Resource Capital Corp.
Form 10-Q
November 14, 2016

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

FORM 10-Q
(Mark One)
þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2016
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _________ to __________

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

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

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ¨ Yes þ No
The number of outstanding shares of the registrant's common stock on November 10, 2016 was 31,062,805 shares.

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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)

	September 30, 2016 (unaudited)	December 31, 2015
ASSETS [1]		
Cash and cash equivalents	$ 114,552	$ 78,756
Restricted cash	5,701	40,635
Investment securities, trading	3,747	25,550
Investment securities available-for-sale, pledged as collateral, at fair value	82,114	162,306
Investment securities available-for-sale, at fair value	154,591	45,782
Loans held for sale ($197.6 million and $94.5 million at fair value)	197,615	95,946
Loans, pledged as collateral and net of allowances of $9.4 million and $47.1 million	1,406,581	2,160,751
Investments in unconsolidated entities	88,149	50,030
Derivatives, at fair value	4,052	3,446
Interest receivable	6,623	14,009
Deferred tax asset, net	5,565	12,646
Principal paydown receivable	44,600	17,941
Direct financing leases, net of allowances of $0.5 million	571	931
Intangible assets	25,886	26,228
Prepaid expenses	4,615	3,180
Other assets	12,516	22,295
Total assets	$ 2,157,478	$ 2,760,432
LIABILITIES [2]		
Borrowings	$ 1,401,842	$ 1,895,288
Distribution payable	17,022	17,351
Accrued interest expense	4,913	5,604
Derivatives, at fair value	2,158	3,941
Accrued tax liability	51	549
Accounts payable and other liabilities	12,933	10,939
Total liabilities	1,438,919	1,933,672
EQUITY		
Preferred stock, par value $0.001: 10,000,000 shares authorized 8.50% Series A cumulative redeemable preferred shares, liquidation preference $25.00 per share 1,069,016 and 1,069,016 shares issued and outstanding	1	1
Preferred stock, par value $0.001: 10,000,000 shares authorized 8.25% Series B cumulative redeemable preferred shares, liquidation preference $25.00 per share 5,544,579 and 5,740,479 shares issued and outstanding	6	6
Preferred stock, par value $0.001: 10,000,000 shares authorized 8.625% Series C cumulative redeemable preferred shares, liquidation preference $25.00 per share 4,800,000 and 4,800,000 shares issued and outstanding	5	5
Common stock, par value $0.001: 125,000,000 shares authorized; 31,071,737 and 31,562,724 shares issued and outstanding (including 496,756 and 691,369 unvested restricted shares)	31	32
Additional paid-in capital	1,218,907	1,228,346
Accumulated other comprehensive income (loss)	6,909	(2,923)

Distributions in excess of earnings	(506,107)	(406,603)
Total stockholders' equity	719,752	818,864
Non-controlling interests	(1,193)	7,896
Total equity	718,559	826,760
TOTAL LIABILITIES AND EQUITY	$ 2,157,478	$ 2,760,432

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

	September 30, 2016 (unaudited)	December 31, 2015
(1) Assets of consolidated Variable Interest Entities ("VIEs") included in the total assets above:		
Cash and cash equivalents	$ —	$ 95
Restricted cash	5,473	39,061
Investment securities available-for-sale, pledged as collateral, at fair value	—	66,137
Loans held for sale	—	1,475
Loans, pledged as collateral and net of allowances of $827,000 and $42.8 million	801,742	1,416,441
Interest receivable	3,389	6,592
Prepaid expenses	21	238
Principal paydown receivable	44,600	17,800
Other assets	253	833
Total assets of consolidated VIEs	$ 855,478	$ 1,548,672
(2) Liabilities of consolidated VIEs included in the total liabilities above:		
Borrowings	$ 528,971	$ 1,032,581
Accrued interest expense	500	923
Derivatives, at fair value	—	3,346
Accounts payable and other liabilities	147	(117)
Total liabilities of consolidated VIEs	$ 529,618	$ 1,036,733

The accompanying notes are an integral part of these statements

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
REVENUES				
Interest income:				
Loans	$26,003	$32,497	$89,227	$92,623
Securities	4,602	4,866	13,691	14,418
Leases	(22)	(8)	(37)	250
Interest income - other	769	968	4,317	2,919
Total interest income	31,352	38,323	107,198	110,210
Interest expense	14,120	16,330	46,581	45,334
Net interest income	17,232	21,993	60,617	64,876
Gain (loss) on sale of residential mortgage loans	6,026	3,154	15,607	11,594
Dividend income	(188)	17	(153)	50
Fee income	2,023	781	1,425	4,767
Total revenues	25,093	25,945	77,496	81,287
OPERATING EXPENSES				
Management fees - related party	3,053	3,252	10,189	10,312
Equity compensation - related party	1,766	(225)	4,444	1,561
Rental operating expense	—	—	—	6
Lease operating	1	(33)	5	14
General and administrative	12,341	10,223	33,353	29,641
Depreciation and amortization	505	628	1,650	1,814
Impairment losses	25,297	—	25,297	59
Provision (recovery) for loan and lease losses	7,683	1,034	19,819	43,834
Total operating expenses	50,646	14,879	94,757	87,241
	(25,553)	11,066	(17,261)	(5,954)
OTHER INCOME (EXPENSE)				
Equity in earnings of unconsolidated subsidiaries	1,032	334	5,950	1,702
Net realized and unrealized gain (loss) on sales of investment securities available-for-sale and loans and derivatives	(10,106)	2,457	(7,817)	16,612
Net realized and unrealized gain (loss) on investment securities, trading	(242)	(580)	86	1,773
Unrealized gain (loss) and net interest income on linked transactions, net	—	—	—	235
(Loss) on reissuance/gain on extinguishment of debt	—	(332)	—	(1,403)
(Loss) gain on sale of real estate	31	(19)	28	(19)
Other income (expense)	1,500	—	1,500	—
Total other income (expense)	(7,785)	1,860	(253)	18,900
INCOME (LOSS) BEFORE TAXES	(33,338)	12,926	(17,514)	12,946
Income tax (expense) benefit	(12,283)	1,796	(9,558)	(2,969)
NET INCOME (LOSS)	(45,621)	14,722	(27,072)	9,977

The accompanying notes are an integral part of these statements

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
Net (income) loss allocated to preferred shares	(6,015)	(6,115)	(18,077)	(18,322)
Carrying value in excess of consideration paid for preferred shares	—	—	1,500	—
Net (income) loss allocable to non-controlling interest, net of taxes	63	(1,829)	213	(6,486)
NET INCOME (LOSS) ALLOCABLE TO COMMON SHARES	$(51,573)	$ 6,778	$(43,436)	$(14,831)
NET INCOME (LOSS) PER COMMON SHARE – BASIC	$(1.69)	$ 0.21	$(1.42)	$(0.45)
NET INCOME (LOSS) PER COMMON SHARE – DILUTED	$(1.69)	$ 0.21	$(1.42)	$(0.45)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC	30,528,368	32,515,226	30,513,131	32,726,194
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - DILUTED	30,528,368	32,951,217	30,513,131	32,726,194

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income (loss)	$(45,621)	$14,722	$(27,072)	$9,977
Other comprehensive income (loss):				
Reclassification adjustment for realized (gains) losses on available-for-sale securities included in net income	—	(1,805)	(596)	(12,139)
Unrealized gains (losses) on available-for-sale securities, net	6,182	(1,769)	8,382	(345)
Reclassification adjustments associated with unrealized (gains) losses from interest rate hedges included in net income	26	412	(29)	538
Unrealized gains on derivatives, net	1	1,080	118	3,424
Foreign currency translation adjustments	—	(86)	—	343
Total other comprehensive income (loss)	6,209	(2,168)	7,875	(8,179)
Comprehensive income (loss) before allocation to non-controlling interests and preferred shares	(39,412)	12,554	(19,197)	1,798
Unrealized (gains) losses on available-for-sale securities allocable to non-controlling interests	—	1,233	—	2,510
Net (income) loss allocable to non-controlling interests	63	(1,829)	213	(6,486)
Net (income) loss allocated to preferred shares	(6,015)	(6,115)	(18,077)	(18,322)
Carrying value in excess of consideration paid for preferred shares	—	—	1,500	—
Comprehensive income (loss) allocable to common shares	$(45,364)	$5,843	$(35,561)	$(20,500)

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016
(in thousands, except share and per share data)
(unaudited)

	Common Stock		Preferred Shares - Series A	Preferred Shares - Series B	Preferred Shares - Series C	Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Distributions in Excess of Earnings	Total Stockholders Equity	Non-Controlling Interests	Total Equity
	Shares	Amount										
Balance, December 31, 2015	31,562,724	$32	$1	$6	$5	$1,228,346	$(2,923)	$—	$(406,603)	$818,864	$7,896	$826,760
Deconsolidation of variable interest entities	—	—	—	—	—	—	1,957	—	(16,932)	(14,975)	(8,876)	(23,851)
Balance, January 1, 2016	31,562,724	32	1	6	5	1,228,346	(966)	—	(423,535)	803,889	(980)	802,909
Proceeds from dividend reinvestment and stock purchase plan	9,423	—	—	—	—	110	—	—	—	110	—	110
Discount on 8.0% convertible senior notes	—	—	—	—	—	19	—	—	—	19	—	19
Stock based compensation	307,070	—	—	—	—	—	—	—	—	—	—	—
Amortization of stock based compensation	—	—	—	—	—	4,444	—	—	—	4,444	—	4,444
Purchase and retirement of common shares	(807,218)	(1)	—	—	—	(9,397)	—	—	—	(9,398)	—	(9,398)
Forfeiture of unvested stock	(262)	—	—	—	—	—	—	—	—	—	—	—
Net income (loss)	—	—	—	—	—	—	—	(26,859)	—	(26,859)	(213)	(27,072)
Preferred dividends	—	—	—	—	—	—	—	(18,077)	—	(18,077)	—	(18,077)
Preferred stock redemption	—	—	—	—	—	(4,615)	—	1,500	—	(3,115)	—	(3,115)
Securities available-for-sale, fair value adjustment, net	—	—	—	—	—	—	7,786	—	—	7,786	—	7,786
Designated derivatives, fair value adjustment	—	—	—	—	—	—	89	—	—	89	—	89
	—	—	—	—	—	—	—	43,436	(82,572)	(39,136)	—	(39,136)

Distributions on common stock													
Balance, September 30, 2016	31,071,737	$31	$1	$6	$5	$1,218,907	$6,909	$—	$(506,107)	$719,752	$(1,193)	$718,559	

The accompanying notes are an integral part of these statements

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

	For the Nine Months Ended September 30, 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$(27,072)	$9,977
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Provision (recovery) for loan and lease losses	19,819	43,834
Depreciation, amortization, and accretion	4,471	14,109
Amortization of stock-based compensation	4,444	1,561
Provision (benefit) for deferred taxes	16,335	—
Sale (origination) of residential mortgage loans held for sale, net	(96,556)	(403)
Capitalization of residential mortgage servicing rights	(13,815)	(12,520)
Sale (purchase) of and principal payments on securities, trading, net	229	(3,120)
Net realized and unrealized loss (gain) on investment securities, trading	(86)	(1,773)
Net realized and unrealized (gain) loss on sales of investment securities available-for-sale and loans	7,817	(16,612)
Loss (gain) on the reissuance (extinguishment) of debt	—	1,403
Loss (gain) on sale of real estate	(28)	19
Settlement of derivative instruments	(6,982)	3,870
Net impairment losses recognized in earnings	25,297	59
Unrealized gain (loss) and net interest income on linked transactions, net	—	(235)
Equity in net (earnings) losses of unconsolidated subsidiaries	(5,950)	(1,702)
Changes in operating assets and liabilities, net of acquisitions	772	(4,317)
Net cash provided by (used in) operating activities	(71,305)	34,150
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) decrease in restricted cash	16,816	96,887
Deconsolidation of VIEs [(1)]	(472)	—
Purchase of securities available-for-sale	(6,656)	(28,375)
Principal payments on securities available-for-sale	36,855	59,819
Proceeds from sale of securities available-for-sale	—	60,752
Acquisition of collateralized debt obligation assets	(7,511)	—
Proceeds from sale of Northport TRS, LLC	104,187	—
Return of capital from (investment in) unconsolidated entity	(490)	5,625
Proceeds from sale of real estate held-for-sale	—	47
Purchase and origination of loans	(257,823)	(629,832)
Principal payments received on loans	362,036	294,901
Proceeds from sale of loans	9,316	108,446
Purchase of property and equipment	(28)	(10)
Principal payments received on loans – related parties	—	558
Settlement of derivative instruments	(147)	8,028

Net cash (used in) provided by investing activities	256,083	(23,154)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from issuances of common stock and dividend reinvestment and stock purchase plan (net of offering costs of $0 and $96)	108	163
Proceeds from issuance of preferred shares (net of offering costs of $0 and $80)	—	3,033
Repurchase of common stock	(9,398)	(15,433)
Repurchase of preferred shares	(3,114)	—
Net proceeds (borrowings) from repurchase agreements	195,514	(157,024)
Proceeds from borrowings:		
Securitizations	—	505,862
Convertible senior notes	—	99,000
Senior secured revolving credit facility	33,000	110,500
Reissuance of debt	—	16,597
Payments on borrowings:		
Securitizations	(226,570)	(374,778)
Senior secured revolving credit facility	(79,000)	(62,000)
Payment of debt issuance costs	(1,980)	(13,235)
Distributions to non-controlling interest and subordinated note holders	—	(14,568)
Proceeds received from non-controlling interests	—	3,424
Distributions paid on preferred stock	(18,144)	(18,274)
Distributions paid on common stock	(39,398)	(69,433)
Net cash provided by (used in) financing activities	$(148,982)	$13,834
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	35,796	24,830
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	78,756	79,905
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$114,552	$104,735
SUPPLEMENTAL DISCLOSURE:		
Interest expense paid in cash	$37,497	$33,971
Income taxes paid in cash	$4,032	$9,518

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

The accompanying notes are an integral part of these statements

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(unaudited)

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION

Resource Capital Corp. and its subsidiaries' (collectively the "Company") originate, purchase and manage a diversified portfolio of commercial real estate ("CRE") debt investments. 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") (formerly traded on NASDAQ: REXI). On September 8, 2016, Resource America was acquired by C-III Capital Partners LLC ("C-III"), a commercial real estate services company engaged in a broad range of activities, including primary and special loan servicing, loan origination, fund management, collateralized debt obligation ("CDO") management, principal investment, investment sales and multifamily property management. As part of the transaction, C-III took over control of the Manager with respect to the Management Agreement and became the beneficial owner of the Company's common shares owned by Resource America, approximately 2.3% of the Company's outstanding shares as of September 30, 2016.

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

On July 1, 2016, the Company underwent an internal tax restructuring in order to reduce the costs associated with ownership of multiple legal entities, simplify its overall legal entity structure, ease deployment of cash throughout the business for operations and opportunities and consolidate operations into one centralized entity or group of entities. As a result of this tax restructuring, several of the Company's directly owned subsidiaries converted from corporations to single member LLCs. Also, the following directly owned subsidiaries of the Company merged into RCC Residential Portfolio TRS, Inc. ("RCC Resi TRS") and were dissolved upon the restructuring: Long Term Care Conversion, Inc. ("LTCC") and Resource TRS II, Inc. ("Resource TRS II"). On October 1, 2016, RCC Residential, Inc. ("RCC Residential") merged into RCC Resi TRS.

The following subsidiaries are consolidated in the Company's financial statements:

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

RREF CDO 2006-1, a Cayman Islands limited liability company and qualified real estate investment trust ("REIT") subsidiary ("QRS"). RREF CDO 2006-1 was established to complete a collateralized debt obligation ("CDO") issuance secured by a portfolio of CRE loans and commercial mortgage-backed securities ("CMBS"). This entity was deconsolidated as of January 1, 2016 and the retained investment is accounted for as an investment security, available-for-sale (see Note 2) in the Company's consolidated financial statements. On April 25, 2016, RREF CDO 2006-1 was liquidated and, in exchange for the Company's interests in RREF CDO 2006-1, the remaining assets of the CDO were distributed to the Company, comprised of investment securities available-for-sale and loans held for investment, which were recorded at fair value.

RREF CDO 2007-1, a Cayman Islands limited liability company and QRS. RREF CDO 2007-1 was established to complete a CDO issuance secured by a portfolio of CRE loans and CMBS. This entity was deconsolidated as of January 1, 2016 and the retained investment is now accounted for as an investment security, available-for-sale (see Note 2) in the Company's consolidated financial statements.

Resource Capital Corp. CRE Notes 2013, Ltd. ("RCC CRE Notes 2013"), a Cayman Islands limited liability company and QRS, was established to complete a CRE securitization issuance secured by a portfolio of CRE loans.
Resource Capital Corp. 2014-CRE2, Ltd. ("RCC 2014-CRE2"), a Cayman Islands limited liability company and QRS, was established to complete a CRE securitization issuance secured by a portfolio of CRE loans.
Resource Capital Corp. 2015-CRE3, Ltd. ("RCC 2015-CRE3"), a Cayman Islands limited liability company and QRS, was established to complete a CRE securitization issuance secured by a portfolio of CRE loans.

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Resource Capital Corp. 2015-CRE4, Ltd. ("RCC 2015-CRE4"), a Cayman Islands limited liability company and QRS, was established to complete a CRE securitization issuance secured by a portfolio of CRE loans.

- RCC Commercial, Inc. ("RCC Commercial") holds a 29.6% investment in NEW NP, LLC ("NEW NP, LLC"), a Delaware limited liability company, which holds bank loan investments and the Company's self-originated middle market loans, and owns 100% of the equity of the following VIE:

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

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

Apidos Cinco CDO, a Cayman Islands limited liability company and TRS, was established to complete a CDO issuance secured by a portfolio of bank loans, ABS and corporate bonds. This entity was deconsolidated as of January 1, 2016 and the retained investment is now accounted for as an investment security, available-for-sale (see Note 2). On September 28, 2016, Apidos Cinco CDO's trustee issued a notice to call the notes issued by the CDO.

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

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

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

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

- RSO EquityCo, LLC owned 10% of the equity of Apidos CDO I and 10% of the equity of Apidos CLO VIII, Ltd ("Apidos CLO VIII"), a Cayman Islands limited liability company and TRS.
- 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 28.6% of the following entity:

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

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

RCC Resi TRS, a TRS directly owned by the Company, is a Delaware corporation which was formed to hold strategic residential mortgage positions which could not be held by RCC Resi Portfolio. RCC Resi TRS also owns 100% of the equity, unless otherwise stated, in the following:

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

RCC Residential Acquisition, LLC ("RCC Resi Acquisition"), a Delaware limited liability company, which was formed to purchase residential mortgage loans from PCM and transfer the assets to RCC Opportunities Trust ("RCC Opp Trust").

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

Resource TRS III, LLC, formerly Resource TRS III, Inc. ("Resource TRS III"), a TRS directly owned by the Company, held the Company's interests in a bank loan CDO originated by the Company. Resource TRS III previously owned 33% of the equity of Apidos CLO VIII, which was liquidated in October 2013.

Resource TRS IV, LLC, formerly 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, LLC, formerly Resource TRS V, Inc., ("Resource TRS V"), a TRS directly owned by the Company, held the Company's equity investment in a held for sale condominium complex. All of the condominium units were sold as of December 31, 2013.

Long Term Care Conversion Funding ("LTCC Funding"), a New York limited liability company, which provides funding through a financing facility to fund the acquisition of life settlement contracts.

Life Care Funding, LLC ("LCF"), a New York limited liability company, is a joint venture between RCC Resi TRS, which owns a 70.9% equity interest, and Life Care Funding Group Partners. LCF was established for the purpose of acquiring life settlement contracts.

ZWH4, LLC ("ZAIS"), a Delaware limited liability company, which owned a beneficial interest in the warehouse credit facility of ZAIS CLO 4, Limited, is a Cayman Islands exempted limited liability company, in equity form, that is used to finance the purchase of syndicated bank loans. The warehouse credit facility closed on May 5, 2016, at which time, Resource TRS III purchased a beneficial interest in ZAIS CLO 4.

Resource TRS, LLC, a Delaware limited liability company, which holds a 25.8% investment in NEW NP, LLC.

RCC TRS, LLC, formerly Resource TRS, Inc. ("Resource TRS"), 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:

NEW NP, LLC holds bank loan investments and the Company's self-originated middle market loans. Resource TRS owns 44.6% of the equity in NEW NP, LLC as of September 30, 2016. An additional 29.6% of the equity is owned by RCC Commercial. NEW NP, LLC owned 100% of Northport TRS, LLC, a Delaware limited liability company, which held middle market loans. NEW NP, LLC sold its interest in Northport TRS, LLC on August 4, 2016.

Pelium Capital, a Delaware limited partnership, which holds investment securities, trading. Resource TRS owns 80.2% of the equity in Pelium Capital as of September 30, 2016. This entity was deconsolidated as of January 1, 2016 and the retained investment is now accounted for as an equity method investment (see Note 2).

Resource Capital Asset Management ("RCAM"), a domestic limited liability company, which is entitled to collect senior, subordinated, and incentive fees related to one remaining CLO issuer to which it provides management services through CVC Credit Partners, L.P., formerly Apidos Capital Management ("ACM"), a subsidiary of CVC Capital Partners SICAV-FIS, S.A., a private equity firm ("CVC"). Resource America, Inc. owns a 24% interest in CVC Credit Partners, L.P., ("CVC Credit Partners").

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reverse Stock Split and Amended and Restated Certificate of Incorporation

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

Principles of Consolidation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") and the accounting policies set forth in Note 2 included in our annual report on Form 10-K for the year ended December 31, 2015. The consolidated financial statements include the accounts of the Company. All inter-company transactions and balances have been eliminated.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and all highly liquid investments with original maturities of three months or less at the time of purchase. At September 30, 2016 and December 31, 2015, approximately $111.2 million and $74.3 million of the reported cash balances exceeded the Federal Deposit Insurance Corporation deposit insurance limit of $250,000 per institution, subjecting the Company to risk related to the uninsured balance. All of the Company's cash deposits are held at large, established financial institutions.

Income Taxes

Due to changes in management’s focus regarding the non-CRE businesses, the Company determined that it no longer expects to have sufficient forecasted taxable income to completely realize the tax benefits of the gross deferred tax asset of $56.5 million (tax effected $21.9 million) as of September 30, 2016. The Company believes it will be able to utilize up to $15.4 million of the gross deferred tax asset prior to its expiration. Therefore, a gross valuation allowance of $41.1 million (tax effected expense of $16.3 million) has been recorded against the deferred tax asset as of September 30, 2016. Management will continue to assess its estimate of the amount of deferred tax asset that the Company expects to utilize. The net income tax expense recorded during the quarter ended September 30, 2016 was $12.3 million which consists of $4.0 million of tax benefits attributable to operating loss incurred during the quarter and a $16.3 million valuation allowance.

Recent Accounting Standards

In August 2016, the FASB issued new guidance to reduce the diversity in practice around the presentation and classification of certain cash receipts and cash payments in the statement of cash flows. The guidance addresses the following eight specific cash flow issues : debt prepayments or extinguishment costs; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies (including bank-owned life insurance policies); settlement of zero-coupon debt instruments or other debt instruments with insignificant coupon rates; distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle. The guidance is effective for annual reporting periods beginning after December 15, 2017, and interim periods within that reporting period. Early adoption is permitted. The Company is in the process of evaluating the impact of this new guidance.

In June 2016, the FASB issued guidance which will change how credit losses for most financial assets and certain other instruments that are measured at fair value through net income are determined. The new guidance will replace the current incurred loss approach with an expected loss model for instruments measured at amortized cost. For available-for-sale debt securities, the guidance requires recording allowances rather than reducing the carrying amount, as it is currently under the other-than-temporary impairment model. It also simplifies the accounting model for credit-impaired debt securities and loans. This guidance is effective for annual reporting periods beginning after December 15, 2019, and interim periods within that reporting period. Early adoption is permitted for annual periods beginning after December 15, 2018, and interim periods within that reporting period, with any adjustments reflected as of the beginning of the fiscal year of adoption. The Company is in the process of evaluating the impact of this new guidance.

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

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

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

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

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

In February 2015, the FASB issued guidance that requires an entity to evaluate whether it should consolidate certain legal entities. All legal entities are subject to reevaluation under the revised consolidation model. Specifically, the amendments: (1) modify the evaluation of whether limited partnerships and similar legal entities are VIEs; (2) eliminate the presumption that a general partner should consolidate a limited partnership; (3) affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related-party relationships; and (4) provide a scope exception from

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consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940 for registered money market funds. This guidance is effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015.

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

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

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

Retained earnings	206,876	189,944	16,932
Non-controlling interests	8,876	—	8,876
Accumulated other comprehensive loss	(1,957)	—	(1,957)
Total equity	213,795	189,944	23,851
Total liabilities and equity	$ 514,884	$ 189,944	$ 324,940

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

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

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

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In November 2014, the FASB issued guidance to eliminate the use of different methods in practice and thereby reduce existing diversity under GAAP in the accounting for hybrid financial instruments issued in the form of shares. An entity that issues or invests in a hybrid financial instrument is required to separate an embedded derivative feature from the host contract (for example, an underlying share) and account for the feature as a derivative according to Accounting Standards Codification ("ASC") Subtopic 815-10 on derivatives and hedging if certain criteria are met. This guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. Adoption did not have a material impact on the Company's consolidated financial statements.

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

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

Reclassifications

Certain reclassifications have been made to the 2015 consolidated financial statements to conform to the 2016 presentation.

NOTE 3 - VARIABLE INTEREST ENTITIES

The Company has evaluated its securities, loans, investments in unconsolidated entities, liabilities to subsidiary trusts issuing preferred securities (consisting of unsecured junior subordinated notes), securitizations, guarantees and other financial contracts in order to determine if they are variable interests in VIEs. The Company regularly monitors these legal interests and contracts and, to the extent it has determined that it has a variable interest, analyzes the related entity for potential consolidation. A VIE is required to be consolidated by its primary beneficiary, which, generally, is the entity that has the power to direct the activities that are most significant to the VIE and the right to receive benefits or the obligation to absorb losses that could potentially be significant to the VIE. The Company continuously analyzes entities in which it holds variable interests, including when there is a reconsideration event, to determine whether such entities are VIEs and whether such potential VIEs should be consolidated or deconsolidated. This analysis requires considerable judgment.

Consolidated VIEs (the Company is the primary beneficiary)

Based on management's analysis, the Company is the primary beneficiary of seven VIEs at September 30, 2016: Apidos CDO I, Apidos CDO III, Whitney CLO I, RCC CRE Notes 2013, RCC 2014-CRE2, RCC 2015-CRE3 and RCC 2015-CRE4 (collectively

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the "Consolidated VIEs"). The Consolidated VIEs were formed on behalf of the Company to invest in real estate-related securities, CMBS, property available-for-sale, bank loans, corporate bonds and asset-backed securities and were financed by the issuance of debt securities. The Manager manages the commercial real estate-related entities on behalf of the Company, and CVC Credit Partners manages the commercial finance-related entities on behalf of the Company. By financing these assets with long-term borrowings through the issuance of bonds, the Company seeks to generate attractive risk-adjusted equity returns and to match the term of its assets and liabilities. The primary beneficiary determination for each of these VIEs was made at each VIE's inception and is continually assessed. All of the Company's VIEs were reevaluated under the revised consolidation model effective for the Company on January 1, 2016 (see Note 2).

As of December 31, 2015, the Company was the primary beneficiary of thirteen VIEs: Apidos CDO I, Apidos CDO III, Apidos Cinco CDO, Apidos CLO VIII, RREF CDO 2006-1, RREF CDO 2007-1, Whitney CLO I, RCC CRE Notes 2013, RCC 2014-CRE2, RCC 2015-CRE3, RCC 2015-CRE4, Moselle CLO and RCM Global (collectively, the "Consolidated VIEs at December 31, 2015"). In performing the primary beneficiary analysis for the Consolidated VIEs at December 31, 2015, it was determined that the parties that have the power to direct the activities that are most significant to each of these VIEs and that had the right to receive benefits or the obligation to absorb losses that could potentially be significant to these VIEs, were a related-party group. It was then determined that the Company was the party within that group that was more closely associated with each such VIE considering the design of the VIE, the principal-agency relationship between the Company and other members of the related-party group, and the relationship and significance of the activities of the VIE to the Company compared to the other members of the related-party group. Apidos CDO I, Apidos CDO III, Apidos Cinco CDO, Apidos CLO VIII, RREF CDO 2006-1, RREF CDO 2007-1, RCC CRE Notes 2013, RCC 2014-CRE2, RCC 2015-CRE3 and RCC 2015-CRE4 were formed on behalf of the Company to invest in real estate-related securities, CMBS, property available-for-sale, bank loans, corporate bonds and asset-backed securities and were financed by the issuance of debt securities. The Manager manages the commercial real estate-related entities on behalf of the Company, and CVC Credit Partners manages the commercial finance-related entities on behalf of the Company. The primary beneficiary determination for each of these VIEs was made at each VIE's inception and is continually assessed.

Moselle CLO was a European securitization in which the Company purchased a $30.4 million interest in the form of subordinate notes representing 100% of the Class 1 Subordinated Notes and 67.9% of the Class 2 Subordinated Notes in February 2014. The CLO was managed by an independent third-party, and such collateral management activities were determined to be the activities that most significantly impacted the economic performance of the CLO. Though neither the Company nor one of its related parties managed the CLO, due to certain unilateral kick-out rights within the collateral management agreement it was determined that the Company had the power to direct the activities that most significantly impacted the economic performance of Moselle CLO. Having both the power to direct the activities that most significantly impact Moselle CLO and a financial interest that was expected to absorb both positive and negative variability in the CLO that could potentially be significant, the Company was determined to be the primary beneficiary of Moselle CLO and, therefore, consolidated the CLO. During the fourth quarter of 2014, the CLO began the liquidation process and all assets were subsequently sold. The Company's interest in the Moselle CLO Subordinated Notes was fully redeemed in March 2016.

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

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

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

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

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The creditors of the Company's seven consolidated VIEs have no recourse to the general credit of the Company. During the three and nine months ended September 30, 2016, the Company provided no financial support to any of its VIEs nor does it have any requirement to do so, although it may choose to do so in the future to maximize future cash flows on such investments by the Company. There are no explicit arrangements that obligate the Company to provide financial support to any of its consolidated VIEs.
The following table shows the classification and carrying value of assets and liabilities of the Company's consolidated VIEs as of September 30, 2016 (in thousands):

	Apidos I	Apidos III	Whitney CLO I	RCC CRE Notes 2013	RCC 2014-CRE2	RCC 2015-CRE3	RCC 2015-CRE4	Total
ASSETS								
Restricted cash [(1)]	$ 280	$ 153	$ 153	$—	$ —	$ 2,000	$ 2,887	$5,473
Loans held for investment	—	—	—	26,605	255,744	258,881	260,512	801,742
Interest receivable	—	—	—	292	1,003	1,117	977	3,389
Prepaid assets	—	—	—	6	5	5	5	21
Principal paydown receivable	—	—	—	36,600	—	8,000	—	44,600
Other assets	—	—	—	208	—	45	—	253
Total assets [(2)]	$ 280	$ 153	$ 153	$63,711	$ 256,752	$ 270,048	$ 264,381	$855,478
LIABILITIES								
Borrowings	$ —	$ —	$ —	$16,179	$ 135,857	$ 203,482	$ 173,453	$528,971
Accrued interest expense	—	—	—	25	107	209	159	500
Accounts payable and other liabilities	—	—	—	33	10	53	51	147
Total liabilities	$ —	$ —	$ —	$16,237	$ 135,974	$ 203,744	$ 173,663	$529,618

(1) Includes $2.9 million designated to fund future commitments on specific commercial real estate loans in certain of the securitizations.
(2) Assets of each of the consolidated VIEs may only be used to settle the obligations of each respective VIE.

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 September 30, 2016. The Company's maximum exposure to risk for each of these unconsolidated VIEs is set forth in the "Maximum Exposure to Loss" column in the table below.

RREF CDO 2006-1, RREF CDO 2007-1 and Apidos Cinco CDO
RREF CDO 2006-1, RREF CDO 2007-1 and Apidos Cinco CDO were formed on behalf of the Company to invest in real estate-related securities, CMBS, property available-for-sale, bank loans, corporate bonds and asset-backed securities and were financed by the issuance of debt securities. The Manager manages the commercial real

estate-related entities on behalf of the Company, and CVC Credit Partners manages the commercial finance-related entities on behalf of the Company. By financing these assets with long-term borrowings through the issuance of bonds, the Company seeks to generate attractive risk-adjusted equity returns and to match the term of its assets and liabilities. The primary beneficiary determination for each of these VIEs was made at each VIE's inception and is continually assessed. On January 1, 2016, the Company adopted the amendments to the consolidation guidance as outlined in Note 2. As a result of its evaluation, the Company determined that it was no longer the primary beneficiary of these VIEs as its investments in these vehicles do not provide the Company with a controlling financial interest. As a results of its evaluation, these investments were deconsolidated. At deconsolidation, the Company recorded its investments in RREF CDO 2006-1, RREF CDO 2007-1 and Apidos Cinco CDO at fair value and accounts for these investments as investment securities available-for-sale in its consolidated financial statements. On April 25, 2016, the Company called and liquidated its investment in RREF CDO 2006-1 and, in exchange for the Company's interest in RREF CDO 2006-1, the Company distributed the remaining assets of $65.6 million at fair value after paying off the CDO debt owed to third parties of $7.5 million. The Company recognized a gain of approximately $846,000 as a result of this transaction. On September 28, 2016, Apidos Cinco CDO's trustee issued a notice to call the CDO.

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RCM Global, LLC

On July 9, 2014, RCC Residential, together with Resource America and certain Resource America employees, acquired through RCM Global a portfolio of securities from JP Morgan for $23.5 million. The portfolio is managed by Resource America. RCC Residential contributed $15.0 million for a 63.8% membership interest. Each of the members of RCM Global is allocated revenues and expenses of RCM Global in accordance with his or her membership interest. RCM Global was determined to be a VIE based on the equity holders' inability to direct the activities that are most significant to the entity. On January 1, 2016, the Company adopted the amendments to the consolidation guidance as outlined in Note 2. Upon adoption, the Company reevaluated its variable interest in RCM Global and determined it would not be the primary beneficiary of RCM Global, as its investment in the limited liability company does not provide the Company with a controlling financial interest. As a result of its evaluation, the Company deconsolidated its investment in RCM Global. As of January 1, 2016, the Company accounted for its investment in RCM Global as an investment in an unconsolidated entity in its consolidated financial statements. As of September 30, 2016, the Company holds a 28.6% interest in RCM Global.

Pelium Capital

In September 2014, the Company contributed $17.5 million to Pelium Capital for an initial ownership interest of 80.4%. Pelium Capital is a specialized credit opportunity fund managed by Resource America. The Company funded its final commitment of $2.5 million, as of February 1, 2015. The Company will receive 10% of the carried interest in the partnership for the first five years which can increase its interest to 20% if the Company's capital contributions aggregate $40.0 million. Resource America contributed cash of $2.8 million to the formation of Pelium Capital. At December 31, 2015, Pelium Capital was accounted for as a consolidated voting interest subsidiary. On January 1, 2016, the Company adopted the amendments to the consolidation guidance as outlined in Note 2. Upon adoption, the Company reevaluated its interest in Pelium Capital and determined that although it now possessed a variable interest in Pelium Capital, it would not be the primary beneficiary of Pelium Capital, as its investment in the limited liability company does not provide the Company with a controlling financial interest. As a result of its reevaluation, the Company deconsolidated its investment in Pelium Capital on January 1, 2016, and accounted for its investment in Pelium Capital as an investment in an unconsolidated entity in its consolidated financial statements. As of September 30, 2016, the Company holds an 80.2% interest in Pelium Capital.

Pearlmark Mezzanine Realty Partners IV, L.P.

On June 24, 2015, the Company committed up to $50.0 million in Pearlmark Mezzanine Realty Partners IV, L.P. ("Pearlmark Mezz"), a Delaware limited partnership created to acquire and manage financial interests in commercial real estate property. The contractual fund manager of the fund is Pearlmark Real Estate LLC ("Pearlmark"), a Delaware limited liability company that is 50% owned by Resource America. The Company determined it possessed a variable interest Pearlmark Mezz, however, it would not be the primary beneficiary of Pearlmark Mezz, as its investment in the limited liability company does not provide the Company with a controlling financial interest. The Company will pay Pearlmark Mezz management fees of 1.0% on the unfunded committed capital and 1.5% on the invested capital. The Company is entitled to a management fee rebate of 25% for the first year of the fund. As of September 30, 2016, the Company has an investment balance of $16.8 million and a 47.7% ownership interest in the fund.

LEAF Commercial Capital, Inc.

On November 16, 2011, the Company together with LEAF Financial, Inc. ("LEAF Financial"), a subsidiary of Resource America, and LEAF Commercial Capital, Inc. (“LCC”), another subsidiary of Resource America, entered into a stock purchase agreement and related agreements (collectively the “SPA”) with Eos Partners, L.P., a private investment firm, and its affiliates (“Eos”). In exchange for its prior interests in its lease related investments, the Company received 31,341 shares of Series A Preferred Stock (the "Series A Preferred Stock"), 4,872 shares of newly issued 8% Series B Redeemable Preferred Stock (the "Series B Preferred Stock") and 2,364 shares of newly issued Series D Redeemable Preferred Stock (the "Series D Preferred Stock"), collectively representing, on a fully-diluted basis, assuming conversion, a 26.7% interest in LCC. At the time of investment, the Company’s investment in LCC was valued at $36.3 million based on a third-party valuation. During 2013, the Company entered into a third stock purchase agreement with LCC to purchase 3,682 shares of newly issued Series A-1 Preferred Stock (the "Series A-1 Preferred Stock") for $3.7 million and 4,445 shares of newly issued Series E Preferred Stock (the "Series E Preferred Stock") for $4.4 million. The Series E Preferred Stock expired and the Company was issued additional Series A-1 Preferred Stock in exchange for its investment in the Series E Preferred Stock. The Company's fully-diluted interest in LCC, assuming conversion, was 29.0% at September 30, 2016. The Company’s investment in LCC was recorded at $44.8 million and $42.0 million as of September 30, 2016 and December 31, 2015, respectively. The Company determined that it is not the primary beneficiary of LCC because it does not participate in any management or portfolio decisions, holds only two of six board positions, and only controls 29.0% of the voting rights in the entity. Furthermore, Eos holds consent rights with

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respect to significant LCC actions, including the incurrence of indebtedness, consummation of a sale of the entity, liquidation or initiating a public offering (see Note 17).

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 $512,000 and $5.3 million at September 30, 2016 and December 31, 2015, respectively. The Company recognized fee income of $553,000 and $1.5 million for the three and nine months ended September 30, 2016, respectively. The Company recognized fee income of $791,000 and $2.7 million for the three and nine months ended September 30, 2015, respectively. With respect to four of these CLOs, the Company determined that it does not hold a controlling financial interest and, therefore, is not the primary beneficiary. One of the CLOs was liquidated in February 2013. In January 2016, a second RCAM-managed CLO was called and $2.4 million of impairment, on a pre-tax basis, was recorded in depreciation and amortization on the Company's consolidated statements of operations on the related intangible asset, as of December 31, 2015. In September 2016, the third RCAM-managed CLO was called and $1.5 million of impairment, on a pre-tax basis, was recorded in impairment losses on the Company's consolidated statements of operations on the related intangible asset, during the three months ended September, 30 2016. In September 2016, the Company recorded impairment on the one remaining CLO of $2.2 million, on a pre-tax basis, on the related intangible asset on which the Company anticipates redemption in early 2017.

With respect to the fifth CLO, Whitney CLO I, in October 2012, the Company purchased 66.6% of its preferred equity, which resulted in consolidation. Based upon that purchase, the Company determined that it had an obligation to absorb losses and/or the right to receive benefits that could potentially be significant to Whitney CLO I and that a related party had the power to direct the activities that are most significant to the VIE. As a result, together with the related party, the Company had both the power to direct and the right to receive benefits and the obligation to absorb losses. It was then determined that, between the Company and the related party, the Company was the party within that group that was more closely associated with Whitney CLO I because of its preferred equity interest in Whitney CLO I. The Company, therefore, consolidated Whitney CLO I. In May 2013, the Company purchased additional equity in this CLO which increased its ownership of the outstanding preferred equity to 68.3%. In September 2013, the Company liquidated Whitney CLO I, and, as a result, all of the assets were sold.

Investment in ZAIS

In February 2015, the Company made an investment in ZAIS CLO 4 Limited, an offshore financing vehicle created to acquire and warehouse syndicated bank loans, through its wholly-owned, indirect subsidiary ZAIS and through its unconsolidated subsidiary Pelium Capital together with a Resource America employee. The Company, through ZAIS and Pelium Capital, committed to invest $10.0 million and $3.0 million, respectively, during the vehicle's warehousing period. The warehouse credit facility closed on May 5, 2016, at which time, Resource TRS III purchased a beneficial interest in ZAIS CLO 4. The vehicle is managed by ZAIS Leveraged Loan Manager 4, LLC (the “Collateral Manager”), an entity unrelated to the Company or to Pelium Capital, and such collateral management activities were determined to be the activities that most significantly impacted the economic performance of the entity. The Collateral Manager can be replaced either for cause by the entity’s administrative agent if there is an event of default or by a unanimous vote of the entity’s equity investors, excluding any preference shares held by the Collateral Manager or its affiliates. Although the Company has an investment in the entity that is potentially significant, because it was determined that the Company did not have

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the ability to kick out the collateral manager, the Company was not determined to be the primary beneficiary and, hence, not required to consolidate ZAIS CLO 4. As of September 30, 2016, the Company had a beneficial interest of $10.6 million in ZAIS CLO 4. The Company accounts for its investment in ZAIS CLO 4 as an investment security available-for-sale in its consolidated financial statements.

Investments in the Harvest CLO Securities

In September 2013 and March 2014, the Company made investments in Harvest CLO VII Limited and Harvest CLO VIII Limited (collectively, the “Harvest Securities”), respectively, offshore limited liability companies created to acquire syndicated bank loans and issue collateral loan obligations, through its wholly-owned, direct subsidiary Commercial II. The Harvest Securities are managed by 3i Debt Management Investments Limited (the “Portfolio Manager”), an entity unrelated to the Company, and such collateral management activities were determined to be the activities that most significantly impacted the economic performance of the entity. The Portfolio Manager can be replaced only for cause by the Harvest Securities’ trustee. Although the Company has investments in the Harvest Securities that are potentially significant, because it was determined that the Company did not have the ability to unilaterally kick out the Portfolio Manager, the Company was not determined to be the primary beneficiary and, hence, not required to consolidate the Harvest Securities. As of September 30, 2016, the Company had investments of $4.4 million in Harvest CLO VII Limited and $5.2 million in Harvest CLO VIII Limited. The Company accounts for its investments in the Harvest Securities as investment securities available-for-sale in its consolidated financial statements.

Investment in Harvest CLO XV Designated Activity Company

In September 2015, the Company made an investment in Harvest CLO XV Designated Activity Company ("Harvest XV"), an offshore financing vehicle created to acquire and warehouse syndicated bank loans, through its wholly-owned, direct subsidiary Commercial II. In May 2016, the warehouse closed and the Company invested in Harvest CLO XV DAC ("Harvest CLO XV"). The CLO is managed by the Portfolio Manager, and such collateral management activities were determined to be the activities that most significantly impacted the economic performance of the entity. The Portfolio Manager can be replaced only for cause by the entity’s administrative agent. Although the Company has an investment in the entity that is potentially significant, because it was determined that the Company did not have the ability to unilaterally kick out the collateral manager, the Company was not determined to be the primary beneficiary and, hence, not required to consolidate Harvest CLO XV. As of September 30, 2016, the Company's investment in Harvest CLO XV is $14.0 million. The Company accounts for its investment in Harvest CLO XV as an investment security available-for-sale in its consolidated financial statements.

The following table shows the classification, carrying value and maximum exposure to loss with respect to the Company’s unconsolidated VIEs as of September 30, 2016 (in thousands):

	Unconsolidated Variable Interest Entities										
	LCC	Unsecured Junior Subordinated Debentures	RCAM Managed CDOs	Investment in ZAIS CLO	Investment in Harvest CLOs	RREF CDO 2007-1	Apidos Cinco CDO	RCM Global LLC	Pelium Capital	Pearlmark Mezz	Total	Maximum Exposure to Loss
Investments in unconsolidated entities	$44,777	$1,548	$—	$—	$—	$—	$—	$306	$24,767	$16,751	$88,149	$88,149
Investment securities, available-for-sale	—	—	—	10,619	23,590	94,353	20,012	—	—	—	148,574	$148,574
Intangible assets	—	—	512	—	—	—	—	—	—	—	512	$512

Total assets	44,777	1,548	512	10,619	23,590	94,353	20,012	306	24,767	16,751	237,235	
Borrowings	—	51,548	—		—	—	—	—	—	—	51,548	N/A
Total liabilities	—	51,548	—		—	—	—	—	—	—	51,548	N/A
Net asset (liability)	$44,777	$(50,000)	$512	$10,619	$23,590	$94,353	$20,012	$306	$24,767	$16,751	$185,687	N/A

As of September 30, 2016, there were no explicit arrangements or implicit variable interests that could require the Company to provide financial support to any of its unconsolidated VIEs.

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NOTE 4 - SUPPLEMENTAL CASH FLOW INFORMATION

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

	For the Nine Months Ended September 30,	
	2016	2015
Non-cash operating activities include the following:		
Reclassification of linked transactions, net at fair value to investment securities available-for-sale, pledged as collateral, at fair value and borrowings [(1)]	$—	$15,367
Interest expense paid by third party [(2)]	$(107)	$—
Operating liabilities assumed by third party [(2)]	$(192)	$—
Non-cash investing activities include the following:		
Reclassification of linked transactions, net at fair value to investment securities available-for-sale, pledged as collateral, at fair value [(1)]	$—	$48,764
Retained beneficial interest in unconsolidated securitization entities	$(22,476)	$—
Loans acquired through collateralized debt obligation liquidation	$(44,893)	$—
Securities acquired through collateralized debt obligation liquidation	$(20,837)	$—
Non-cash financing activities include the following:		
Distributions on common stock accrued but not paid	$13,012	$20,667
Distributions on preferred stock accrued but not paid	$4,010	$4,077
Reclassification of linked transactions, net at fair value to borrowings [(1)]	$—	$33,397
Senior secured revolving credit facility assumed by third party [(2)]	$(122,000)	$—
Senior secured revolving credit facility paid down by third party [(2)]	$(22,000)	$—

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

(2) On August 4, 2016, the Company completed the sale of Northport TRS, LLC. The Purchaser assumed $122.0 million and paid down $22.0 million of principal and $107,000 of interest expense on the Company’s behalf of the senior secured revolving credit agreement. The Purchaser assumed $192,000 of accounts payable and accrued legal fees recorded to complete the sale. See Note 7.

NOTE 5 - INVESTMENT SECURITIES, TRADING

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

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
As of September 30, 2016:				
Structured notes	$ 5,914	$ 419	$ (2,586)	$3,747
Total	$ 5,914	$ 419	$ (2,586)	$3,747

As of December 31, 2015:				
Structured notes	$ 28,576	$ 1,674	$ (4,700)	$ 25,550
RMBS	1,896	—	(1,896)	—
Total	$ 30,472	$ 1,674	$ (6,596)	$ 25,550

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As a result of updated accounting guidance, effective January 1, 2016 (see Note 2), the Company deconsolidated all of the assets of Pelium Capital, resulting in the removal of $21.9 million of investment securities, trading from its balance sheet, which is the primary cause of the decrease of securities during the period. The Company sold no investment securities during the three and nine months ended September 30, 2016. The Company sold nine and 19 investment securities during the three and nine months ended September 30, 2015 for a net realized gain of approximately $750,000 and $1.4 million, respectively. The Company held six and 56 investment securities, trading as of September 30, 2016 and December 31, 2015, 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. ABS may include, but are not limited to the Company's investments in RREF CDO 2007-1, Apidos Cinco CDO, Harvest CLO Securities, ZAIS and other securities backed by syndicated bank loans, and other loan obligations. These securities are carried at fair value (in thousands):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value[1]
As of September 30, 2016:				
ABS	$149,320	$3,975	$(149)	$153,146
CMBS	82,595	477	(1,311)	81,761
RMBS	1,624	174	—	1,798
Total	$233,539	$4,626	$(1,460)	$236,705
As of December 31, 2015:				
ABS	$41,994	$3,218	$(998)	$44,214
CMBS	158,584	2,631	(1,791)	159,424
RMBS	2,156	122	(88)	2,190
Corporate bonds	2,422	—	(162)	2,260
Total	$205,156	$5,971	$(3,039)	$208,088

(1) As of September 30, 2016 and December 31, 2015, $82.1 million and $162.3 million, respectively, of investment securities available-for-sale were pledged as collateral under related financings.

As a result of updated accounting guidance, effective January 1, 2016 (see Note 2), the Company deconsolidated all of the assets of RREF CDO 2006-1, RREF CDO 2007-1 and Apidos Cinco CDO, resulting in the removal of $364.6 million of loans, pledged as collateral from its balance sheet. These investments are now recorded as investment securities available-for-sale.

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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 September 30, 2016:			
Less than one year	$178,357 [1]	$ 179,516	6.29%
Greater than one year and less than five years	15,886	15,489	4.27%
Greater than five years and less than ten years	25,289	22,477	9.98%
Greater than ten years	17,173	16,057	8.74%
Total	$236,705	$ 233,539	6.68%
As of December 31, 2015:			
Less than one year	$117,221 [1]	$ 118,215	7.13%
Greater than one year and less than five years	71,370	68,808	5.31%
Greater than five years and less than ten years	12,382	11,271	10.45%
Greater than ten years	7,115	6,862	16.85%
Total	$208,088	$ 205,156	7.03%

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

At September 30, 2016, the contractual maturities of the CMBS investment securities available-for-sale range from October 2016 to December 2022. The contractual maturity date of RMBS investment securities available-for-sale is June 2029. The contractual maturities of the ABS investment securities available-for-sale range from November 2016 to September 2046.

The following table shows the fair value, gross unrealized losses and number of securities aggregated by investment category and length of time, for those individual investment securities available-for-sale that 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 September 30, 2016:									
ABS	$1,066	$ (147)	2	$40	$ (2)	1	$1,106	$ (149)	3
CMBS	37,798	(950)	17	13,937	(361)	5	51,735	(1,311)	22
RMBS	—	—	—	—	—	—	—	—	—
Total temporarily impaired securities	$38,864	$ (1,097)	19	$13,977	$ (363)	6	$52,841	$ (1,460)	25
As of December 31, 2015:									
ABS	$2,330	$ (824)	5	$668	$ (174)	5	$2,998	$ (998)	10
CMBS	79,570	(849)	31	13,783	(942)	15	93,353	(1,791)	46

RMBS	1,157	(88)	2	—	—	—	1,157	(88)	2
Corporate bonds	65	(18)	1	1,327	(144)	1	1,392	(162)	2
Total temporarily impaired securities	$83,122	$(1,779)	39	$15,778	$(1,260)	21	$98,900	$(3,039)	60

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

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During the three and nine months ended September 30, 2016, the Company recognized $21.6 million of other-than-temporary impairment on its investment securities available-for-sale.

Of this amount, $20.7 million relates to the Company's previously consolidated CRE CDO, RREF 2007-1, which is classified as an investment security available-for-sale. The Company's security interest in the vehicle is supported by 12 CMBS securities and seven CRE loans. As part of the Company's ongoing credit evaluation of its investment securities, third-party appraisals were obtained on six of the seven remaining legacy CRE loans, which are part of the asset pool of the vehicle. The remaining loan was under an agreement of sale. As a result of having the properties supporting the loans appraised, two of the CRE loans in the vehicle were determined to have cost bases in excess of their expected cash flows, as a result of the updated appraisals, causing a collective impairment charge to the cash flows of the vehicle of $20.7 million. The impairment charge on the security reflects the credit impact to the fair value of the security given the results of the updated appraisals and reduces the Company's cost basis in the security permanently. The impairment charge was calculated by comparing the previous projected cash flows of the security to the revised cash flows including the results of the updated appraisals.

The Company recorded other-than-temporary impairment of $241,000 on three positions classified as securities available-for-sale, RMBS during the three and nine months ended September 30, 2016 after it was determined the Company would not be able to recover the full cost basis of these positions due to declines in the future projected cash flows of the securities.

One CMBS position classified as a security available for sale with a par balance of $4.0 million was identified as a position the Company would be required to sell before it could recover its cost basis in the security. As such, the Company recorded the difference between its amortized cost basis and the estimated fair value. Other-than-temporary impairment of $732,000 was recognized during the three and nine months ended September 30, 2016, as a result of the anticipated sale of this security.

During the three and nine months ended September 30, 2015, the Company recognized no 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				For the Nine Months Ended			
	Positions Sold	Positions Redeemed	Par Amount Sold/Redeemed	Realized Gain (Loss)	Positions Sold	Positions Redeemed	Par Amount Sold/Redeemed	Realized Gain (Loss)
September 30, 2015:								
ABS	8	—	$15,462	$2,437	15	3	$ 31,399	$10,547
RMBS	—	—	$ —	$ —	6	—	$ 28,305	$984

There were no sales or redemptions during the three and nine months ended September 30, 2016.

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NOTE 7 - LOANS

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

Loan Description	Principal	Unamortized (Discount) Premium, net [1]	Carrying Value [2] [3]
As of September 30, 2016:			
CRE whole loans	$1,367,998	$(6,815)	$1,361,183
Mezzanine loans [5]	—	—	—
Middle market loans	51,850	(311)	51,539
Residential mortgage loans, held for investment	3,292	—	3,292
Subtotal loans before allowance	1,423,140	(7,126)	1,416,014
Allowance for loan loss	(9,433)	—	(9,433)
Total loans held for investment, net of allowance	1,413,707	(7,126)	1,406,581
Middle market loans held for sale	7,182	—	7,182
Residential mortgage loans held for sale, at fair value [4]	190,433	—	190,433
Total loans held for sale	197,615	—	197,615
Total loans, net	$1,611,322	$(7,126)	$1,604,196
As of December 31, 2015:			
Commercial real estate loans:			
Whole loans	$1,640,744	$(9,943)	$1,630,801
B notes	15,934	—	15,934
Mezzanine loans	45,368	4	45,372
Total commercial real estate loans	1,702,046	(9,939)	1,692,107
Bank loans	134,890	(373)	134,517
Middle market loans	380,687	(1,235)	379,452
Residential mortgage loans, held for investment	1,746	—	1,746
Subtotal loans before allowance	2,219,369	(11,547)	2,207,822
Allowance for loan loss	(47,071)	—	(47,071)
Total loans held for investment, net of allowance	2,172,298	(11,547)	2,160,751
Bank loans held for sale	1,475	—	1,475
Residential mortgage loans held for sale, at fair value [4]	94,471	—	94,471
Total loans held for sale	95,946	—	95,946
Total loans, net	$2,268,244	$(11,547)	$2,256,697

(1) Amounts include deferred amendment fees of $12,000 being amortized over the life of the loans as of September 30, 2016. Amounts include deferred amendment fees of $42,000 and deferred upfront fees of $12,000 being amortized over the life of the loans as of December 31, 2015. Amounts also include loan origination fees of $6.7 million and $9.9 million as of September 30, 2016 and December 31, 2015, respectively.

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

(3) Substantially all loans are pledged as collateral under various borrowings as of September 30, 2016 and December 31, 2015, respectively.

(4) Amortized cost approximates fair value.

(5) As a result of RREF CDO 2006-1 being called and liquidated on April 25, 2016, a mezzanine loan with a par value of $28.8 million was acquired as part of the liquidation proceeds and is reflected on the Company's balance sheet at a fair value of zero as of September 30, 2016.

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

Description	Quantity	Amortized Cost	Contracted Interest Rates	Maturity Dates[3]
As of September 30, 2016:				
Whole loans, floating rate [1] [3] [4] [5] [6] [7]	76	$1,361,183	LIBOR plus 2.50% to LIBOR plus 6.45%	January 2017 to October 2019
Mezzanine loans [10]	1	—	N/A	September 2021
Total [2] [9]	77	$1,361,183		
As of December 31, 2015:				
Whole loans, floating rate[1] [3] [4] [5] [6] [7]	87	$1,630,801	LIBOR plus 1.75% to LIBOR plus 12.00%	February 2016 to February 2019
B notes, fixed rate	1	15,934	8.68%	April 2016
Mezzanine loans, fixed rate [8]	2	45,372	9.01%	September 2016
Total [2]	90	$1,692,107		

(1) Whole loans had $67.3 million and $112.6 million in unfunded loan commitments as of September 30, 2016 and December 31, 2015, respectively. These unfunded commitments are advanced as the borrowers formally request additional funding as permitted under the loan agreement and any necessary approvals have been obtained.

(2) Totals do not include allowances for loan losses of $9.4 million and $41.8 million as of September 30, 2016 and December 31, 2015, respectively.

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

(4) Includes two whole loans with a combined $11.2 million and $51.2 million senior component as of September 30, 2016 and December 31, 2015, respectively, that entered into modifications in 2016 and 2015 that resulted in a fixed rate of 0.50% as of September 30, 2016 and December 31, 2015, respectively (the difference of which was a result of the deconsolidation of RREF CDO 2006-1 and RREF CDO 2007-1 - see Note 2). The two loans were previously identified as troubled debt restructurings ("TDR's").

(5) Includes four whole loans with a combined $4.5 million in mezzanine components that have interest rates ranging from 1.5% to 5.2% as of September 30, 2016 and December 31, 2015.

(6) Includes a $799,000 junior mezzanine tranche of a whole loan that has a fixed rate of 10.0% as of September 30, 2016 and December 31, 2015.

(7) Contracted interest rates do not include a whole loan with an amortized cost of $2.0 million and $32.5 million as of September 30, 2016 and December 31, 2015, respectively, that entered into modifications in 2016 and 2015 which reduced the floating rate spread to 1.00% as of September 30, 2016 and December 31, 2015, respectively (the difference of which was a result of the deconsolidation of RREF CDO 2007-1 - see Note 2). The loan was previously identified as a TDR.

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

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

pledged as collateral from its balance sheet.

(10) As a result of RREF CDO 2006-1 being called and liquidated on April 25, 2016, a mezzanine loan with a par value of $28.8 million was acquired as part of the liquidation proceeds and is reflected on the Company's balance sheet at a fair value of zero at September 30, 2016. The mezzanine loan is comprised of two tranches, with maturity dates of November 2016 and September 2021.

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RESOURCE CAPITAL CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
SEPTEMBER 30, 2016
(unaudited)

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

Description	2016	2017	2018 and Thereafter	Total
As of September 30, 2016:				
Whole loans	$—	$44,770	$1,316,413	$1,361,183
Mezzanine loans (2)	—	—	—	—
Total (1)	$—	$44,770	$1,316,413	$1,361,183

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

(1) Contractual maturity of commercial real estate loans assumes full exercise of extension options available to borrowers.
(2) The Company has one mezzanine loan with a par value of $28.8 million that was acquired at a fair value of zero as a result of the liquidation of RREF CDO 2006-1.

At September 30, 2016, approximately 30.4%, 24.3% and 7.2% of the Company's commercial real estate loan portfolio was concentrated in Texas, California, and Georgia, respectively. At December 31, 2015, approximately 28.7%, 26.8%, and 7.4% of the Company's commercial real estate loan portfolio was concentrated in California, Texas, and Georgia, respectively.

Bank Loans

The following table provides information as to the lien position and status of the Company's bank loans, at amortized cost (in thousands) prior to deconsolidation of Apidos Cinco CDO as of January 1, 2016 (see Note 2):

	Apidos I	Apidos Cinco	Total
As of December 31, 2015:			
Loans held for investment:			
First lien loans	$ —	$131,281	$131,281
Second lien loans	—		