,858 | (9,608) | 1,960,250 |
| Bank loans held for sale | 73,892 | — | 73,892 |
| Residential mortgage loans held for sale, at fair value [(3)] | 174,559 | (197) | 174,362 |
| Total loans held for sale | 248,451 | (197) | 248,254 |
| Total loans, net | $2,218,309 | $(9,805) | $2,208,504 |
| | | | |
| As of December 31, 2014: | | | |
| Commercial real estate loans: | | | |
| Whole loans | $1,271,121 | $(7,529) | $1,263,592 |
| B notes | 16,120 | (48) | 16,072 |
| Mezzanine loans | 67,446 | (80) | 67,366 |
| Total commercial real estate loans | 1,354,687 | (7,657) | 1,347,030 |
| Bank loans | 332,058 | (1,410) | 330,648 |
| Middle market loans | 250,859 | (746) | 250,113 |
| Residential mortgage loans, held for investment | 2,802 | — | 2,802 |
| Subtotal loans before allowances | 1,940,406 | (9,813) | 1,930,593 |
| Allowance for loan loss | (4,613) | — | (4,613) |
| Total loans held for investment, net of allowances | 1,935,793 | (9,813) | 1,925,980 |
| Bank loans held for sale | 282 | — | 282 |
| Residential mortgage loans held for sale, at fair value [(3)] | 111,454 | — | 111,454 |
| Total loans held for sale | 111,736 | — | 111,736 |
| Total loans, net | $2,047,529 | $(9,813) | $2,037,716 |

(1) Amounts include deferred amendment fees of $110,000 and $88,000 and deferred upfront fees of $68,000 and $82,000 being amortized over the life of the bank loans as of March 31, 2015 and December 31, 2014, respectively. Amounts also include loan origination fees of $8.0 million and $7.6 million as of March 31, 2015 and December 31, 2014, respectively.

(2)

Substantially all loans are pledged as collateral under various borrowings at March 31, 2015 and December 31, 2014, respectively.

(3) Residential mortgage loans held for sale, at fair value, consisted of $58.3 million and $116.1 million of agency-conforming and jumbo mortgage loans, respectively, as of March 31, 2015. Residential mortgage loans held for sale, at fair value, consisted of $28.9 million and $82.6 million of agency-conforming and jumbo mortgage loans, respectively, as of December 31, 2014. Unamortized discount includes an unrealized mark to market loss of $197,000 as of March 31, 2015.

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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, 2015: | | | | |
| Whole loans, floating rate [1] [4] [5] | 74 | $ 1,362,382 | LIBOR plus 1.75% to LIBOR plus 15.00% | May 2015 to February 2019 |
| B notes, fixed rate | 1 | 16,031 | 8.68% | April 2016 |
| Mezzanine loans, floating rate | 1 | 12,659 | LIBOR plus 15.32% | April 2016 |
| Mezzanine loans, fixed rate [6] | 3 | 54,812 | 0.50% to 18.71% | January 2016 to September 2019 |
| Total [2] | 79 | $ 1,445,884 | | |
| As of December 31, 2014: | | | | |
| Whole loans, floating rate[1] [4] [5] | 73 | $ 1,263,592 | LIBOR plus 1.75% to LIBOR plus 15.00% | May 2015 to February 2019 |
| B notes, fixed rate | 1 | 16,072 | 8.68% | April 2016 |
| Mezzanine loans, floating rate | 1 | 12,558 | LIBOR plus 15.32% | April 2016 |
| Mezzanine loans, fixed rate [6] | 3 | 54,808 | 0.50% to 18.71% | January 2016 to September 2019 |
| Total [2] | 78 | $ 1,347,030 | | |

(1) Whole loans had $96.8 million and $105.1 million in unfunded loan commitments as of March 31, 2015 and December 31, 2014, respectively.  These unfunded commitments are advanced as the borrowers formally request additional funding as permitted under the loan agreement and any necessary approvals have been obtained.

(2) The total does not include an allowance for loan loss of $4.0 million and $4.0 million as of March 31, 2015 and December 31, 2014, respectively.

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

(4) Floating rate loans include 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, 2015 and December 31, 2014.

(5) Floating rate whole loans include a $799,000 junior mezzanine tranche of a whole loan that has a fixed rate of 10.0% as of March 31, 2015 and December 31, 2014.

(6) Fixed rate mezzanine loans include a mezzanine loan that was modified into two tranches, which both currently pay interest at 0.50%. In addition, the subordinate tranche accrues interest at LIBOR plus 18.50% which is deferred until maturity.

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

| Description | 2015 | 2016 | 2017 and Thereafter | Total |
|---|---|---|---|---|
| As of March 31, 2015 | | | | |
| B notes | $— | $16,031 | $— | $16,031 |
| Mezzanine loans | — | 16,739 | 50,732 | 67,471 |
| Whole loans | — | 27,678 | 1,334,704 | 1,362,382 |
| Total (1) | $— | $60,448 | $1,385,436 | $1,445,884 |

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

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

At March 31, 2015, the Company’s bank loan portfolio consisted of $298.2 million (net of allowance of $720,000) of floating rate loans, which bear interest ranging between the three month London Interbank Offered Rate (“LIBOR”) plus 1.50% and the three month LIBOR plus 8.75% with maturity dates ranging from April 2015 to February 2024.

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

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):

| | March 31, 2015 | December 31, 2014 |
|---|---|---|
| Less than one year | $1,625 | $7,829 |
| Greater than one year and less than five years | 282,658 | 274,332 |
| Five years or greater | 13,926 | 48,769 |
| | $298,209 | $330,930 |

At March 31, 2015, the Company’s middle market loan portfolio consisted of $292.3 million (net of allowance of $2.5 million) of floating rate loans, which bear interest ranging between the one or three month LIBOR plus 5.50% and one or three month LIBOR plus 11.75% with maturity dates ranging from December 2016 to November 2022.

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

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

| | March 31, 2015 | December 31, 2014 |
|---|---|---|
| Less than one year | $— | $— |
| Greater than one year and less than five years | 158,183 | 132,353 |
| Five years or greater | 136,610 | 117,760 |
| | $294,793 | $250,113 |

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

| Description | Allowance for Loan Loss | Percentage of Total Allowance |
|---|---|---|
| As of March 31, 2015: | | |
| B notes | $22 | 0.30% |
| Mezzanine loans | 98 | 1.33% |
| Whole loans | 3,923 | 53.12% |
| Bank loans | 720 | 9.75% |
| Middle market loans | 2,512 | 34.01% |
| Residential mortgage loans | 110 | 1.49% |
| Total | $7,385 | |
| | | |
| As of December 31, 2014: | | |
| B notes | $55 | 1.19% |
| Mezzanine loans | 230 | 4.99% |
| Whole loans | 3,758 | 81.47% |
| Bank loans | 570 | 12.36% |
| Total | $4,613 | |

Principal paydown receivables represent the portion of the Company's loan portfolio for which indication has been provided through its various servicers, trustees, or its asset management group that a payoff or paydown of a loan has been received but which, as of period end, the Company has not received and applied such cash to the outstanding loan balance. At March 31, 2015, principal paydown receivables relating to the Company's commercial real estate loan portfolio totaled $26.9 million, the entirety of which the Company received in cash during April 2015.

At March 31, 2015 and December 31, 2014, approximately 26.9% and 27.4%, respectively, of the Company’s commercial real estate loan portfolio was concentrated in California; approximately 6.8% and 7.3%, respectively, in Arizona, and approximately 26.5% and 27.3%, respectively, in Texas. At March 31, 2015 and December 31, 2014, approximately 16.7% and 17.5%, respectively, of the Company’s bank loan portfolio was concentrated in the collective industry grouping of healthcare, education and childcare. At March 31, 2015 and December 31, 2014, approximately 11.5% and 13.1%, respectively, of the Company's middle market loan portfolio was concentrated in the collective industry grouping of hotels, motels, inns, and gaming and 10.3% and 13.7%, respectively, of the Company's middle market loan portfolio was concentrated in the collective industry grouping of personal, food and miscellaneous service. During the quarter ended March 31, 2015, approximately 44.0% of the Company's residential mortgage loans were originated in Georgia, 12.0% in Utah, 9.0% in Virgina, 5.0% in Maryland, and 5.0% in North Carolina. At

December 31, 2014 approximately 56.0% of the Company's residential mortgage loans were originated in Georgia, 8.0% in Utah, 7.0% in Virginia, 5.0% in Alabama, and 4.0% in Tennessee.

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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, 2015 and December 31, 2014 and equity in net earnings (losses) of unconsolidated subsidiaries for the three months ended March 31, 2015 and 2014 (in thousands):

| | | | | Equity in Net Earnings (Losses) of Unconsolidated subsidiaries | |
|---|---|---|---|---|---|
| | Ownership % | Balance as of March 31, 2015 | Balance as of December 31, 2014 | For the three months ended March 31, 2015 | For the three months ended March 31, 2014 |
| Varde Investment Partners, L.P | 7.5% | $654 | $ 654 | $— | $(1) |
| RRE VIP Borrower, LLC (1) | 3% to 5% | — | — | 46 | 866 |
| Investment in LCC Preferred Stock | 28.4% | 39,469 | 39,416 | 52 | (594) |
| Investment in CVC Global Credit Opportunities Fund | 20.6% | 13,817 | 18,209 | 608 | 834 |
| Investment in Life Care Funding (2) | 50.2% | — | — | — | (75) |
| Investment in School Lane House (1) | | — | — | — | 984 |
| Subtotal | | 53,940 | 58,279 | 706 | 2,014 |
| Investment in RCT I and II (3) | 3% | 1,548 | 1,548 | 593 | 589 |
| Investment in Preferred Equity (1) (4) | | — | — | — | 1,228 |
| Total | | $55,488 | $ 59,827 | $1,299 | $3,831 |

(1) Investment in School Lane House, Investment in RRE VIP Borrower and the Investment in Preferred Equity were sold or repaid as of December 31, 2014.

(2) In January 2013, LTCC invested $2.0 million into LCF for the purpose of originating and acquiring life settlement contracts. In February 2014, the Company invested an additional $1.4 million which resulted in the consolidation of LCF during the first quarter of 2014. Ownership percentage represents ownership after consolidation.

(3) For the three months ended March 31, 2015 and 2014, these amounts are recorded in interest expense on the Company's consolidated statements of income.

(4) For the three months ended March 31, 2014, these amounts are recorded in interest income on loans on the Company's consolidated statements of income.

NOTE 9 - FINANCING RECEIVABLES

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

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| | Commercial Real Estate Loans | Bank Loans | Middle Market Loans | Residential Mortgage Loans | Loans Receivable-Related Party | Total |
|---|---|---|---|---|---|---|
| As of March 31, 2015: | | | | | | |
| Allowance for Loan Losses: | | | | | | |
| Allowance for losses at January 1, 2015 | $4,043 | $570 | $— | $— | $ — | $4,613 |
| Provision (recovery) for loan losses | — | 1,415 | 2,566 | 197 | (188) | 3,990 |
| Loans charged-off | — | (1,265) | (54) | (197) | 188 | (1,328) |
| Recoveries | — | — | — | 110 | — | 110 |
| Allowance for losses at March 31, 2015 | $4,043 | $720 | $2,512 | $110 | $ — | $7,385 |
| Ending balance: | | | | | | |
| Individually evaluated for impairment | $2,202 | $86 | $2,512 | $— | $ — | $4,800 |
| Collectively evaluated for impairment | $1,841 | $634 | $— | $110 | $ — | $2,585 |
| Loans acquired with deteriorated credit quality | $— | $— | $— | $— | $ — | $— |
| Loans: | | | | | | |
| Ending balance: (1) | | | | | | |
| Individually evaluated for impairment | $166,180 | $215 | $294,793 | $— | $ 1,229 | $462,417 |
| Collectively evaluated for impairment | $1,279,704 | $297,994 | $— | $2,641 | $ — | $1,580,339 |
| Loans acquired with deteriorated credit quality | $— | $— | $— | $— | $ — | $— |
| | | | | | | |
| As of December 31, 2014: | | | | | | |
| Allowance for Loan Losses: | | | | | | |
| Allowance for losses at January 1, 2014 | $10,416 | $3,391 | $— | $— | $ — | $13,807 |
| Provision for loan losses | (3,758) | 4,173 | 92 | — | 1,297 | 1,804 |
| Loans charged-off | (2,615) | (6,994) | (92) | — | (1,297) | (10,998) |
| Allowance for losses at December 31, 2014 | $4,043 | $570 | $— | $— | $ — | $4,613 |
| Ending balance: | | | | | | |
| Individually evaluated for impairment | $— | $570 | $— | $— | $ — | $570 |
| Collectively evaluated for impairment | $4,043 | $— | $— | $— | $ — | $4,043 |
| | $— | $— | $— | $— | $ — | $— |

| | | | | | | |
|---|---|---|---|---|---|---|
| Loans acquired with deteriorated credit quality | | | | | | |
| Loans: | | | | | | |
| Ending balance: (1) | | | | | | |
| Individually evaluated for impairment | $166,180 | $1,350 | $250,113 | $— | $ 1,277 | $418,920 |
| Collectively evaluated for impairment | $1,180,850 | $329,580 | $— | $2,802 | $ — | $1,513,232 |
| Loans acquired with deteriorated credit quality | $— | $— | $— | $— | $ — | $— |

(1) Loan balances as of March 31, 2015 and December 31, 2014 include loans held for sale.

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Credit quality indicators
Bank Loans
The Company uses a risk grading matrix to assign grades to 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 1-5 with 1 representing the Company's highest rating and 5 representing its lowest rating. The Company also designates loans that are sold after the period end as held for sale at the lower of their fair market value or cost, net of any allowances and costs associated with the loan sales. The Company considers metrics such as performance of the underlying company, liquidity, collectability of interest, enterprise valuation, default probability, ratings from rating agencies and industry dynamics in grading its bank loans.
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 March 31, 2015: | | | | | | | |
| Bank loans | $200,966 | $16,081 | $5,257 | $1,798 | $215 | $73,892 | $298,209 |
| | | | | | | | |
| As of December 31, 2014: | | | | | | | |
| Bank loans | $291,214 | $32,660 | $5,424 | $— | $1,350 | $282 | $330,930 |

All of the Company's bank loans were performing with the exception of one loan with an amortized cost of $215,000 as of March 31, 2015. As of December 31, 2014, all of the Company's bank loans were performing with the exception of two loans with an amortized cost of $1.4 million, one of which defaulted as of March 31, 2014 and the other of which defaulted as of September 30, 2014.
Middle Market Loans
The Company uses a risk grading matrix to assign grades to middle market loans. At inception, all middle market loans are graded at a 2 and updates to assigned grades are made continually as new information is received. Loans are graded on a scale of 1-5 with 1 representing the Company's highest rating and 5 representing its lowest rating. A loan with a rating of a 2 is considered performing within expectations. The Company considers metrics such as performance of the underlying company, liquidity, collectability of interest and principal payments, enterprise valuation, default probability, and industry dynamics in grading its middle market loans.
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, 2015: | | | | | | | |
| Middle market loans | $— | $284,937 | $4,900 | $— | $4,956 | $— | $294,793 |
| | | | | | | | |
| As of December 31, 2014: | | | | | | | |
| Middle market loans | $— | $240,245 | $9,868 | $— | $— | $— | $250,113 |

All of the Company's middle market loans were performing as of March 31, 2015 and December 31, 2014.
Commercial Real Estate Loans
The Company uses a risk grading matrix to assign grades to commercial real estate 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 1-4 with 1 representing the Company's highest rating and 4 representing its lowest rating. The Company also designates loans that are sold after the period end at the lower of their fair market value or cost, net of any allowances and costs associated with the loan sales. In addition to the underlying performance of the loan collateral, the

Company considers metrics such as the strength of underlying sponsorship, payment history, collectability of interest, structural credit enhancements, market trends and loan terms in grading its commercial real estate loans.

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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, 2015 | | | | | | |
| Whole loans | $1,329,882 | $32,500 | $— | $— | $— | $1,362,382 |
| B notes | 16,031 | — | — | — | — | 16,031 |
| Mezzanine loans | 45,417 | 22,054 | — | — | — | 67,471 |
| | $1,391,330 | $54,554 | $— | $— | $— | $1,445,884 |
| As of December 31, 2014: | | | | | | |
| Whole loans | $1,231,092 | $32,500 | $— | $— | $— | $1,263,592 |
| B notes | 16,072 | — | — | — | — | 16,072 |
| Mezzanine loans | 45,432 | 21,934 | — | — | — | 67,366 |
| | $1,292,596 | $54,434 | $— | $— | $— | $1,347,030 |

All of the Company’s commercial real estate loans were current as of March 31, 2015 and December 31, 2014.

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. The Company also designates loans that are sold after the period end as held for sale at the lower of their fair market value or cost.

During the first quarter of 2015, The Company recorded a recovery of loan losses in the amount of $110,000 related to two loans at par for which it had previously recognized a provision for loan losses.

Loans Receivable - Related Party

The Company did not record an allowance for loan loss on any related-party loans during the three months ended March 31, 2015. During the year ended December 31, 2014, the Company recorded a provision for loan losses on one related-party loan of $1.3 million before extinguishing the loan and bringing direct financing leases in the amount of $2.1 million on the Company's books in lieu of cash settlement of the loan receivable.

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Loan Portfolios Aging Analysis
The following table shows the loan 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 | Total Loans Receivable | Total Loans > 90 Days and Accruing |
|---|---|---|---|---|---|---|---|
| As of March 31, 2015: | | | | | | | |
| Whole loans | $— | $— | $— | $— | $1,362,382 | $1,362,382 | $— |
| B notes | — | — | — | — | 16,031 | 16,031 | — |
| Mezzanine loans | — | — | — | — | 67,471 | 67,471 | — |
| Bank loans (1) | — | — | 215 | 215 | 297,994 | 298,209 | — |
| Middle market loans | — | — | — | — | 294,793 | 294,793 | — |
| Residential mortgage loans (2) | 420 | — | 88 | 508 | 176,692 | 177,200 | — |
| Loans receivable- related party | — | — | — | — | 1,229 | 1,229 | — |
| Total loans | $420 | $— | $303 | $723 | $2,216,592 | $2,217,315 | $— |
| | | | | | | | |
| As of December 31, 2014: | | | | | | | |
| Whole loans | $— | $— | $— | $— | $1,263,592 | $1,263,592 | $— |
| B notes | — | — | — | — | 16,072 | 16,072 | — |
| Mezzanine loans | — | — | — | — | 67,366 | 67,366 | — |
| Bank loans (1) | — | — | 1,350 | 1,350 | 329,580 | 330,930 | — |
| Middle market loans | — | — | — | — | 250,113 | 250,113 | — |
| Residential mortgage loans (2) | 443 | 82 | 119 | 644 | 113,612 | 114,256 | — |
| Loans receivable- related party | — | — | — | — | 1,277 | 1,277 | — |
| Total loans | $443 | $82 | $1,469 | $1,994 | $2,041,612 | $2,043,606 | $— |

(1) Contains $73.9 million and $282,000 of bank loans held for sale at March 31, 2015 and December 31, 2014, respectively.
(2) Contains $174.6 million and $111.5 million of residential mortgage loans held for sale at March 31, 2015 and December 31, 2014, respectively.

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

| | Recorded Balance | Unpaid Principal Balance | Specific Allowance | Average Investment in Impaired Loans | Interest Income Recognized |
|---|---|---|---|---|---|
| As of March 31, 2015: | | | | | |
| Loans without a specific valuation allowance: | | | | | |
| Whole loans | $128,108 | $128,108 | $— | $130,445 | $13,617 |
| B notes | $— | $— | $— | $— | $— |
| Mezzanine loans | $38,072 | $38,072 | $— | $38,072 | $3,186 |
| Bank loans | $— | $— | $— | $— | $— |
| Middle market loans | $— | $— | $— | $— | $— |
| Residential mortgage loans | $2,641 | $2,641 | $— | $2,641 | $21 |
| Loans receivable - related party | $— | $— | $— | $— | $— |
| Loans with a specific valuation allowance: | | | | | |
| Whole loans | $— | $— | $— | $— | $— |
| B notes | $— | $— | $— | $— | $— |
| Mezzanine loans | $— | $— | $— | $— | $— |
| Bank loans | $215 | $215 | $(86) | $— | $— |
| Middle market loans | $4,956 | $4,956 | $(2,512) | $— | $— |
| Residential mortgage loans | $— | $— | $— | $— | $— |
| Loans receivable - related party | $— | $— | $— | $— | $— |
| Total: | | | | | |
| Whole loans | $128,108 | $128,108 | $— | $130,445 | $13,617 |
| B notes | — | — | — | — | — |
| Mezzanine loans | 38,072 | 38,072 | — | 38,072 | 3,186 |
| Bank loans | 215 | 215 | (86) | — | — |
| Middle market loans | 4,956 | 4,956 | (2,512) | — | — |
| Residential mortgage loans | 2,641 | 2,641 | — | 2,641 | 21 |
| Loans receivable - related party | — | — | — | — | — |
| | $173,992 | $173,992 | $(2,598) | $171,158 | $16,824 |
| | | | | | |
| As of December 31, 2014: | | | | | |
| Loans without a specific valuation allowance: | | | | | |
| Whole loans | $128,108 | $128,108 | $— | $130,445 | $12,679 |
| B notes | $— | $— | $— | $— | $— |
| Mezzanine loans | $38,072 | $38,072 | $— | $38,072 | $2,859 |
| Bank loans | $— | $— | $— | $— | $— |
| Middle market loans | $— | $— | $— | $— | $— |
| Residential mortgage loans | $2,082 | $2,082 | $— | $2,082 | $148 |

| | | | | | |
|---|---|---|---|---|---|
| Loans receivable - related party | $— | $— | $— | $— | $— |
| Loans with a specific valuation allowance: | | | | | |
| Whole loans | $— | $— | $— | $— | $— |
| B notes | $— | $— | $— | $— | $— |
| Mezzanine loans | $— | $— | $— | $— | $— |
| Bank loans | $1,350 | $1,350 | $(570) | $— | $— |
| Middle market loans | $— | $— | $— | $— | $— |

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| | | | | | |
|---|---|---|---|---|---|
| Residential mortgage loans | $— | $— | $— | $— | $— |
| Loans receivable - related party | $— | $— | $— | $— | $— |
| Total: | | | | | |
| Whole loans | $128,108 | $128,108 | $— | $130,445 | $12,679 |
| B notes | — | — | — | — | — |
| Mezzanine loans | 38,072 | 38,072 | — | 38,072 | 2,859 |
| Bank loans | 1,350 | 1,350 | (570) | — | — |
| Middle market loans | — | — | — | — | — |
| Residential mortgage loans | 2,082 | 2,082 | — | 2,082 | 148 |
| Loans receivable - related party | — | — | — | — | — |
| | $169,612 | $169,612 | $(570) | $170,599 | $15,686 |

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, 2015: | | | |
| Whole loans | 2 | $67,459 | $67,459 |
| B notes | — | — | — |
| Mezzanine loans | — | — | — |
| Bank loans | — | — | — |
| Middle market loans | — | — | — |
| Residential mortgage loans | — | — | — |
| Loans receivable - related party | — | — | — |
| Total loans | 2 | $67,459 | $67,459 |

The Company had no troubled-debt restructurings during the three months ended March 31, 2014. As of March 31, 2015 and 2014, there were no commercial real estate loan troubled-debt restructurings that subsequently defaulted.

NOTE 10 - BUSINESS COMBINATIONS

On February 27, 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.

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 FASB ASC Topic 805, the Company confirmed that no further adjustments are necessary.

NOTE 11 - INTANGIBLE ASSETS

For the three months ended March 31, 2015, the Company recorded amortization expense of $507,000. The Company expects to record amortization expense on intangible assets of approximately $2.0 million for the year ending December 31, 2015, $1.8 million for the year ending December 31, 2016, $1.8 million for the year ending December 31, 2017, $1.6 million for the year ending 2018, and $1.0 million for the year ending December 31, 2019. The weighted average amortization period was 6.4 years and 6.6 years at March 31, 2015 and December 31, 2014, respectively.

The following table summarizes intangible assets (in thousands):

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| | Asset Balance | Accumulated Amortization | Net Asset |
|---|---|---|---|
| As of March 31, 2015: | | | |
| Investment in RCAM | $21,213 | $(12,223) | $8,990 |
| Investments in PCM: | | | |
| Wholesale or correspondent relationships | 600 | (361) | 239 |
| Total intangible assets | $21,813 | $(12,584) | $9,229 |
| | | | |
| As of December 31, 2014: | | | |
| Investment in RCAM | $21,213 | $(11,779) | $9,434 |
| Investments in PCM: | | | |
| Wholesale or correspondent relationships | 600 | (298) | 302 |
| Total intangible assets | $21,813 | $(12,077) | $9,736 |

For the three months ended March 31, 2015 and 2014, the Company recognized $965,000 and $1.7 million, respectively, of fee income related to the investment in RCAM.

Mortgage Servicing Rights

Through the Company's wholly-owned residential mortgage 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. The total servicing portfolio was $1.2 billion and $894.8 million as of March 31, 2015 and December 31, 2014. MSRs recorded in the Company's consolidated balance sheets are related to the capitalized servicing portfolio and are created through the sale of originated loans.

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

| | March 31, 2015 | December 31, 2014 |
|---|---|---|
| Balance, beginning of period | $894,767 | $433,153 |
| Additions | 212,390 | 519,915 |
| Payoffs, sales and curtailments | 53,151 | (58,301) |
| Balance, end of period | $1,160,308 | $894,767 |

The activity in capitalized MSRs is recorded in other assets and consists of the followings (in thousands):

| | March 31, 2015 | December 31, 2014 |
|---|---|---|
| Balance, beginning of period | $9,374 | $4,885 |
| Amortization | (825) | (1,957) |
| Additions | 2,936 | 6,446 |
| Sales | — | — |
| Balance, end of period | 11,485 | 9,374 |
| Temporary fair value adjustment | (1,050) | — |
| Balance, end of period | $10,435 | $9,374 |

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The Company expects to recognize amortization related to its mortgage servicing rights portfolio in the amount of $2.0 million for the year ending December 31, 2015, $2.0 million for the year ending December 31, 2016, $1.8 million for the year ending December 31, 2017, $1.7 million for the year ending December 31, 2018, and $1.1 million for the year ending December 31, 2019. The weighted average amortization period was 1.3 years and 1.4 years at March 31, 2015 and December 31, 2014, respectively.

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, | |
|---|---|---|
| | 2015 | 2014 |
| Servicing fees from capitalized portfolio | $551 | $308 |
| Late fees | $23 | $22 |
| Other ancillary servicing revenue | $3 | $4 |

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, 2015: | | | | | | |
| RREF CDO 2006-1 Senior Notes | $52,957 | $— | $52,957 | 2.31% | 31.4 years | $130,727 |
| RREF CDO 2007-1 Senior Notes | 131,780 | 63 | 131,717 | 1.14% | 31.5 years | 258,175 |
| RCC CRE Notes 2013 Senior Notes | 182,040 | 2,493 | 179,547 | 2.28% | 13.7 years | 205,386 |
| RCC 2014-CRE2 Senior Notes | 235,344 | 3,682 | 231,662 | 1.47% | 17.1 years | 349,063 |
| RCC 2015-CRE3 Senior Notes | 282,127 | 4,116 | 278,011 | 2.07% | 17.0 years | 339,654 |
| Apidos CDO III Senior Notes | 67,028 | — | 67,028 | 1.28% | 5.5 years | 78,957 |
| Apidos Cinco CDO Senior Notes | 229,716 | 72 | 229,644 | 0.87% | 5.1 years | 252,826 |
| Moselle CLO S.A. Securitized Borrowings, at fair value (1) | 120 | — | 120 | N/A | N/A | 537 |
| Unsecured Junior Subordinated Debentures (2) | 51,548 | 292 | 51,256 | 4.21% | 21.6 years | — |
| 6.0% Convertible Senior Notes | 115,000 | 6,182 | 108,818 | 6.00% | 3.7 years | — |
| 8.0% Convertible Senior Notes | 100,000 | 7,052 | 92,948 | 8.00% | 4.8 years | — |
| | 93,734 | 1,583 | 92,151 | 2.21% | 18 days | 135,951 |

| | | | | | | |
|---|---|---|---|---|---|---|
| CRE - Term Repurchase Facilities [3] | | | | | | |
| CMBS - Term Repurchase Facility [4] | 29,391 | — | 29,391 | 1.37% | 18 days | 35,977 |
| Residential Investments - Term Repurchase Facility | 104,547 | 125 | 104,422 | 2.43% | 25 days | 121,472 |
| Residential Mortgage Financing Agreements | 74,648 | — | 74,648 | 2.78% | 130 days | 95,479 |
| CMBS - Short Term Repurchase Agreements [5] | 67,785 | — | 67,785 | 1.63% | 18 days | 94,857 |
| Senior Secured Revolving Credit Agreement | 135,000 | 2,507 | 132,493 | 2.68% | 2.5 years | 292,453 |
| Total | $1,952,765 | $28,167 | $1,924,598 | 2.46% | 10.8 years | $2,391,514 |

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| | Principal Outstanding | Unamortized Issuance Costs and Discounts | Outstanding Borrowings | Weighted Average Borrowing Rate | Weighted Average Remaining Maturity | Value of Collateral |
|---|---|---|---|---|---|---|
| As of December 31, 2014: | | | | | | |
| RREF CDO 2006-1 Senior Notes | $61,423 | $— | $61,423 | 2.12% | 31.6 years | $139,242 |
| RREF CDO 2007-1 Senior Notes | 130,340 | 133 | 130,207 | 1.19% | 31.8 years | 271,423 |
| RCC CRE Notes 2013 Senior Notes | 226,840 | 2,683 | 224,157 | 2.11% | 14.0 years | 249,983 |
| RCC 2014-CRE2 Senior Notes | 235,344 | 3,687 | 231,657 | 1.45% | 17.3 years | 346,585 |
| Apidos CDO III Senior Notes | 74,646 | — | 74,646 | 1.18% | 5.7 years | 85,553 |
| Apidos Cinco CDO Senior Notes | 255,664 | 201 | 255,463 | 0.81% | 5.4 years | 272,512 |
| Moselle CLO S.A. Senior Notes, at fair value (6) | 63,321 | — | 63,321 | 1.49% | 5.0 years | 93,576 |
| Moselle CLO S.A. Securitized Borrowings, at fair value (1) | 5,619 | — | 5,619 | 1.49% | 5.0 years | — |
| Unsecured Junior Subordinated Debentures (2) | 51,548 | 343 | 51,205 | 4.19% | 21.8 years | — |
| 6.0% Convertible Senior Notes | 115,000 | 6,626 | 108,374 | 6.00% | 3.9 years | — |
| CRE - Term Repurchase Facilities (3) | 207,640 | 1,958 | 205,682 | 2.43% | 20 days | 297,571 |
| CMBS - Term Repurchase Facility (4) | 24,967 | — | 24,967 | 1.35% | 20 days | 30,180 |
| Residential Investments - Term Repurchase Facility (6) | 22,248 | 36 | 22,212 | 1.16% | 1 day | 27,885 |
| Residential Mortgage Financing Agreements (7) | 102,576 | — | 102,576 | 2.78% | 207 days | 147,472 |
| CMBS - Short Term Repurchase Agreements (5) | 44,225 | — | 44,225 | 1.63% | 17 days | 62,446 |
| Senior Secured Revolving Credit Agreement | 113,500 | 2,363 | 111,137 | 2.66% | 2.7 years | 262,687 |
| Total | $1,734,901 | $18,030 | $1,716,871 | 2.09% | 10.0 years | $2,287,115 |

(1) The securitized borrowings were collateralized by the same assets as the Moselle CLO Senior Notes.

(2) Amount represents junior subordinated debentures issued to RCT I and RCT II in May 2006 and September 2006, respectively.

(3) Amounts also include accrued interest expense of $75,000 and $198,000 related to CRE repurchase facilities as of March 31, 2015 and December 31, 2014, respectively.

(4) Amounts also include accrued interest expense of $13,000 and $12,000 related to CMBS repurchase facilities as of March 31, 2015 and December 31, 2014, respectively. Amounts do not reflect CMBS repurchase agreement borrowings that are components of linked transactions as of December 31, 2014.

(5) Amounts also includes accrued interest expense of $39,000 and $31,000 related to CMBS short term repurchase facilities as of March 31, 2015 and December 31, 2014.

(6) The fair value option was elected for the borrowings associated with Moselle CLO. As such, the outstanding borrowings and principal outstanding amounts are stated at fair value. The unpaid principal amounts of these borrowings were $63.3 million at December 31, 2014.

(7) Amount also includes interest expenses of $20,000 related to residential investment repurchase facilities as of December 31, 2014,

Securitizations

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

| Securitization | Closing Date | Maturity Dates | Reinvestment Period End | Total Note Paydowns as of March 31, 2015 (in millions) |
|---|---|---|---|---|
| RREF CDO 2006-1 Senior Notes | August 2006 | August 2046 | September 2011 | $194.2 |
| RREF CDO 2007-1 Senior Notes | June 2007 | | | |