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Interest rate swap contracts, hedging
$
—

Accumulated other comprehensive (income) loss

$
67

(1) Notional amount presented on currency converted basis. The base currency notional amount of our foreign currency hedging forward contracts was €24.0 million as of June 30, 2016.
(2) Foreign currency forward contracts are accounted for as fair value hedges.
(3) The notional amount of our warrants is calculated by multiplying the number of shares available for purchase by exercise price.

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Fair Value of Derivative Instruments as of December 31, 2015:
(in thousands)

	Asset Derivatives		
	Notional Amount	Balance Sheet Location	Fair Value
Interest rate lock agreements [1]	$105,385	Derivatives, at fair value	$1,224
Forward contracts - residential mortgage lending	$92,413	Derivatives, at fair value	$345
Forward contracts - foreign currency, hedging [2][3]	$24,850	Derivatives, at fair value	$727
Forward contracts - TBA securities	$29,500	Derivatives, at fair value	$99
Warrants [4]	$553	Derivatives, at fair value	$1,051
	Liability Derivatives		
	Notional Amount	Balance Sheet Location	Fair Value
Interest rate swap contracts, hedging [5]	$102,799	Derivatives, at fair value	$3,459
Interest rate lock agreements [6]	$505	Derivatives, at fair value	$3
Forward contracts - residential mortgage lending	$143,553	Derivatives, at fair value	$479
Forward contracts - TBA securities	$1,500	Derivatives, at fair value	$—
Interest rate swap contracts, hedging	$102,799	Accumulated other comprehensive (income) loss	$(3,471)

(1) The notional amount of our interest rate lock agreements in an asset position is the pass-through weighted total commitments with a weighted average pass-through percentage of 85.9%.
(2) Notional amount presented on currency converted basis. The base currency notional amount of our foreign currency hedging forward contracts was €22.9 million as of December 31, 2015.
(3) Foreign currency forward contracts are accounted for as fair value hedges.
(4) The notional amount of our warrants is the calculated number of shares available for purchase.
(5) Interest rate swap contracts are accounted for as cash flow hedges.
(6) The notional amount of our interest rate lock agreements in a liability position is the pass-through weighted total commitments with a weighted average pass-through percentage of 19.5%.

The Effect of Derivative Instruments on the Statements of Operations for the
Six Months Ended June 30, 2016
(in thousands)

Derivatives		
	Statement of Operations Location	Realized and Unrealized Gain (Loss) [1]
Interest rate swap contracts, hedging	Interest expense	$ (70)
Interest rate lock agreements	Net realized and unrealized gain (loss) on sales of investment securities available-for-sale and loans and derivatives	$ 3,141
Forward contracts - residential mortgage lending	Net realized and unrealized gain (loss) on sales of investment securities available-for-sale and loans and derivatives	$ (2,587)
Forward contracts - foreign currency, hedging	Net realized and unrealized gain (loss) on sales of investment securities available-for-sale and loans and derivatives	$ (62)

Forward contracts - TBA securities	Net realized and unrealized gain (loss) on sales of investment securities available-for-sale and loans and derivatives	$ (830)

(1)Negative values indicate a decrease to the associated balance sheets or consolidated statements of operations line items.

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The Effect of Derivative Instruments on the Statements of Operations for the
Six Months Ended June 30, 2015
(in thousands)

Derivatives	Statement of Operations Location	Realized and Unrealized Gain (Loss) [(1)]
Interest rate swap contracts, hedging	Interest expense	$ 3,152
Interest rate swap contracts, hedging	Net realized and unrealized gain (loss) on sales of investment securities available-for-sale and loans and derivatives	$ 206
Interest rate lock agreements	Net realized and unrealized gain (loss) on sales of investment securities available-for-sale and loans and derivatives	$ 1,061
Forward contracts - RMBS securities	Net realized and unrealized gain (loss) on sales of investment securities available-for-sale and loans and derivatives	$ 57
Forward contracts - residential mortgage lending	Net realized and unrealized gain (loss) on sales of investment securities available-for-sale and loans and derivatives	$ 1,989
Forward contracts - foreign currency, hedging	Net realized and unrealized gain (loss) on sales of investment securities available-for-sale and loans and derivatives	$ 1,790
Options - U.S. Treasury futures	Net realized and unrealized gain (loss) on sales of investment securities available-for-sale and loans and derivatives	$ 184
Forward contracts - TBA securities	Net realized and unrealized gain (loss) on sales of investment securities available-for-sale and loans and derivatives	$ 56

(1)Negative values indicate a decrease to the associated balance sheets or consolidated statements of operations line items.

On January 1, 2016, we deconsolidated RREF CDO 2006-1 and RREF CDO 2007-1 in accordance with guidance on consolidation. This resulted in the deconsolidation of six CRE interest rate swaps.

During the three months ended June 30, 2016, we requested and canceled our remaining interest rate swap contract through accumulated other comprehensive income (loss), to be amortized through earnings over the life of the remaining debt. As of June 30, 2016, the Company had no interest rate swap contracts outstanding.

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Repurchase and Credit Facilities

Borrowings under our repurchase agreement facilities were guaranteed by us or one of our subsidiaries. The following table sets forth certain information with respect to our borrowings as of the periods indicated (dollars in thousands):

	June 30, 2016				December 31, 2015			
	Outstanding Borrowings	Value of Collateral	Number of Positions as Collateral	Weighted Average Interest Rate	Outstanding Borrowings	Value of Collateral	Number of Positions as Collateral	Weighted Average Interest Rate
CMBS Term Repurchase Facilities								
Wells Fargo Bank (1)	$22,593	$28,204	20	1.67%	$25,656	$31,650	21	1.57%
Deutsche Bank (2)	60,443	91,327	20	2.78%	—	—	—	—%
CRE Term Repurchase Facilities								
Wells Fargo Bank (3)	159,276	234,122	13	2.56%	123,937	179,169	9	2.39%
Morgan Stanley Bank (4)	122,004	184,114	10	3.06%	98,991	142,098	7	2.96%
Trust Certificates Term Repurchase Facility								
RSO Repo SPE Trust 2015 (5)	26,298	89,181	1	5.95%	26,244	89,181	1	5.85%
Short-Term Repurchase Agreements - CMBS								
Wells Fargo Securities, LLC	—	—	—	—%	13,548	19,829	3	1.93%
Deutsche Bank Securities, LLC	—	—	—	—%	43,859	59,518	17	2.1%
Residential Investments Term Repurchase Facility								
Wells Fargo Bank	888	1,018	2	3.00%	782	835	1	2.75%
Residential Mortgage Financing Agreements								
New Century Bank	52,064	67,152	241	3.13%	43,789	61,111	199	3.17%
Wells Fargo Bank	94,700	133,962	334	3.03%	42,030	59,841	166	3.03%
Totals	$538,266	$829,080			$418,836	$643,232		

(1) The Wells Fargo Bank CMBS term repurchase facility borrowing includes $1,000 and $2,000 of deferred debt issuance costs as of June 30, 2016 and December 31, 2015, respectively.

(2) The Deutsche Bank CMBS term repurchase facility includes $36,000 and $0 of deferred debt issuance costs as of June 30, 2016 and December 31, 2015, respectively.

(3) The Wells Fargo Bank CRE term repurchase facility borrowing includes $163,000 and $675,000 of deferred debt issuance costs as of June 30, 2016 and December 31, 2015, respectively.

(4)

The Morgan Stanley Bank CRE term repurchase facility includes $1.4 million and $1.7 million of deferred debt issuance costs as of June 30, 2016 and December 31, 2015, respectively.

(5) The RSO Repo SPE Trust 2015 term repurchase facility includes $357,000 and $415,000 of deferred debt issuance costs as of June 30, 2016 and December 31, 2015, respectively.

We are in compliance with all financial covenants as defined in the respective agreements as of June 30, 2016.

Residential Investments – Term Repurchase Facility

In June 2014, our wholly-owned subsidiaries, RCC Resi Portfolio, RCC Resi TRS, and RCC Resi Depositor (the “Sellers”) entered into a master repurchase and securities contract (the “2014 Facility”) with Wells Fargo Bank, NA ("Wells Fargo"). Under the 2014 Facility, from time to time, the parties may enter into transactions in which the Sellers and Wells Fargo agree to transfer from the Sellers to Wells Fargo all of their right, title and interest to certain residential mortgage backed securities and other assets against the transfer of funds by Wells Fargo to the Sellers, with a simultaneous agreement by Wells Fargo to transfer back to the Sellers such assets at a date certain or on demand, against the transfer of funds from the Sellers to Wells Fargo. In May 2016, we

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entered into a sixth amendment of the 2014 Facility that made no material changes to the facility's terms. In July 2016, we agreed to terminate the 2014 Facility.

CMBS – Term Repurchase Facilities

In May 2016, our wholly-owned subsidiary RCC Real Estate entered into a global master repurchase agreement (the "2016 Facility") with Deutsche Bank, AG ("DB"). Under the 2016 Facility, from time to time, the parties may enter into transactions in which RCC Real Estate and DB agree to transfer from the RCC Real Estate to DB all of their right, title and interest to certain CMBS and other assets (the "Assets") against the transfer of funds by DB to the RCC Real Estate, with a simultaneous agreement by DB to transfer back to the RCC Real Estate such Assets at a date certain, against the transfer of funds from the RCC Real Estate to DB. The maximum amount of the 2016 Facility is at DB's discretion and the minimum amount of the 2016 Facility is $50.0 million. The original term of the 2016 Facility is one year with subsequent one year extensions subject at DB's approval. The 2016 Facility includes a "makewhole" clause which entitles DB to the full original term's interest in the event of an optional termination.

The 2016 Facility contains customary events of default, including payment defaults, acts of insolvency, breaches of certain representations, and expulsion from any securities exchange and/or self-regulating organization. The remedies for such events of default are also customary for this type of transaction and include the acceleration of all obligations of the RCC Real Estate to repay the purchase price for purchased assets.

The 2016 Facility also contains margin call provisions relating to a decline in the market value of a security. Under these circumstances, DB may require the RCC Real Estate to transfer cash or securities in an amount sufficient to eliminate any margin deficit resulting from such a decline.

Under the terms of the 2016 Facility and pursuant to a guarantee agreement dated May 23, 2016 (the "2016 Guaranty"), we guaranteed the payment and performance of (a) all payment obligations owing by the RCC Real Estate to DB under or in connection with the 2016 Facility and any other governing agreements; (b) all expenses, including, without limitation, reasonable attorneys' fees and disbursements, that are incurred by DB in the enforcement of any of the foregoing or any obligation of the registrant.. The 2016 Guaranty includes a reporting covenant that we were in compliance with as of June 30, 2016.

Residential Mortgage Financing Agreements

In July 2014, PCM entered into a master repurchase agreement (the "Wells Fargo Facility") with Wells Fargo to finance the acquisition of residential mortgage loans. In May 2016, PCM amended its agreement with Wells Fargo to increase the maximum of the amount of the Wells Fargo Facility from $100.0 million to $115.0 million for the period from May 27, 2016 to June 26, 2016. In June 2016, PCM amended its agreement with Wells Fargo to increase the maximum of the amount of the Wells Fargo Facility from $115.0 million to $150.0 million. The maximum duration for jumbo loans was increased from 90 days to 270 days. No other material changes were made to the Wells Fargo Facility's terms.

Securitizations

As of June 30, 2016, we had executed eight and currently retain equity in eight of these securitizations. Pertinent information about our securitizations that occurred during the first six months of 2016 is as follows:

- On January 1, 2016, we deconsolidated RREF CDO 2006-1, RREF CDO 2007-1, and Apidos Cinco CDO in accordance with guidance on consolidation.
- On April 25, 2016, we called RREF CDO 2006-1 and in exchange for our equity notes and preference share, received the remaining collateral.

Senior Secured Revolving Credit Agreement

As of June 30, 2016, Northport LLC, our wholly-owned subsidiary, had $144.0 million outstanding on a syndicated senior secured revolving credit facility ("Northport Credit Facility") with JP Morgan as our agent bank. At June 30, 2016, there was an unused balance of $81.0 million on the Northport Credit Facility.

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On August 1, 2016, we entered into a purchase agreement to sell Northport LLC. This transaction includes the assumption of the Credit Facility. Accelerated amortization of the remaining deferred debt issuance costs in the amount of $2.6 million pertaining to the Northport Credit Facility was recorded as of June 30, 2016.

Equity

Total equity at June 30, 2016 was $776.4 million and gave effect to $3.4 million of unrealized losses on our cash flow hedges and $4.2 million of net unrealized gains on our available-for-sale portfolio, shown as a component of accumulated other comprehensive income. Equity at December 31, 2015 was $826.8 million and gave effect to $3.5 million of unrealized losses on our cash flow hedges and $611,000 of net unrealized gains on our available-for-sale portfolio, shown as a component of accumulated other comprehensive income. The decrease in equity during the six months ended June 30, 2016 was principally due to the deconsolidation of RREF CDO 2006-1, RREF CDO 2007-1, Apidos Cinco CDO, Pelium Capital and RCM Global as a result of the consolidation guidance on variable interest entities which we adopted on January 1, 2016. Equity also decreased due to stock repurchases and distributions on our common stock and preferred stock in excess of earnings.

Balance Sheet - Book Value Reconciliation

	Amount	Per Share
Book value at December 31, 2015, allocable to common shares (1)	$ 544,161	$ 17.63
Net income allocable to common shares	8,137	0.26
Change in other comprehensive income (loss):		
Available-for-sale securities	157	—
Derivatives	3,403	0.11
Foreign currency conversion	62	—
Common dividends	(25,520)	(0.84)
Common dividends on unvested shares	(658)	(0.02)
Effect of fair value impact to retained earnings on deconsolidated VIE's (2)	(16,933)	(0.55)
Accretion from share repurchases during the period (3)	(7,998)	0.15
Accretion (dilution) from additional shares issued during the period and other (4)	2,662	(0.11)
Total net decrease	(36,688)	(1.00)
Book value at June30, 2016, allocable to common shares (1)(5)	$ 507,473	$ 16.63

(1) Per share calculations exclude unvested restricted stock, as disclosed on the consolidated balance sheet, of 655,775 and 691,369 shares as of June 30, 2016 and December 31, 2015, respectively. The denominator for the calculation

is 30,508,005 and 30,871,355 as of June 30, 2016 and December 31, 2015, respectively.

(2) Pursuant to updated accounting guidance adopted on January 1, 2016 on consolidation of variable interest entities, we deconsolidated and recorded fair value adjustments on RREF CDO 2006-1 of ($1.5 million) or ($0.05) per share, RREF CDO 2007-1 of ($9.8 million) or ($0.32) per share and Apidos Cinco CDO of ($5.6 million) or ($0.18) per share reflected in book value as of June 30, 2016.

(3) Under our repurchase plan, we purchased 2.7 million shares for $33.9 million through June 30, 2016, including 703,000 shares or $8.0 million during the six months ended June 30, 2016.

(4) Includes issuance of common shares from our dividend reinvestment plan of 6,000 shares and 255,000 net change of unvested shares of restricted stock.

(5) Book value allocable to common shares is calculated as total stockholders' equity of $777.6 million less preferred stock equity of $270.1 million as of June 30, 2016.

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Balance Sheet - Economic Book Value Reconciliation [2]

	June 30, 2016
Total stockholders' equity per GAAP [1]	$ 777,561
Preferred stock equity	(270,087)
Stockholders' equity allocable to common shares	507,474
Add:	
Deconsolidation of RREF CDO 2006-1 [3] [4]	370
Deconsolidation of RREF CDO 2007-1 [3] [4]	9,492
Deconsolidation of Apidos Cinco CDO [3] [4]	3,953
Net unrealized losses - investment securities available-for-sale and derivatives [5]	700
Economic book value	$ 521,989
Shares outstanding	30,508,005
Economic book value per share	$ 17.11

(1) Book value allocable to common shares is calculated as total stockholders' equity of $777.6 million less preferred stock equity of $270.1 million as of June 30, 2016.

(2) Our management views economic book value, a non-GAAP measure, as a useful and appropriate supplement to GAAP stockholders' equity and book value per share. This serves as an additional measure of our value because it facilitates evaluation of our balance sheet without the effects of unrealized losses on investments and derivatives, for which we expect to recover net realizable value at maturity, in excess of our value at risk. Unrealized losses that are in excess of our maximum value at risk and unrealized net discounts on loans and securities are added back to stockholders' equity in arriving at economic book value. Economic book value should be reviewed in connection with GAAP stockholders' equity as set forth in our consolidated balance sheets, to help analyze our value to investors. Economic book value is defined in various ways throughout the REIT industry. Investors should consider these differences when comparing our economic book value to that of other REITs.

(3) Effective January 1, 2016, we deconsolidated RREF CDO 2006-1, RREF CDO 2007-1 and Apidos Cinco CDO upon the adoption of new accounting guidance. We retain investment securities and preferred interests in the CDO vehicles, which we account for as investments securities, available-for-sale. The reduction to retained earnings of $16.9 million represents the effect of marking these investments to market as of the date of the required adoption and represents discounts to par due to illiquidity premiums and other market forces and are expected to be recovered over time as the investments approach their respective maturities. On April 25, 2016 we called RREF CDO 2006-1 and in exchange for RSO's equity notes and preference shares, received the remaining collateral. We recorded the collateral of RREF CDO 2006-1 at fair market value. This resulted in recording a gain on acquisition of $846,000 during the three months ended June 30, 2016 and there remains an unamortized discount of $370,000 as of June 30, 2016 on the original $1.5 million charge to retained earnings related to the valuation of RREF CDO 2006-1 as of January 1, 2016.

(4) We will recognize the excess of all cash flows attributable to the beneficial interest estimated at the date of the required adoption over the fair value of the investment (the accretable yield) at January 1, 2016, as interest income over the life of the beneficial interest using the effective interest method. The cash flows are subject to changes in prepayment speeds and potential impairments of the underlying investments, which would have an impact on the net realizable value and future income. These assumptions are reviewed quarterly.

(5) We add back unrealized net accretion of securities that will be accreted into interest income over the lives of the securities using the effective interest method, adjusted for the effects of estimated prepayments. If the investment is purchased at a discount or at a premium, the effective interest is computed based on the contractual interest rate increased for the accretion of a purchase discount or decreased for the amortization of a purchase premium. The effective interest method requires us to make estimates of future prepayment rates for its investments that can be contractually prepaid before their contractual maturity date so that the purchase discount can be accreted, or the

purchase premium can be amortized, over the estimated remaining life of the investment. The cash flows are subject to changes in prepayment speeds and potential impairments of the underlying investments, which would have an impact on the net realizable value and future income. These assumptions are reviewed quarterly.

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Funds from Operations

We evaluate our performance based on several performance measures, including funds from operations, or FFO, and adjusted funds from operations, or AFFO, in addition to net income. We compute FFO in accordance with the standards established by the National Association of Real Estate Investment Trusts as net income (computed in accordance with GAAP), excluding gains or losses on the sale of depreciable real estate, the cumulative effect of changes in accounting principles, real estate-related depreciation and amortization, and after adjustments for unconsolidated/uncombined partnerships and joint ventures.

AFFO is a computation made by analysts and investors to measure a real estate company's operating performance. We calculate AFFO by adding or subtracting from FFO the impact of non-cash accounting items as well as the effects of items that we deem to be non-recurring in nature. We deem transactions to be non-recurring if a similar transaction has not occurred in the past two years, and if we do not expect a similar transaction to occur in the next two years. We adjust for these non-cash and nonrecurring items to analyze our ability to produce cash flow from on-going operations, which we use to pay dividends to our shareholders. Non-cash adjustments to FFO include the following: impairment losses resulting from fair value adjustments on financial instruments; provisions for loan losses; equity investment gains and losses; straight-line rental effects; share based compensation expense; amortization of various deferred items and intangible assets; gains on sales of property that are wholly owned or owned through a joint venture; the cash impact of capital expenditures that are related to our real estate owned; and REIT tax planning adjustments, which primarily relate to accruals for owned properties for which we made a foreclosure election and adjustments to tax estimates with respect to the final resolution of foreclosed property when it is listed for sale. In addition, we calculate AFFO by adding and subtracting from FFO the realized cash impacts of the following: extinguishment of debt, reissuances of debt, sales of property and capital expenditures.

Management believes that FFO and AFFO are appropriate measures of our operating performance in that they are frequently used by analysts, investors and other parties in the evaluation of REITs. Management uses FFO and AFFO as measures of its operating performance, and believes they are also useful to investors because they facilitate an understanding of our operating performance apart from non-cash and non-recurring items, which may not necessarily be indicative of current operating performance and that may not allow accurate period to period comparisons of our operating performance.

While our calculations of AFFO may differ from the methodology used for calculating AFFO by other REITs and our FFO and AFFO may not be comparable to FFO and AFFO reported by other REITs, we also believe that FFO and AFFO may provide us and our investors with an additional useful measure to compare our performance with some other REITs. Neither FFO nor AFFO is equivalent to net income or cash generated from operating activities determined in accordance with GAAP. Furthermore, FFO and AFFO do not represent amounts available for management's discretionary use because of needed capital replacement or expansion, debt service obligations or other commitments or uncertainties. Neither FFO nor AFFO should be considered as an alternative to GAAP net income as an indicator of our operating performance or as an alternative to cash flow from operating activities as a measure of its liquidity.

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The following table reconciles GAAP net income (loss) to FFO and AFFO for the periods presented (in thousands):

	For the Three Months Ended June 30,				For the Six Months Ended June 30,			
	2016	Per Share Data	2015	Per Share Data	2016	Per Share Data	2015	Per Share Data
Net income (loss) allocable to common shares - GAAP	$(1,536)	$(0.05)	$(31,011)	$(0.94)	$8,137	$0.26	$(21,609)	$(0.66)
Adjustments:								
(Gains) losses on sales of property (1)	(10)	—	(22)	—	(32)	—	—	—
FFO allocable to common shares	(1,546)	(0.05)	(31,033)	(0.94)	8,105	0.26	(21,609)	(0.66)
Adjustments:								
Non-cash items:								
Provision (recovery) for loan losses	1,277	0.04	38,117	1.16	1,420	0.05	41,741	1.27
Amortization of deferred costs (non real estate) and intangible assets	3,321	0.11	2,986	0.09	6,491	0.21	5,853	0.18
Amortization of discount on convertible senior notes	705	0.02	633	0.02	1,415	0.05	949	0.03
Acceleration of deferred debt issuance costs from sale of Northport loans	2,560	0.08	—	—	2,560	0.08	—	—
Equity investment (gains) losses	(933)	(0.03)	(350)	(0.01)	(2,344)	(0.08)	(402)	(0.01)
Share-based compensation	1,415	0.05	791	0.02	2,678	0.09	1,786	0.06
Impairment losses	—	—	—	—	—	—	59	—
Unrealized losses (gains) on CMBS marks - linked transactions (2)	—	—	—	—	—	—	(235)	—
Unrealized (gains) losses on trading portfolio	(183)	(0.01)	(155)	—	(118)	(0.01)	(1,319)	(0.04)
Unrealized (gains) losses on foreign exchange transactions	(80)	—	5,510	0.17	(246)	(0.01)	4,851	0.15
Unrealized (gains) losses on derivatives	(834)	(0.03)	—	—	(2,212)	(0.07)	1,075	0.03
Loss on resale of debt	—	—	171	0.01	—	—	1,071	0.03
Change in mortgage servicing rights valuation reserve	2,300	0.08	(800)	(0.02)	4,800	0.16	(250)	(0.01)
Change in residential loan warranty reserve	213	0.01	400	—	332	0.01	400	0.01
Dead deal costs	—	—	—	—	—	—	399	0.01
REIT tax planning adjustments	—	—	—	—	—	—	317	0.01
Cash items:								
Gains (losses) on sale of property (1)	10	—	22	—	32	—	—	—
Gains (losses) on extinguishment of debt	6,303	0.21	3,765	0.11	6,303	0.21	6,645	0.20
AFFO allocable to common shares	$14,528	$0.48	$20,057	$0.61	$29,216	$0.95	$41,331	$1.26
Weighted average shares – diluted	30,410		32,852		30,724		32,833	
AFFO per share – diluted	$0.48		$0.61		$0.95		$1.26	

(1)

Amount represents gains/losses on sales of owned real estate as well as sales of joint venture real estate interests that were recorded by us on an equity basis.

(2) Due to a change in accounting guidance, as of January 1, 2015, the concept of linked transactions no longer exists.

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Liquidity and Capital Resources

During the six months ended June 30, 2016, our principal sources of liquidity were: liquidation of our investment in CVC Global Opportunities Fund, LP which returned $8.6 million of principal in January 2016, proceeds from our CRE securitizations which purchased future funding commitments utilizing repaid principal of $9.0 million, $114.6 million of repayments on our Northport LLC middle market loan portfolio and cash flow from operations. These sources of liquidity principally provided the $65.2 million of unrestricted cash we held at June 30, 2016. In addition, we had capital available through a CMBS term facility to help finance the purchase of CMBS securities of $77.4 million and $367.4 million combined from two CRE term facilities for the origination of commercial real estate loans.

On February 27, 2012, we entered into a master repurchase and securities agreement (the "Wells CRE Facility") with Wells Fargo Bank, NA to finance the origination of commercial real estate loans. On October 31, 2014, we agreed to a modification of the terms of the Wells CRE Facility. The modification increases the facility maximum by $150.0 million to $400.0 million. On July 21, 2016, we agreed to a modification of the terms of the Wells CRE Facility. The modification extends the facility's maturity date to July 21, 2018, subject to three one-year extension rights which may extend the maturity to July 21, 2021. The amendment also modified certain financing rates and required debt yields. We paid extension fees as well as other reasonable closing costs.

On September 20, 2015, we entered into a master repurchase and securities agreement (the "Morgan Stanley Facility") with Morgan Stanley Bank, NA to finance the origination of commercial real estate loans. We paid a commitment fee of 0.65% of the maximum facility amount, as well as other standard closing costs. The Morgan Stanley Facility has a maximum capacity of $250.0 million and an initial three year term that expires on September 10, 2018 with annual one year extension options.

In February 2011, we entered into a master repurchase and securities agreement ("Wells CMBS Facility") to finance the purchase of CMBS. The maximum amount of the Wells CMBS Facility is $100.0 million which had an original two year term with a one year option to extend. In April 2014, we agreed to a third amendment of the facility, which extended the termination date to January 31, 2016. In May 2015, we agreed to a fourth amendment of the facility, which extended the termination date to January 31, 2017. We may enter into interest rate swaps and cap agreements for securities whose average life exceeds two years to mitigate interest rate risk under the Wells CMBS Facility.

During the second quarter 2015, we entered into the first and second amendments of Northport LLC's Senior Secured Revolving Credit Agreement, or Northport Credit Facility, which increased the original commitment from $225.0 million to $300.0 million and secured $85.0 million of additional availability, bringing the total available under the Northport Credit Facility to $225.0 million as of June 30, 2016. As of June 30, 2016, $144.0 million was outstanding on the Northport Credit Facility. Under the first amendment both the ability to access to draws on the Northport Credit Facility and maturity have been extended six months until March 31, 2018 and March 31, 2019, respectively. At June 30, 2016, there was an unused balance of $81.0 million on the facility. On August 1, 2016, we entered into a purchase agreement to sell its interest in Northport LLC for $247.0 million. The transaction, which closed on August 4, 2016, included substantially all of the direct origination middle market loans and one syndicated loan with a par balance of $257.0 million and the assumption of the J. P. Morgan Senior Secured Credit Facility, for net proceeds of approximately $102.0 million.

During the year ended December 31, 2015, our principal sources of liquidity were: net proceeds from our 8.0% convertible notes offering on January 13, 2015 of $97.0 million, the return of equity at the close of RCC 2015-CRE3 on February 24, 2015 of $78.0 million, the return of equity at the close of RCC 2015-CRE4 on August 18, 2015 of $29.7 million, liquidation of Moselle CLO S.A. which returned $30.0 million (which included $1.0 million of proceeds from forward currency contracts), liquidation of Apidos CDO III in June 2015 which returned $12.8 million of principal, cash flow from operations and $3.0 million of net proceeds from the sale of our 8.25% Series B Preferred Stock through our at the market, or ATM, program in January 2015. These sources of liquidity principally provided the our $78.8 million of unrestricted cash we held at December 31, 2015. In addition, we had capital available through a CMBS term facility to help finance the purchase of CMBS securities of $74.4 million and $425.0 million combined from two CRE term facilities for the origination of commercial real estate loans.

Our on-going liquidity needs consist principally of funds to make investments, make debt repurchases, make distributions to our stockholders and pay our operating expenses, including management fees. Our ability to meet our on-going liquidity needs will be subject to our ability to generate cash from operations and, with respect to our investments, our ability to maintain and/or obtain additional debt financing and equity capital together with the funds referred to above.

Since December 2013, we have met a significant portion of our debt funding requirements for CRE loans through securitizations. In February 2015, we closed a $346.2 million CRE securitization, and in August 2015, we closed a $312.9 million CRE securitization, which brings our total to just in excess of $1.3 billion of mortgage loans financed during that period. We expect to derive substantial operating cash from our equity investments in the four newest securitizations, which do not have the

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same asset and interest coverage tests as are required by our CDOs. These CRE securitizations do not have reinvestment periods; however, principal payments, for a stipulated period, may be used to purchase funding participations with respect to existing collateral held outside of the securitizations. This will allow us to recycle some capital repaid and convert the designated principal for funded companion participation acquisition cash which would otherwise be used to pay down the most senior notes and reduce leverage and potential returns within the securitization.

Historically, we have financed a substantial portion of our portfolio investments through securitized notes that essentially match the maturity and repricing dates of these financing vehicles with the maturities and repricing dates of our investments, and, in view of current market conditions, we may continue to seek this type of securitization financing. We derive substantial operating cash from our equity investments in our securitizations which, if the securitizations fail to meet certain tests, will cease. Through June 30, 2016, we have not experienced difficulty in maintaining our existing securitized note financing and have passed all of the critical tests required by these financings. However, we cannot assure you that we will continue securitization financing to meet all such critical tests in the future. If we are unable to renew, replace or expand our sources of existing financing on substantially similar terms, we may be unable to implement our investment strategies successfully and may be required to liquidate portfolio investments. If required, a sale of portfolio investments could be at prices lower than the carrying value of such assets, which would result in losses and reduced income.

The following table sets forth the distributions made and coverage test summaries for each of our securitizations for the periods presented (in thousands):

Name	Cash Distributions		Annualized Interest Coverage Cushion	Overcollateralization Cushion	
	Six Months Ended June 30,	Year Ended December 31,	As of June 30,	As of June 30,	As of Initial Measurement Date
	2016	2015	2016 (1) (2)	2016 (3)	
Apidos Cinco CDO (4)	$1,733	$ 6,336	$ 3,956	$ 20,860	$ 17,774
RREF CDO 2006-1 (4) (9)	$1,394	$ 3,451	$ —	$ —	$ 24,941
RREF CDO 2007-1 (4)	$1,001	$ 6,102	$ 15,250	$ 67,491	$ 26,032
RCC CRE Notes 2013	$2,217	$ 9,129	N/A	N/A	N/A
RCC 2014-CRE2 (5)	$6,894	$ 15,826	N/A	$ 50,660	$ 20,663
RCC 2015-CRE3 (6)	$5,954	$ 9,186	N/A	$ 26,092	$ 20,313
RCC 2015-CRE4 (7)	$6,024	$ 3,291	N/A	$ 9,397	$ 9,397
Moselle CLO S.A. (8)	$183	$ 29,099	N/A	N/A	N/A

(1) Interest coverage includes annualized amounts based on the most recent trustee statements.

(2) Interest coverage cushion represents the amount by which annualized interest income expected exceeds the annualized amount payable on all classes of securitization notes senior to our preference shares.

(3) Overcollateralization cushion represents the amount by which the collateral held by the securitization issuer exceeds the maximum amount required.

(4) Apidos Cinco CDO, RREF CDO 2006-1, and RREF CDO 2007-1 were deconsolidated as a result of the new consolidation accounting guidance adopted effective January 1, 2016.

(5) Resource Capital Corp. 2014-CRE2 has no reinvestment period; however, principal repayments, for a period ending in July 2016, may be designated to purchase loans held outside of the securitization that represent the funded commitments of existing collateral in the securitization that were not funded as of the date the securitization was closed. Additionally, the indenture contains no interest coverage test provisions.

(6)

Resource Capital Corp. 2015-CRE3 closed on February 24, 2015; the first distribution was in March 2015. There is no reinvestment period; however, principal repayments, for a period ending in February 2017, may be designated to purchase loans held outside of the securitization that represent the funded commitments of existing collateral in the securitization that were not funded as of the date the securitization was closed. Additionally, the indenture contains no interest coverage test provisions.

(7) Resource Capital Corp. 2015-CRE4 closed on August 18, 2015; the first distribution was in September 2015. There is no reinvestment period; however, principal repayments, for a period ending in September 2017, may be designated to purchase loans held outside of the securitization that represent the funded commitments of existing collateral in the securitization that were not funded as of the date the securitization was closed. Additionally, the indenture contains no interest coverage test provisions.

(8) Moselle CLO S.A. was acquired on February 24, 2014 and the reinvestment period for this securitization expired prior to the acquisition. In the fourth quarter of 2014 we began to liquidate Moselle CLO S.A. and, by January 2015, all of the assets were sold.

(9) RREF CDO 2006-1 was liquidated on April 25, 2016 and as a result, all $66.3 million of the remaining assets were returned to RSO in exchange for our preference shares and equity notes in the securitization.

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At June 30, 2016, our liquidity is derived from three primary sources:

- unrestricted cash and cash equivalents of $65.2 million and restricted cash of $30,000 in margin call accounts;
- capital available for reinvestment in two of our CRE securitizations of $6.3 million; and
- loan principal repayments of $178,000 that will pay down outstanding CLO note balances, as well as interest collections of $113,000. In addition, we had $197,000 in restricted deposits related to certain of our investments.

We also had $240.7 million and $126.7 million, respectively, available through two term financing facilities to finance the origination of CRE loans, and $77.4 million available through a term financing facility to finance the purchase of CMBS.

Our leverage ratio, defined as the ratio of borrowings to stockholders' equity may vary as a result of the various funding strategies we use. As of June 30, 2016 and December 31, 2015, our leverage ratio was 2.0 times and 2.3 times, respectively. Our leverage has decreased primarily as a result of the deconsolidation of RREF CDO 2006-1, RREF CDO 2007-1 and Apidos Cinco CDO, offset by the reduction of stockholder's equity due to the fair value adjustment recorded through retained earnings on those deconsolidated entities, as well as repurchases of our common stock and Series B preferred stock.

Several of our legacy CDOs and CLOs have been liquidated over the last few years. This trend continued in 2016. On April 25, 2016, we called and liquidated our investment in RREF CDO 2006-1. Our one remaining legacy CRE securitization and one remaining bank loan securitization have seen substantial pay downs of notes issued under their indentures as the underlying collateral has paid down or paid off in full. The table and footnotes below indicate what remains in these legacy securitizations as well as our remaining equity and, in the case of our legacy CRE CDO, our share of notes repurchased and discounted purchase price of those notes. In the case of the CRE CDO, we expect to have loan assets distributed to us once the outstanding notes held by third parties have been paid off. Once the loan assets are distributed we expect to be able to finance the loan assets on existing credit facilities.

The following tables presents the legacy securitizations' (deconsolidated at January 1, 2016) remaining equity as of June 30, 2016:

Name of Securitization	Fair Value of Asset Collateral	Cash	Total Assets	Outstanding Notes Held by Third Parties (at par)	Net Equity Held by RSO
RREF CDO 2007-1 (1)	$165,249	$—	$165,249	$ 44,471	$120,778
Apidos Cinco CDO	$96,226	$6,389	$102,615	$ 82,139	$20,476

(1) Subsequent to the closing of the securitization, we purchased notes in RREF CDO 2007-1 at substantial discounts to par and certain of those notes had either been repaid or canceled. Of those repurchased notes that have not been repaid, cash gains on the extinguishment of debt of $13.8 million has not been recognized in AFFO as of June 30, 2016 on $20.3 million of notes purchased at a weighted average price of $31.81. Additionally, of those notes that were not canceled and included in the net equity held by RSO are $26.0 million of notes purchased at a weighted average price of $32.40 with $17.6 million that has not been recognized in AFFO as of June 30, 2016.

Subsequent to the closing of the securitization, we purchased notes in RREF CDO 2006-1 at substantial discounts to par and certain of those notes had either been repaid or canceled. Of those repurchased notes that have not been repaid or canceled, cash gains on the extinguishment of debt of $21.4 million has not been recognized in AFFO prior to liquidation on $32.4 million of notes purchased at a weighted average price of $33.85. We then were able to finance a portion of the collateral after liquidation and recorded a cash gain on extinguishment adjustment of $6.3 million during the three months ended June 30, 2016 and $15.1 million of cash gains remain.

Distributions

In order to maintain our qualification as a REIT and to minimize corporate-level income tax on our income, we intend to make regular quarterly distributions of all or substantially all of our net REIT taxable income to holders of our common stock. This requirement can impact our liquidity and capital resources.

The following tables present dividends declared (on a per share basis) for the three and six months ended June 30, 2016 and the year ended December 31, 2015.

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Common Stock

	Date Paid	Total Dividend Paid (in thousands)	Dividend Per Share
2016			
March 31	April 28	$ 13,073	$ 0.42
June 30	July 28	$ 13,051	$ 0.42
2015			
March 31	April 28	$ 21,444	$ 0.64
June 30	July 28	$ 21,426	$ 0.64
September 30	October 28	$ 20,667	$ 0.64
December 31	January 28, 2016	$ 13,274	$ 0.42

Preferred Stock

Series A				Series B			Series C		
	Date Paid	Total Dividend Paid (in thousands)	Dividend Per Share	Date Paid	Total Dividend Paid (in thousands)	Dividend Per Share	Date Paid	Total Dividend Paid (in thousands)	Dividend Per Share
2016									
March 31	May 2	$ 568	$0.531250	May 2	$ 2,859	$0.515625	May 2	$ 2,588	$0.539063
June 30	August 1	$ 568	$0.531250	August 1	$ 2,859	$0.515625	August 1	$ 2,588	$0.539063
2015									
March 31	April 30	$ 568	$0.531250	April 30	$ 2,960	$0.515625	April 30	2,588	0.539063
June 30	July 30	$ 568	$0.531250	July 30	$ 2,960	$0.515625	July 30	$ 2,588	$0.539063
September 30	October 30	$ 568	$0.531250	October 30	$ 2,960	$0.515625	October 30	$ 2,588	$0.539063
December 31	February 1, 2016	$ 568	$0.531250	February 1, 2016	$ 2,960	$0.515625	February 1, 2016	$ 2,588	$0.539063

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Contractual Obligations and Commitments

	Contractual Commitments [8] (dollars in thousands) Payments due by Period				
	Total	Less than 1 year	1 - 3 years	3- 5 years	More than 5 years
CRE Securitizations	$634,553	$—	$—	$—	$634,553
Repurchase Agreements[1]	538,266	511,968	26,298	—	—
Unsecured Junior Subordinated Debentures [2]	51,521	—	—	—	51,521
6.0 % Convertible Notes [3]	110,924	—	110,924	—	—
8.0 % Convertible Notes [4]	95,955	—	—	95,955	—
Unfunded Commitments on CRE Loans [5]	78,842	—	78,842	—	—
Revolver Draws Available on Middle Market Loans [6]	7,079	2,702	3,425	952	—
Base Management Fees [7]	11,942	11,942	—	—	—
Senior Secured Revolving Credit Facility	144,000	—	144,000	—	—
Pearlmark Mezz IV L.P. [9]	40,664	—	—	40,664	—
Total	$1,713,746	$526,612	$363,489	$137,571	$686,074

(1) Contractual commitments include $552,000 of interest expense payable through the maturity dates on our repurchase agreements.

(2) Contractual commitments do not include $29.5 million and $30.3 million of estimated interest expense payable through the maturity dates of June 2036 and October 2036, respectively, on our trust preferred securities.

(3) Contractual commitments do not include $17.5 million of interest expense payable through the maturity date of December 1, 2018 on our 6.0% Convertible Senior Notes.

(4) Contractual commitments do not include $32.5 million of interest expense payable through the maturity date of January 15, 2020 on our 8.0% Convertible Senior Notes.

(5) Unfunded commitments on our originated CRE loans generally fall into two categories: (1) pre-approved capital improvement projects; and (2) new or additional construction costs subject, in each case, to the borrower meeting specified criteria. Upon completion of the improvements or construction, we would receive additional loan interest income on the advanced amount.

(6) The financing or credit agreements on our originated middle market loans, in some cases, allow for subsequent advances. All advances require compliance with the contractual criteria and terms as specifically described in the individual financing or credit agreement, and therefore are subject to the approval of the appropriate portfolio manager. Loans earn income, typically in the form of interest and fees, as specifically outlined in the documentation of each loan.

(7) Calculated only for the next 12 months based on our current equity, as defined in our management agreement. Our management agreement also provides for an incentive fee arrangement that is based on operating performance. Because the incentive fee is not a fixed and determinable amount, it is not included in this table.

(8) Contractual commitments on borrowings are presented net of deferred debt issuance costs.

(9) We have committed to invest up to $50.0 million in Pearlmark Mezzanine Realty Partners IV, L.P. The commitment termination date ends the earlier of when the original commitment is fully funded, or the fifth anniversary following the final closing date of June 24, 2015.

Off-Balance Sheet Arrangements

General

As of June 30, 2016, we did not maintain any relationships with unconsolidated entities or financial partnerships that were established for the purpose of facilitating off-balance sheet arrangements or contractually narrow or limited purposes, although we do have interests in unconsolidated entities not established for those purposes. Except as set forth below, as of June 30, 2016, we had not guaranteed obligations of any such unconsolidated entities or entered into any commitment or letter of intent to provide additional funding to any such entities.

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Unfunded Commercial Real Estate Loan Commitments

In the ordinary course of business, we make commitments to borrowers whose loans are in our commercial real estate loan portfolio to provide additional loan funding in the future. These commitments generally fall into two categories: (1) pre-approved capital improvement projects; and (2) new or additional construction costs. Disbursement of funds pursuant to these commitments is subject to the borrower meeting pre-specified criteria. Upon disbursement of funds, we receive loan interest income on any such advanced funds. As of June 30, 2016, we had 43 loans with unfunded commitments totaling $78.8 million, which we intend to fund through principal repayments on other loans in our portfolio and the ability to fund in our newest securitizations within a specified time period and cash flow from normal operating activities. These commitments are subject to the same underwriting requirements and ongoing portfolio maintenance as are the on-balance sheet financial instruments that we hold. Since these commitments may expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements.

Unfunded Middle Market Loan Commitments

During the year ended December 31, 2013, we began originating middle-market loans through RCC Commercial, Inc. and Resource TRS, LLC. In September 2014, RCC Commercial and Resource TRS, LLC transferred all of the middle-market loans to a newly formed subsidiary of ours, Northport LLC. Resource America is paid origination fees in connection with our middle-market lending operations, and such fees may not exceed 2% of the loan balance for any loan originated. The executed agreements between us and borrowers within our portfolio contain commitments to provide additional loan funding in the future. These commitments generally fall into two categories: (1) revolving credit facility; and (2) unfunded commitments. Disbursement of funds pursuant to these commitments are subject to the borrower meeting pre-specified criteria and in some instances at our discretion. Upon disbursement of funds, we receive loan interest income on any such advanced funds. As of June 30, 2016, we had four loans with unfunded commitments totaling $7.1 million, all of which would be funded by Northport LLC. On August 1, 2016, we entered into an agreement to sell substantially all of our direct loans in our middle market portfolio. At the time of the sale, there were three loans with unfunded commitments totaling $4.4 million, of which, we will have a remaining commitment of $950,000. We intend to fund these commitments through cash flow from normal operating activities. Since these commitments may expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements.

ITEM 3 . QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of June 30, 2016, the primary component of our market risk was interest rate risk, as described below. While we do not seek to avoid risk completely, we do seek to assume risk that can be quantified from historical experience, to actively manage that risk, to earn sufficient compensation to justify assuming that risk and to maintain capital levels consistent with the risk we undertake or to which we are exposed.

Effect on Fair Value

A component of interest rate risk is the effect changes in interest rates will have on the fair value of our assets. We face the risk that the fair value of our assets will increase or decrease at different rates than that of our liabilities, including our hedging instruments.

We primarily assess our interest rate risk by estimating the duration of our assets and the duration of our liabilities. Duration essentially measures the market price volatility of financial instruments as interest rates change. We generally calculate duration using various financial models and empirical data. Different models and methodologies can produce different duration numbers for the same securities.

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The following sensitivity analysis tables present, at June 30, 2016 and December 31, 2015, the estimated impact on the fair value of our interest rate-sensitive investments and liabilities of changes in interest rates, assuming rates instantaneously fall 100 basis points and rise 100 basis points (dollars in thousands):

	June 30, 2016		
	Interest rates fall 100 basis points	Unchanged	Interest rates rise 100 basis points
CMBS – private placement[1]:			
Fair value	$77,720	$77,323	$76,934
Change in fair value	$397	$—	$(389)
Change as a percent of fair value	0.51%	—%	(0.50)%

	December 31, 2015		
	Interest rates fall 100 basis points	Unchanged	Interest rates rise 100 basis points
CMBS – private placement[1]:			
Fair value	$145,175	$144,178	$143,201
Change in fair value	$997	$—	$(977)
Change as a percent of fair value	0.69%	—%	(0.68)%
Hedging instruments:			
Fair value	$(4,713)	$(3,459)	$(1,704)
Change in fair value	$(1,254)	$—	$1,755
Change as a percent of fair value	(36.25)%	—%	50.74%

(1)Includes the fair value of available-for-sale investments that are sensitive to interest rate change.

For purposes of the table, we have excluded our investments with variable interest rates that are indexed to LIBOR. Because the variable rates on these instruments are short-term in nature, we are not subject to material exposure to movements in fair value as a result of changes in interest rates.

It is important to note that the impact of changing interest rates on fair value can change significantly when interest rates change beyond 100 basis points from current levels. Therefore, the volatility in the fair value of our assets could increase significantly when interest rates change beyond 100 basis points from current levels. In addition, other factors impact the fair value of our interest rate-sensitive investments and hedging instruments, such as the shape of the yield curve, market expectations as to future interest rate changes and other market conditions. Accordingly, in the event of changes in actual interest rates, the change in the fair value of our assets would likely differ from that shown above and such difference might be material and adverse to our stockholders.

Risk Management

To the extent consistent with maintaining our status as a REIT, we seek to manage our interest rate risk exposure to protect our portfolio of fixed-rate commercial real estate mortgages and CMBS and related debt against the effects of major interest rate changes. We generally seek to manage our interest rate risk by:

- monitoring and adjusting, if necessary, the reset index and interest rate related to our mortgage-backed securities and our borrowings;
- attempting to structure our borrowing agreements for our CMBS to have a range of different maturities, terms, amortizations and interest rate adjustment periods; and
- using derivatives, financial futures, swaps, options, caps, floors and forward sales, to adjust the interest rate sensitivity of our fixed-rate commercial real estate mortgages and CMBS and our borrowing which we discuss in "Financial Condition-Hedging Instruments."

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ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Securities Exchange Act of 1934 reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Under the supervision of our Chief Executive Officer and Chief Financial Officer, we have carried out an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the three and six months ended June 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II
ITEM 1. LEGAL PROCEEDINGS

In September 2015, Daren Levin filed a putative class action in the United States District Court for the Southern District of New York on behalf of all persons who purchased our common stock between March 2, 2015 and August 4, 2015. In November 2015, the Court appointed Douglas Drees as the lead plaintiff in the action, and thereafter entered a stipulation and order directing the lead plaintiff to file an amended complaint. In February 2016, the lead plaintiff filed an amended complaint, alleging that we and certain of our officers and directors materially misrepresented certain risks of our commercial loan portfolio and our processes and controls for assessing the quality of our portfolio. Based on these allegations, the amended complaint asserts claims for violation of the securities laws and seeks a variety of relief, including unspecified monetary damages as well as costs and attorneys' fees. We believe the amended complaint is without merit and intend to defend ourselves vigorously. In April 2016, we filed a motion to dismiss the amended complaint, which remains pending.

In December 2015, Josh Reaves filed a shareholder derivative suit in the Supreme Court of New York alleging that our directors and certain officers breached their fiduciary duties by causing us to misrepresent certain risks of our commercial loan portfolio, by failing to employ adequate internal and financial controls, and by failing to disclose the alleged internal control deficiencies. The complaint purports to seek relief on behalf of us for unspecified damages as well as costs and attorneys' fees. We believe that the plaintiff, who failed to make a pre-suit demand on the board of directors, lacks standing to assert claims derivatively on our behalf, and we intend to respond accordingly. In April 2016, the parties entered into a stipulation staying this proceeding until such time as the court has ruled on the pending motion to dismiss the Levin action referenced above or certain other triggering events occur.
PCM is a party to various claims and legal proceedings at various times. If PCM believes that a loss arising from any of these matters is probable and can be reasonably estimated, the loss is recorded. Some of these claims may relate to claims for repurchases or indemnifications on loans that PCM has sold to investors. Such claims are included in the reserve for mortgage repurchases and indemnifications. There was no additional accrual for litigation outcomes as of June 30, 2016 or December 31, 2015.
On May 13, 2014, ResCap Liquidating Trust ("ResCap") as successor to Residential Funding Company, LLC ("RFC"), filed an adversary proceeding against PCM in United States Bankruptcy Court of the Southern District of New York. ResCap has sued some 90 sellers of residential mortgage loans for alleged breaches of warranty in various loans sold to RFC. RFC contends that such breaches caused it damages from loan losses and liability to other transferees of the loans. The case remains pending and has been consolidated with other cases for discovery and pre-trial purposes. PCM intends to defend the action vigorously.

Loans on one-to-four family residential mortgages originated by PCM are sold to various financial institutions and governmental entities with representations and warranties that are usual and customary for the industry. In the event of a breach of any of the representations and warranties related to a loan sold, PCM may be required to indemnify the investor against future losses, repurchase the mortgage loan or reimburse the investor for actual losses incurred (referred to as "make whole payments"). The maximum exposure to credit loss in the event of an indemnification or loan repurchase would be the unpaid principal balance of the loan along with any premium paid by the investor when the loan was purchased, accrued but unpaid interest and other minor cost reimbursements. This maximum exposure is at least partially mitigated by the value of the collateral underlying the mortgage loan.

As of June 30, 2016, outstanding demands for indemnification, repurchase or make whole payments totaled approximately $20.5 million, of which a substantial portion related to loans sold to four investors prior to 2011. Furthermore, a significant portion of these demands are involved in litigation with the investor.

On February 3, 2016, Lehman Brothers Holding, Inc. ("LBHI") filed an adversary proceeding against PCM in United States Bankruptcy Court of the Southern District of New York. LBHI has sued approximately 145 sellers of residential mortgage loans for alleged breaches of warranty in various loans sold to it. LBHI contends that such breaches caused it damages from loan losses and liability to other transferees of the loans. PCM intends to defend the action vigorously.

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ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On August 3, 2015, our Board of Directors authorized a program to repurchase up to $50.0 million of its outstanding equity and debt securities. In March 2016, the Company's board of directors approved a new securities repurchase program for up to $50.0 million of its outstanding securities, which replaced the August 2015 repurchase plan.
The following tables provide information about our common and 8.25% Series B Preferred Stock repurchases made during the six months ended June 30, 2016 in accordance with the previously mentioned stock repurchase program:
Common Stock

Period	Total Number of Shares Purchased	Average Price Paid per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans of Programs
January 2016	196,562	$ 12.81	196,562	$ 21,662,186
February 2016	198,979	$ 10.08	198,979	$ 19,662,182
March 2016	247,904	$ 11.14	247,904	$ 13,812,184
April 2016	22,013	$ 11.12	22,013	$ 13,567,967
May 2016	37,200	$ 12.61	37,200	$ 13,099,763
June 2016	—	$ —	—	$ 13,099,763
	702,658	$ 11.38	702,658	

(1) The average price per share as reflected above includes broker fees and commissions.

8.25% Series B Preferred Stock

Period	Total Number of Shares Purchased	Average Price Paid per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans of Programs
January 2016	—	$ —	—	$—
February 2016	—	$ —	—	$—
March 2016	195,900	$ 15.90	195,900	$ 13,812,184
April 2016	—	$ —	—	$—
May 2016	—	$ —	—	$—
June 2016	—	$ —	—	$—
	195,900	$ 15.90	195,900	

(1) The average price per share as reflected above includes broker fees and commissions.

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ITEM 6. EXHIBITS

Exhibit No.	Description
3.1(a)	Restated Certificate of Incorporation of Resource Capital Corp. (1)
3.1(b)	Articles of Amendment to Restated Certificate of Incorporation of Resource Capital Corp. (29)
3.1(c)	Articles Supplementary 8.50% Series A Cumulative Redeemable Preferred Stock. (16)
3.1(d)	Articles Supplementary 8.50% Series A Cumulative Redeemable Preferred Stock. (17)
3.1(e)	Articles Supplementary 8.25% Series B Cumulative Redeemable Preferred Stock. (18)
3.1(f)	Articles Supplementary 8.25% Series B Cumulative Redeemable Preferred Stock. (22)
3.1(g)	Articles Supplementary 8.625% Fixed-to-Floating Series C Cumulative Redeemable Preferred Stock. (9)
3.2	Amended and Restated Bylaws of Resource Capital Corp. (as Amended January 31, 2014) (12)
4.1(a)	Form of Certificate for Common Stock for Resource Capital Corp. (1)
4.1(b)	Form of Certificate for 8.50% Series A Cumulative Redeemable Preferred Stock. (13)
4.1(c)	Form of Certificate for 8.25% Series B Cumulative Redeemable Preferred Stock (18)
4.1(d)	Form of Certificate for 8.625% Fixed-to-Floating Series C Cumulative Redeemable Preferred Stock. (9)
4.2(a)	Junior Subordinated Indenture between Resource Capital Corp. and Wells Fargo Bank, N.A., dated May 25, 2006. (2)
4.2(b)	Amendment to Junior Subordinated Indenture and Junior Subordinated Note due 2036 between Resource Capital Corp. and Wells Fargo Bank, N.A., dated October 26, 2009 and effective September 30, 2009. (6)
4.3(a)	Amended and Restated Trust Agreement among Resource Capital Corp., Wells Fargo Bank, N.A., Wells Fargo Delaware Trust Company and the Administrative Trustees named therein, dated May 25, 2006. (2)
4.3(b)	Amendment to Amended and Restated Trust Agreement and Preferred Securities Certificate among Resource Capital Corp., Wells Fargo Bank, N.A. and the Administrative Trustees named therein, dated October 26, 2009 and effective September 30, 2009. (6)
4.4	Amended Junior Subordinated Note due 2036 in the principal amount of $25,774,000, dated October 26, 2009. (6)
4.5(a)	Junior Subordinated Indenture between Resource Capital Corp. and Wells Fargo Bank, N.A., dated September 29, 2006. (3)
4.5(b)	Amendment to Junior Subordinated Indenture and Junior Subordinated Note due 2036 between Resource Capital Corp. and Wells Fargo Bank, N.A., dated October 26, 2009 and effective September 30, 2009. (6)
4.6(a)	Amended and Restated Trust Agreement among Resource Capital Corp., Wells Fargo Bank, N.A., Wells Fargo Delaware Trust Company and the Administrative Trustees named therein, dated September 29, 2006. (3)
4.6(b)	Amendment to Amended and Restated Trust Agreement and Preferred Securities Certificate among Resource Capital Corp., Wells Fargo Bank, N.A. and the Administrative Trustees named therein, dated October 26, 2009 and effective September 30, 2009. (6)
4.7	Amended Junior Subordinated Note due 2036 in the principal amount of $25,774,000, dated October 26, 2009. (6)
4.8(a)	Senior Indenture between the Company and Wells Fargo Bank, National Association, as Trustee, dated October 21, 2013. (25)
4.8(b)	First Supplemental Indenture between the Company and Wells Fargo Bank, National Association, as Trustee (including the form of 6.00% Convertible Senior Note due 2018). (25)
4.8(c)	Form of 6.00% Convertible Senior Note due 2018 (included in Exhibit 4.8(b)).
4.8(d)	Second Supplemental Indenture, dated January 13, 2015, between Resource Capital Corp. and Wells Fargo Bank, National Association, as Trustee (including the form of 8.00% Convertible Senior Note due 2020). (20)

4.8(e)	Form of 8.00% Convertible Senior Note due 2020 (included in Exhibit 4.8(d)).
10.1(a)	Second Amended and Restated Management Agreement between Resource Capital Corp, Resource Capital Manager, Inc. and Resource America, Inc. dated as of June 13, 2012. (28)
10.1(b)	Amendment No.1 to Second Amended and Restated Management Agreement between Resource Capital Corp, Resource Capital Manager, Inc. and Resource America, Inc. dated as of November 7, 2013.(4)
10.2(a)	2005 Stock Incentive Plan. (1)
10.2(b)	Form of Stock Award Agreement. (8)
10.2(c)	Form of Stock Option Agreement. (8)
10.3(a)	Amended and Restated Omnibus Equity Compensation Plan. (7)
10.3(b)	Form of Stock Award Agreement. (27)
10.3(c)	Form of Stock Award Agreement (for employees with Resource America, Inc. employment agreements). (27)

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10.4	Services Agreement between Resource Capital Asset Management, LLC and Apidos Capital Management, LLC, dated February 24, 2011. (11)
10.5	8.50% Series A Cumulative Redeemable Preferred Stock, 8.25% Series B Cumulative Redeemable Preferred Stock, 8.625% Fixed-to-Floating Series C Cumulative Redeemable Preferred Stock At-the-Market Issuance Sales Agreement, dated November 19, 2014 among the Company, Resource Capital Manager Inc. and MLV & Co., LLC. (26)
10.6	Senior Secured Revolving Credit Agreement, dated September 18, 2014, among Northport TRS, LLC, as borrower, Resource Capital Corp., as guarantor, JP Morgan Chase Bank, N.A., as administrative agent, and the lenders thereto. (19)
10.7	Letter Agreement between Resource Capital Corp. and Resource America, Inc.
12.1	Statements re Computation of Ratios
31.1	Rule 13a-14(a)/Rule 15d-14(a) Certification of Chief Executive Officer.
31.2	Rule 13a-14(a)/Rule 15d-14(a) Certification of Chief Financial Officer.
32.1	Certification Pursuant to 18 U.S.C. Section 1350.
32.2	Certification Pursuant to 18 U.S.C. Section 1350.
99.1(a)	Master Repurchase and Securities Contract by and among RCC Commercial, Inc., RCC Real Estate Inc. and Wells Fargo Bank, National Association, dated February, 1, 2011. (10)
99.1(b)	Guaranty Agreement made by Resource Capital Corp. in favor of Wells Fargo Bank, National Association, dated February 1, 2011. (10)
99.2(a)	Master Repurchase and Securities Contract for $150,000,000 between RCC Real Estate SPE 4, LLC, as Seller, and Wells Fargo Bank, National Association, as Buyer, Dated February 27, 2012. (14)
99.2(b)	Guaranty made by Resource Capital Corp. as guarantor, in favor of Wells Fargo Bank, National Association, dated February 27, 2012 (14)
99.2(c)	First Amendment to Master Repurchase and Securities Contract and Other Documents between RCC Real Estate SPE 4, LLC, as seller, and Wells Fargo Bank, National Association, as buyer, dated April 2, 2013. (23)
99.3(a)	Master Purchase Agreement by and between RCC Real Estate SPE 5, LLC, as, master seller, and Deutsche Bank AG, Cayman Islands Branch, as buyer, dated as of July 19, 2013. (24)
99.4(a)	Master Repurchase and Securities Contract dated as of June 20, 2014 with Well Fargo Bank, National Association. (5)
99.4(b)	Guaranty Agreement dated as of June 20, 2014, made by Resource Capital Corp., as guarantor, in favor of Wells Fargo Bank, National Association. (5)
99.5(a)	Master Repurchase and Securities Contract Agreement between RCC Real Estate 6, LLC and Morgan Stanley Bank, NA, dated as of September 10, 2015. (30)
99.5(b)	Guarantee dated as of September 10, 2015, made by Resource Capital Corp., as guarantor, in favor of Morgan Stanley Bank, N.A. (30)
101	Interactive Data Files.

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(1) Filed previously as an exhibit to the Company’s registration statement on Form S-11, Registration No. 333-126517.
(2) Filed previously as an exhibit to the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.
(3) Filed previously as an exhibit to the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2006.
(4) Filed previously as an exhibit to the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2013.
(5) Filed previously as an exhibit to the Company’s Current Report on Form 8-K filed on June 26, 2014.
(6) Filed previously as an exhibit to the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2009.
(7) Filed previously as an exhibit to the Company’s Proxy Statement filed on April 16, 2014.
(8) Filed previously as an exhibit to the Company’s Registration Statement on Form S-11 (File No. 333-132836).
(9) Filed previously as an exhibit to the Company’s Registration Statement on Form 8-A filed on June 9, 2014.
(10) Filed previously as an exhibit to the Company’s Annual Report on Form 10-K for the year ended December 31, 2010.
(11) Filed previously as an exhibit to the Company’s Current Report on Form 8-K filed on March 2, 2011.
(12) Filed previously as an exhibit to the Company’s Current Report on Form 8-K filed on February 4, 2014.
(13) Filed previously as an exhibit to the Company’s Annual Report on Form 10-K for the year ended December 31, 2012 filed on March 18, 2013.
(14) Filed previously as an exhibit to the Company’s Current Report on Form 8-K filed on March 2, 2012.
(15) Filed previously as an exhibit to the Company’s Current Report on Form 8-K filed on June 13, 2012.
(16) Filed previously as an exhibit to the Company’s registration statement on Form 8-A filed on June 8, 2012.
(17) Filed previously as an exhibit to the Company’s Current Report on Form 8-K filed on June 29, 2012.
(18) Filed previously as an exhibit to the Company's Registration Statement on Form 8-A filed on September 28, 2012.
(19) Filed previously as an exhibit to the Company's Current Report on Form 8-K filed on September 23, 2014.
(20) Filed previously as an exhibit to the Company's Current Report on Form 8-K filed on January 13, 2015.
(21) Filed previously as an exhibit to the Company's Current Report on Form 8-K filed on October 1, 2012.
(22) Filed previously as an exhibit to the Company Current Report on Form 8-K filed on March 19, 2013.
(23) Filed previously as an exhibit to the Company's Current Report on Form 8-K filed on April 8, 2013.
(24) Filed previously as an exhibit to the Company's Current Report on Form 8-K filed on July 25, 2013.
(25) Filed previously as an exhibit to the Company's Current Report on Form 8-K filed on October 21, 2013.
(26) Filed previously as an exhibit to the Company's Current Report on Form 8-K filed on November 20, 2014.
(27) Filed previously as an exhibit to the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2014.
(28) Filed previously as an exhibit to the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2015.
(29) Filed previously as an exhibit to the Company's Current Report on Form 8-K filed on September 1, 2015.
(30) Filed previously as an exhibit to the Company's Current Report on Form 8-K filed on September 16, 2015.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

RESOURCE CAPITAL CORP.
(Registrant)

August 9, 2016	By:	/s/ David J. Bryant David J. Bryant Senior Vice President Chief Financial Officer and Treasurer
August 9, 2016	By:	/s/ Eldron C. Blackwell Eldron C. Blackwell Vice President Chief Accounting Officer

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