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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act:

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):
Yes No

Indicate the number of shares outstanding of each of the registrant’s classes of common stock, as of the latest practicable date.

Class	Outstanding at August 1, 2018
Class A Common Stock, \$0.001 par value	97,942,513
Class B Common Stock, \$0.001 par value	13,317,419

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LADDER CAPITAL CORP

FORM 10-Q
June 30, 2018

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this “Quarterly Report”) includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements other than statements of historical fact contained in this Quarterly Report, including statements regarding our future results of operations and financial position, strategy and plans, and our expectations for future operations, are forward-looking statements. The words “anticipate,” “estimate,” “expect,” “project,” “plan,” “intend,” “believe,” “may,” “might,” “will,” “should,” “can have,” “likely” and other words and terms of similar expressions are intended to identify forward-looking statements.

We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our financial condition, results of operations, strategy, short-term and long-term business operations and objectives and financial needs. Although we believe that the expectations reflected in our forward-looking statements are reasonable, actual results could differ from those expressed in our forward-looking statements. Our future financial position and results of operations, as well as any forward-looking statements are subject to change and inherent risks and uncertainties. You should consider our forward-looking statements in light of a number of factors that may cause actual results to vary from our forward-looking statements including, but not limited to:

- risks discussed under the heading “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2017 (“Annual Report”), as well as our consolidated financial statements, related notes, and the other financial information appearing elsewhere in this Quarterly Report and our other filings with the United States Securities and Exchange Commission (“SEC”);
- changes in general economic conditions, in our industry and in the commercial finance and the real estate markets;
- changes to our business and investment strategy;
- our ability to obtain and maintain financing arrangements;
- the financing and advance rates for our assets;
- our actual and expected leverage and liquidity;
- the adequacy of collateral securing our loan portfolio and a decline in the fair value of our assets;
- interest rate mismatches between our assets and our borrowings used to fund such investments;
- changes in interest rates and the market value of our assets;
- changes in prepayment rates on our mortgages and the loans underlying our mortgage-backed and other asset-backed securities;
- the effects of hedging instruments and the degree to which our hedging strategies may or may not protect us from interest rate and credit risk volatility;
- the increased rate of default or decreased recovery rates on our assets;
- the adequacy of our policies, procedures and systems for managing risk effectively;
- a potential downgrade in the credit ratings assigned to our investments;
- our compliance with, and the impact of and changes in, governmental regulations, tax laws and rates, accounting guidance and similar matters;
- our ability to maintain our qualification as a real estate investment trust (“REIT”) for U.S. federal income tax purposes and our ability and the ability of our subsidiaries to operate in compliance with REIT requirements;
- our ability and the ability of our subsidiaries to maintain our and their exemptions from registration under the Investment Company Act of 1940, as amended (the “Investment Company Act”);
- potential liability relating to environmental matters that impact the value of properties we may acquire or the properties underlying our investments;
- the inability of insurance covering real estate underlying our loans and investments to cover all losses;
- the availability of investment opportunities in mortgage-related and real estate-related instruments and other securities;

fraud by potential borrowers;
the availability of qualified personnel;
the impact of the Tax Cuts and Jobs Act and/or estimates concerning the impact of the Tax Cuts and Jobs Act, which are subject to change based on further analysis and/or IRS guidance;
the degree and nature of our competition; and
the market trends in our industry, interest rates, real estate values, the debt securities markets or the general economy.

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You should not rely upon forward-looking statements as predictions of future events. In addition, neither we nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. The forward-looking statements contained in this Quarterly Report are made as of the date hereof, and the Company assumes no obligation to update or supplement any forward-looking statements.

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REFERENCES TO LADDER CAPITAL CORP

Ladder Capital Corp is a holding company, and its primary assets are a controlling equity interest in Ladder Capital Finance Holdings LLLP (“LCFH” or the “Operating Partnership”) and in each series thereof, directly or indirectly. Unless the context suggests otherwise, references in this report to “Ladder,” “Ladder Capital,” the “Company,” “we,” “us” and “our” (1) prior to the February 2014 initial public offering (“IPO”) of the Class A common stock of Ladder Capital Corp and related transactions, to LCFH (“Predecessor”) and its consolidated subsidiaries and (2) after our IPO and related transactions, to Ladder Capital Corp and its consolidated subsidiaries.

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Part I - Financial Information

Item 1. Financial Statements (Unaudited)

The consolidated financial statements of Ladder Capital Corp and the notes related to the foregoing consolidated financial statements are included in this Item.

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Ladder Capital Corp
 Consolidated Balance Sheets
 (Dollars in Thousands)

	June 30, 2018(1) (Unaudited)	December 31, 2017(1)
Assets		
Cash and cash equivalents	\$51,918	\$ 76,674
Restricted cash	42,821	106,009
Mortgage loan receivables held for investment, net, at amortized cost:		
Mortgage loans held by consolidated subsidiaries	3,764,172	3,282,462
Provision for loan losses	(7,300)	(4,000)
Mortgage loan receivables held for sale	107,744	230,180
Real estate securities	1,106,358	1,106,517
Real estate and related lease intangibles, net	1,060,243	1,032,041
Investments in unconsolidated joint ventures	35,302	35,441
FHLB stock	77,915	77,915
Derivative instruments	660	888
Accrued interest receivable	27,632	25,875
Other assets	121,949	55,613
Total assets	\$6,389,414	\$ 6,025,615
Liabilities and Equity		
Liabilities		
Debt obligations, net:		
Secured and unsecured debt obligations	\$4,702,449	\$ 4,379,826
Due to brokers	44,800	14
Derivative instruments	—	2,606
Amount payable pursuant to tax receivable agreement	1,570	1,656
Dividends payable	1,582	30,528
Accrued expenses	60,294	59,619
Other liabilities	66,257	63,220
Total liabilities	4,876,952	4,537,469
Commitments and contingencies (Note 18)	—	—
Equity		
Class A common stock, par value \$0.001 per share, 600,000,000 shares authorized; 100,637,615 and 96,258,847 shares issued and 97,937,793 and 93,641,260 shares outstanding	99	94
Class B common stock, par value \$0.001 per share, 100,000,000 shares authorized; 13,317,419 and 17,667,251 shares issued and outstanding	13	18
Additional paid-in capital	1,370,092	1,306,136
Treasury stock, 2,699,822 and 2,617,587 shares, at cost	(32,793)	(31,956)
Dividends in Excess of Earnings	(12,106)	(39,112)
Accumulated other comprehensive income (loss)	(9,855)	(212)
Total shareholders' equity	1,315,450	1,234,968
Noncontrolling interest in operating partnership	185,158	240,861
Noncontrolling interest in consolidated joint ventures	11,854	12,317
Total equity	1,512,462	1,488,146
Total liabilities and equity	\$6,389,414	\$ 6,025,615

(1) Includes amounts relating to consolidated variable interest entities. See Note 3.

The accompanying notes are an integral part of these consolidated financial statements.

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Ladder Capital Corp
Consolidated Statements of Income
(Dollars in Thousands, Except Per Share and Dividend Data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net interest income				
Interest income	\$85,230	\$65,970	\$163,437	\$123,482
Interest expense	48,417	35,661	93,130	67,076
Net interest income	36,813	30,309	70,307	56,406
Provision for loan losses	300	—	3,300	—
Net interest income after provision for loan losses	36,513	30,309	67,007	56,406
Other income				
Operating lease income	24,258	22,187	48,818	41,816
Tenant recoveries	1,913	1,159	5,492	2,739
Sale of loans, net	6,144	25,904	11,032	24,905
Realized gain (loss) on securities	(1,243)	7,132	(2,342)	12,494
Unrealized gain (loss) on Agency interest-only securities	110	299	313	457
Realized gain on sale of real estate, net	1,628	2,232	32,637	4,563
Fee and other income	6,477	4,574	12,728	9,039
Net result from derivative transactions	7,081	(16,022)	22,040	(18,003)
Earnings (loss) from investment in unconsolidated joint ventures	13	10	65	(63)
Gain (loss) on extinguishment of debt	—	—	(69)	(54)
Total other income	46,381	47,475	130,714	77,893
Costs and expenses				
Salaries and employee benefits	13,866	14,489	30,962	30,531
Operating expenses	5,597	5,829	11,144	11,308
Real estate operating expenses	7,836	8,056	16,654	15,510
Fee expense	799	1,621	1,641	2,314
Depreciation and amortization	10,656	10,125	21,479	18,717
Total costs and expenses	38,754	40,120	81,880	78,380
Income (loss) before taxes	44,140	37,664	115,841	55,919
Income tax expense (benefit)	573	6,606	4,476	5,231
Net income (loss)	43,567	31,058	111,365	50,688
Net (income) loss attributable to noncontrolling interest in consolidated joint ventures	133	(77)	(8,289)	(398)
Net (income) loss attributable to noncontrolling interest in operating partnership	(5,294)	(8,868)	(13,795)	(14,706)
Net income (loss) attributable to Class A common shareholders	\$38,406	\$22,113	\$89,281	\$35,584

The accompanying notes are an integral part of these consolidated financial statements.

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Earnings per share:				
Basic	\$0.40	\$ 0.28	\$0.93	\$ 0.47
Diluted	\$0.40	\$ 0.26	\$0.93	\$ 0.45
Weighted average shares outstanding:				
Basic	96,810,286	108,431	96,003,176	1,510,201
Diluted	97,165,899	109,055,308	96,276,829	1,693,706
Dividends per share of Class A common stock (Note 12)	\$0.325	\$ 0.300	\$0.640	\$ 0.600

The accompanying notes are an integral part of these consolidated financial statements.

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Ladder Capital Corp
 Consolidated Statements of Comprehensive Income
 (Dollars in Thousands)
 (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income (loss)	\$43,567	\$31,058	\$111,365	\$50,688
Other comprehensive income (loss)				
Unrealized gain (loss) on securities, net of tax:				
Unrealized gain (loss) on real estate securities, available for sale	(3,490)	8,166	(13,446)	18,652
Reclassification adjustment for (gains) included in net income	1,243	(7,737)	2,342	(13,471)
Total other comprehensive income (loss)	(2,247)	429	(11,104)	5,181
Comprehensive income	41,320	31,487	100,261	55,869
Comprehensive (income) loss attributable to noncontrolling interest in consolidated joint ventures	133	(77)	(8,289)	(398)
Comprehensive income of combined Class A common shareholders and Operating Partnership unitholders	\$41,453	\$31,410	\$91,972	\$55,471
Comprehensive (income) attributable to noncontrolling interest in operating partnership	(5,025)	(9,397)	(12,197)	(16,869)
Comprehensive income attributable to Class A common shareholders	\$36,428	\$22,013	\$79,775	\$38,602

The accompanying notes are an integral part of these consolidated financial statements.

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Ladder Capital Corp
 Consolidated Statements of Changes in Equity
 (Dollars and Shares in Thousands)
 (Unaudited)

	Shareholders' Equity										
	Class A Common Stock		Class B Common Stock			Treasury Stock	Retained Earnings/(Dividends in Excess of Earnings)	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests Operating Partnership	Consolidated Joint Ventures	Total Shareholders' Equity/Partnership Capital
	Shares	Par	Shares	Par	Additional Paid-in-Capital						
Balance, December 31, 2017	93,641	\$94	17,668	\$18	\$1,306,136	\$(31,956)	\$(39,112)	\$(212)	\$240,861	\$12,317	\$1,488,000
Contributions	—	—	—	—	—	—	—	—	—	5,040	5,040
Distributions	—	—	—	—	—	—	—	—	(8,899)	(13,792)	(22,691)
Equity based compensation	—	—	—	—	4,505	—	—	—	—	—	4,505
Grants of restricted stock	29	—	—	—	—	—	—	—	—	—	—
Shares acquired to satisfy minimum required federal and state tax withholding on vesting restricted stock and units	(56)	—	—	—	—	(837)	—	—	—	—	(837)
Forfeitures	(26)	—	—	—	—	—	—	—	—	—	—
Dividends declared	—	—	—	—	—	—	(62,275)	—	—	—	(62,275)
Exchange of noncontrolling interest for common stock	4,350	5	(4,350)	(5)	60,110	—	—	(143)	(59,654)	—	313
Net income (loss)	—	—	—	—	—	—	89,281	—	13,795	8,289	111,365
Other comprehensive income (loss)	—	—	—	—	—	—	—	(9,506)	(1,598)	—	(11,104)
Rebalancing of ownership percentage between Company and Operating Partnership	—	—	—	—	(659)	—	—	6	653	—	—

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Balance, June 30, 2018	97,938	\$99	13,318	\$13	\$1,370,092	\$(32,793)	\$(12,106)	\$(9,855)	\$185,158	\$11,854	\$1,512
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The accompanying notes are an integral part of these consolidated financial statements.

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Ladder Capital Corp
Consolidated Statements of Changes in Equity
(Dollars and Shares in Thousands)

	Shareholders' Equity										Total Shareholders' Equity/Preferred Capital	
	Class A Common Stock		Class B Common Stock			Treasury Stock	Retained Earnings/(Dividends in Excess of Earnings)	Accumulated Other Comprehensive Income (Loss)		Noncontrolling Interests		
	Shares	Par	Shares	Par	Additional Paid-in-Capital			Comprehensive Income	Operating Partnership	Consolidated Joint Ventures		
Balance, December 31, 2016	71,586	\$72	38,003	\$38	\$992,307	\$(11,244)	\$(11,148)	\$1,365	\$533,246	\$4,918	\$1,500,000	
Contributions	—	—	—	—	—	—	—	—	—	7,479	7,479	
Distributions	—	—	—	—	—	—	—	—	(42,218)	(306)	(42,524)	
Equity based compensation	—	—	—	—	18,965	—	—	—	—	—	18,965	
Grants of restricted stock	1,997	1	—	—	(1)	—	—	—	—	—	—	
Purchase of treasury stock	(190)	—	—	—	—	(2,588)	—	—	—	—	(2,588)	
Shares acquired to satisfy minimum required federal and state tax withholding on vesting restricted stock and units	(1,323)	(1)	—	—	—	(18,124)	—	—	—	—	(18,125)	
Forfeitures	(10)	—	—	—	—	—	—	—	—	—	—	
Dividends declared	—	—	—	—	—	—	(105,921)	—	—	—	(105,921)	
Stock dividends	814	1	432	1	17,317	—	(17,319)	—	—	—	—	
Exchange of noncontrolling interest for common stock	20,767	21	(20,767)	(21)	280,714	—	—	1,696	(284,763)	—	(2,353)	
Net income (loss)	—	—	—	—	—	—	95,276	—	30,377	226	125,879	
Other comprehensive income (loss)	—	—	—	—	—	—	—	(2,915)	695	—	(2,220)	
Rebalancing of ownership percentage between	—	—	—	—	(3,166)	—	—	(358)	3,524	—	—	

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Company and
Operating
Partnership

Balance,

December 31, 2017 93,641 \$94 17,668 \$18 \$1,306,136 \$(31,956) \$(39,112) \$(212) \$240,861 \$12,317 \$1,48

The accompanying notes are an integral part of these consolidated financial statements.

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Ladder Capital Corp
Consolidated Statements of Cash Flows
(Dollars in Thousands)

	Six Months Ended	
	June 30,	
	2018	2017
Cash flows from operating activities:		
Net income (loss)	\$ 111,365	\$ 50,688
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
(Gain) loss on extinguishment of debt	69	54
Depreciation and amortization	21,479	18,717
Unrealized (gain) loss on derivative instruments	(2,340)	1,309
Unrealized (gain) loss on Agency interest-only securities	(313)	(457)
Unrealized (gain) loss on investment in mutual fund	(124)	(56)
Provision for loan losses	3,300	—
Amortization of equity based compensation	4,505	8,766
Amortization of deferred financing costs included in interest expense	4,984	3,954
Amortization of premium on mortgage loan financing	(499)	(454)
Amortization of above- and below-market lease intangibles	(940)	(173)
Accretion of premium on liability for transfers not considered sales	—	4
Amortization of premium/(accretion) of discount and other fees on loans	(8,942)	(4,539)
Amortization of premium/(accretion) of discount and other fees on securities	2,270	2,937
Realized (gain) loss on sale of mortgage loan receivables held for sale	(11,032)	(24,905)
Realized (gain) loss on real estate securities	2,342	(12,494)
Realized gain on sale of real estate, net	(32,637)	(4,563)
Realized gain on sale of derivative instruments	192	(39)
Origination of mortgage loan receivables held for sale	(764,948)	(564,492)
Repayment of mortgage loan receivables held for sale	286	1,184
Proceeds from sales of mortgage loan receivables held for sale	843,214	(1)512,082
(Income) loss from investments in unconsolidated joint ventures in excess of distributions received	(65)	63
Deferred tax asset (liability)	1,483	(886)
Payments pursuant to tax receivable agreement	—	(230)
Changes in operating assets and liabilities:		
Accrued interest receivable	(1,757)	(859)
Other assets	(793)	(2,639)
Accrued expenses and other liabilities	2,507	(6,273)
Net cash provided by (used in) operating activities	173,606	(23,301)

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	Six Months Ended	
	June 30,	
	2018	2017
Cash flows from investing activities:		
Purchase of derivative instruments	(205)	(199)
Sale of derivative instruments	114	—
Purchases of real estate securities	(199,135)	(150,451)
Repayment of real estate securities	56,707	81,747
Proceeds from sales of real estate securities	161,518	643,825
Origination of mortgage loan receivables held for investment	(914,489)	(563,392)
Purchases of mortgage loan receivables held for investment	—	(94,079)
Repayment of mortgage loan receivables held for investment	431,030	175,625
Basis recovery of Agency interest-only securities	10,453	33,739
Capital contributions to investment in unconsolidated joint ventures	(370)	—
Capital distribution from investment in unconsolidated joint ventures	1,250	—
Capitalization of interest on investment in unconsolidated joint ventures	(676)	(558)
Purchases of real estate	(114,184)	(182,038)
Capital improvements of real estate	(3,290)	(2,804)
Proceeds from sale of real estate	90,806	12,590
Net cash provided by (used in) investing activities	(480,471)	(45,995)
Cash flows from financing activities:		
Deferred financing costs paid	(2,664)	(10,252)
Proceeds from borrowings under debt obligations	2,919,776	6,039,853
Repayment of borrowings under debt obligations	(2,588,483)	(5,783,325)
Cash dividends paid to Class A common shareholders	(91,220)	(73,911)
Capital distributed to noncontrolling interests in operating partnership	(8,899)	(28,963)
Capital contributed by noncontrolling interests in consolidated joint ventures	5,040	5,309
Capital distributed to noncontrolling interests in consolidated joint ventures	(13,792)	(100)
Payment of liability assumed in exchange for shares for the minimum withholding taxes on vesting restricted stock	(837)	(13,258)
Net cash provided by (used in) financing activities	218,921	135,353
Net increase (decrease) in cash, cash equivalents and restricted cash	(87,944)	66,057
Cash, cash equivalents and restricted cash at beginning of period	182,683	89,428
Cash, cash equivalents and restricted cash at end of period	\$94,739	\$155,485

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	Six Months Ended June 30,	
	2018	2017
Supplemental information:		
Cash paid for interest, net of amounts capitalized	\$87,675	\$60,631
Cash paid (received) for income taxes	6,266	821
Non-cash investing and financing activities:		
Securities and derivatives purchased, not settled	(44,786)	(1,051)
Securities and derivatives sold, not settled	—	25,980
Repayment in transit of mortgage loans receivable held for investment	66,094	—
Transfer from mortgage loans receivable held for sale to mortgage loans receivable held for investment, at amortized cost	55,403	119,952
Proceeds from sale of real estate	638	—
Reduction in proceeds from sales of real estate	11,050	51,846
Assumption of debt obligations by real estate buyer	(11,050)	(51,846)
Exchange of noncontrolling interest for common stock	59,658	188,520
Change in deferred tax asset related to exchanges of noncontrolling interest for common stock	(226)	1,935
Increase in amount payable pursuant to tax receivable agreement	(86)	148
Rebalancing of ownership percentage between Company and Operating Partnership	652	(5,446)
Dividends declared, not paid	1,582	1,308
Stock dividends	—	17,319

(1) Includes cash proceeds received in the current year that relate to prior year sales of loans of \$0.5 million.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statement of cash flows (\$ in thousands):

	June 30, 2018	June 30, 2017	December 31, 2017
Cash and cash equivalents	\$51,918	\$58,225	\$ 76,674
Restricted cash	42,821	97,260	106,009
Total cash, cash equivalents and restricted cash shown in the consolidated statement of cash flows	\$94,739	\$155,485	\$ 182,683

The accompanying notes are an integral part of these consolidated financial statements.

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Ladder Capital Corp
Notes to Consolidated Financial Statements

1. ORGANIZATION AND OPERATIONS

Ladder Capital Corp is an internally-managed real estate investment trust (“REIT”) that is a leader in commercial real estate finance. Ladder Capital Corp, as the general partner of Ladder Capital Finance Holdings LLLP (“LCFH,” “Predecessor” or the “Operating Partnership”), operates the Ladder Capital business through LCFH and its subsidiaries. As of June 30, 2018, Ladder Capital Corp has a 88.0% economic interest in LCFH and controls the management of LCFH as a result of its ability to appoint its board members. Accordingly, Ladder Capital Corp consolidates the financial results of LCFH and records noncontrolling interest for the economic interest in LCFH held by the Continuing LCFH Limited Partners (as defined below). In addition, Ladder Capital Corp, through certain subsidiaries which are treated as taxable REIT subsidiaries (each a “TRS”), is indirectly subject to U.S. federal, state and local income taxes. Other than the noncontrolling interest in the Operating Partnership and such indirect U.S. federal, state and local income taxes, there are no material differences between Ladder Capital Corp’s consolidated financial statements and LCFH’s consolidated financial statements.

Ladder Capital Corp was formed as a Delaware corporation on May 21, 2013. The Company conducted an initial public offering (“IPO”) which closed on February 11, 2014. The Company used the net proceeds from the IPO to purchase newly issued limited partnership units (“LP Units”) from LCFH. In connection with the IPO, Ladder Capital Corp also became a holding corporation and the general partner of, and obtained a controlling interest in, LCFH. Ladder Capital Corp’s only business is to act as the general partner of LCFH, and, as such, Ladder Capital Corp indirectly operates and controls all of the business and affairs of LCFH and its subsidiaries through its ability to appoint the LCFH board. The proceeds received by LCFH in connection with the sale of the LP Units have been and will be used for loan origination and related real estate business lines and for general corporate purposes. The IPO transactions described herein are referred to as the “IPO Transactions.”

In anticipation of the Company’s election to be subject to tax as a REIT under the Internal Revenue Code of 1986, as amended (the “Code”) beginning with its 2015 taxable year (the “REIT Election”), the Company effected an internal realignment as of December 31, 2014. As part of this realignment, LCFH and certain of its wholly-owned subsidiaries were serialized in order to segregate our REIT-qualified assets and income from the Company’s non-REIT-qualified assets and income. Pursuant to such serialization, all assets and liabilities of LCFH and each such subsidiary were identified as TRS assets and liabilities (e.g., conduit securitization and condominium sales businesses) and REIT assets and liabilities (e.g., balance sheet loans, real estate and most securities), and were allocated on the Company’s internal books and records into two pools within LCFH or such subsidiary, Series TRS and Series REIT (collectively, the “Series”), respectively. Series REIT and Series TRS have separate boards, officers, books and records, bank accounts, and tax identification numbers. Each outstanding LP Unit was exchanged for one Series REIT limited partnership unit (“Series REIT LP Unit”), which is entitled to receive profits and losses derived from REIT assets and liabilities, and one Series TRS limited partnership unit (“Series TRS LP Unit”), which is entitled to receive profits and losses derived from TRS assets and liabilities (Series REIT LP Units and Series TRS LP Units are collectively referred to as “Series Units”). Ladder Capital Corp remains the general partner of Series REIT of LCFH. LC TRS I LLC (“LC TRS I”), a Delaware limited liability company wholly-owned by Series REIT of LCFH, serves as the general partner of Series TRS of LCFH and Series TRS LP Units are exchangeable for an equal number of shares (“TRS Shares”) of LC TRS I (a “TRS Exchange”).

Ladder Capital Corp consolidates the financial results of LCFH and its subsidiaries. The ownership interest of certain existing owners of LCFH, who owned LP Units and an equivalent number of shares of Ladder Capital Corp Class B common stock as of the completion of the IPO (the “Continuing LCFH Limited Partners”) and continue to hold

equivalent Series Units and Ladder Capital Corp Class B common stock, is reflected as a noncontrolling interest in Ladder Capital Corp's consolidated financial statements.

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Pursuant to LCFH's Third Amended and Restated LLLP Agreement, dated as of December 31, 2014 and as amended from time to time, and subject to the applicable minimum retained ownership requirements and certain other restrictions, including notice requirements, from time to time, Continuing LCFH Limited Partners (or certain transferees thereof)

may from time to time, subject to certain conditions, receive one share of the Company's Class A common stock in exchange for (i) one share of the Company's Class B common stock, (ii) one Series REIT LP Unit and (iii) either one Series TRS LP Unit or one TRS Share, subject to equitable adjustments for stock splits, stock dividends and reclassifications. However, such exchange for shares of Ladder Capital Corp Class A common stock will not affect the exchanging owners' voting power since the votes represented by the canceled shares of Ladder Capital Corp Class B common stock will be replaced with the votes represented by the shares of Class A common stock for which such Series Units, including TRS Shares as applicable, will be exchanged.

As a result of the Company's ownership interest in LCFH and LCFH's election under Section 754 of the Code, the Company expects to benefit from depreciation and other tax deductions reflecting LCFH's tax basis for its assets. Those deductions will be allocated to the Company and will be taken into account in reporting the Company's taxable income.

As of March 4, 2015, the Company made the necessary TRS and check-the-box elections began to elect to be taxed as a REIT starting with its tax return for the year ended December 31, 2015, filed in September 2016.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Principles of Consolidation

The accompanying consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). In the opinion of management, the unaudited financial information for the interim periods presented in this report reflects all normal and recurring adjustments necessary for a fair statement of results of operations, financial position and cash flows. The interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2017, which are included in the Company's Annual Report, as certain disclosures would substantially duplicate those contained in the audited consolidated financial statements have not been included in this interim report. Operating results for interim periods are not necessarily indicative of operating results for an entire fiscal year. The interim consolidated financial statements have been prepared, without audit, and do not necessarily include all information and footnotes necessary for a fair statement of our consolidated financial position, results of operations and cash flows in accordance with GAAP.

The consolidated financial statements include the Company's accounts and those of its subsidiaries which are majority-owned and/or controlled by the Company and variable interest entities for which the Company has determined itself to be the primary beneficiary, if any. All significant intercompany transactions and balances have been eliminated.

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 810 — Consolidation ("ASC 810"), provides guidance on the identification of entities for which control is achieved through means other than voting rights ("variable interest entities" or "VIEs") and the determination of which business enterprise, if any, should consolidate the VIEs. Generally, the consideration of whether an entity is a VIE applies when either: (1) the equity investors (if any) lack one or more of the essential characteristics of a controlling financial interest; (2) the equity investment at risk is insufficient to finance that entity's activities without additional subordinated financial support; or (3) the equity investors have voting rights that are not proportionate to their economic interests and the activities of the entity involve or are conducted on behalf of an investor with a disproportionately small voting interest. The Company

consolidates VIEs in which it is considered to be the primary beneficiary. The primary beneficiary is the entity that has both of the following characteristics: (1) the power to direct the activities that, when taken together, most significantly impact the VIE's performance; and (2) the obligation to absorb losses and right to receive the returns from the VIE that would be significant to the VIE. See Note 3 for further information on the Company's consolidated variable interest entities.

Noncontrolling interests in consolidated subsidiaries are defined as "the portion of the equity (net assets) in the subsidiaries not attributable, directly or indirectly, to a parent." Noncontrolling interests are presented as a separate component of capital in the consolidated balance sheets. In addition, the presentation of net income attributes earnings to shareholders/unitholders (controlling interest) and noncontrolling interests.

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Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the balance sheets and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are reviewed periodically, and the effects of resulting changes are reflected in the consolidated financial statements in the period the changes are deemed to be necessary. Significant estimates made in the accompanying consolidated financial statements include, but are not limited to the following:

- valuation of real estate securities;
- allocation of purchase price for acquired real estate;
- impairment, and useful lives, of real estate;
- useful lives of intangible assets;
- valuation of derivative instruments;
- valuation of deferred tax asset (liability);
- amounts payable pursuant to the Tax Receivable Agreement;
- determination of effective yield for recognition of interest income;
- adequacy of provision for loan losses;
- determination of other than temporary impairment of real estate securities and investments in unconsolidated joint ventures;
- certain estimates and assumptions used in the accrual of incentive compensation and calculation of the fair value of equity compensation issued to employees;
- determination of the effective tax rate for income tax provision; and
- certain estimates and assumptions used in the allocation of revenue and expenses for our segment reporting.

Cash and Cash Equivalents

The Company considers all investments with original maturities of three months or less, at the time of acquisition, to be cash equivalents. The Company maintains cash accounts at several financial institutions, which are insured up to a maximum of \$250,000 per account as of June 30, 2018 and December 31, 2017. At June 30, 2018 and December 31, 2017, and at various times during the years, the balances exceeded the insured limits.

Restricted Cash

Restricted cash is comprised of accounts the Company maintains with brokers to facilitate financial derivative and repurchase agreement transactions in support of its loan and securities investments and risk management activities. Based on the value of the positions in these accounts and the associated margin requirements, the Company may be required to deposit additional cash into these broker accounts. The cash collateral held by broker is considered restricted cash. Restricted cash also includes tenant security deposits, deposits related to real estate sales and acquisitions and required escrow balances on credit facilities. Prior to January 1, 2017, these amounts were previously recorded in other assets on the Company's consolidated balance sheets.

Out-of-Period Adjustments

During the first quarter of 2017, the Company recorded an out-of-period adjustment to reduce depreciation expense of \$0.8 million related to prior periods. The Company has concluded that this adjustment is not material to the financial position or results of operations for the three months ended March 31, 2017 or any prior periods; accordingly, the Company recorded the related adjustment in the three month period ended March 31, 2017.

During the first quarter of 2018, the Company recorded an out-of-period adjustment to increase tenant real estate tax recoveries on a net lease property by \$1.1 million, which was not billed until the three month period ended March 31, 2018, but related to prior periods. The Company has concluded that this adjustment is not material to the financial position or results of operations for the three months ended March 31, 2018 or any prior periods; accordingly, the Company recorded the related adjustment in the three month period ended March 31, 2018.

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Change in Accounting Principle

As more fully described in Note 4, on June 29, 2017, the Company completed its first sponsored securitization transaction whereby it transferred \$625.7 million of loans to LCCM 2017-LC26 securitization trust. The Company initially concluded that the transfer restrictions placed on the Third Party Purchaser (“TPP”) of the risk retention securities, imposed by the risk retention rules of the Dodd-Frank Act, precluded sale accounting under ASC 860 and, accordingly, the Company originally accounted for the transaction as a financing in its interim financial statements for the periods ended June 30, 2017 and September 30, 2017. As a result of industry discussions, in November 2017 the staff of the Securities and Exchange Commission (the “SEC staff”) indicated that, despite such restrictions, they would not take exception to a registrant treating such transfers as sales if they otherwise met all the criteria for sale accounting. The Company believes treatment of such transfers as sales is more consistent with the substance of such transaction and, accordingly, changed its accounting principle to treat such transfers as sales in the quarter ended December 31, 2017. In accordance with generally accepted accounting principles, the Company reflected this change in accounting principle retrospectively to prior interim periods within 2017. The retrospective changes for the three and six months ended June 30, 2017 are reflected in this Quarterly Report. The retrospective changes for the three and nine months ended September 30, 2017 will be reflected in the Company’s quarterly report for the quarter ended September 30, 2018. Refer to Note 20, Quarterly Financial Data (Unaudited) in the Company’s December 31, 2017 Annual Report for a summary of these changes.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation.

Recently Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers (Topic 606) (“ASU 2014-09”), that outlined a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and superseded most then-current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 is based on the principle that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to fulfill a contract. Entities have the option of using either a full retrospective or a modified retrospective approach for the adoption of the new standard. ASU 2014-09 was initially scheduled to become effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period; early adoption was not permitted. In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606) — Deferral of the Effective Date (“ASU 2015-14”), which deferred the effective date of ASU 2014-09 for one year and permitted early adoption as early as the original effective date of ASU 2014-09. The new revenue standard may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption. In 2016, the FASB issued additional guidance to clarify the implementation guidance, ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net) (“ASU 2016-08”); ASU 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing (“ASU 2016-10”); ASU 2016-11, Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815): Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 Emerging Issues Task Force (“EITF”) Meeting (SEC Update) (“ASU 2016-11”), ASU 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients (“ASU 2016-12”); and ASU 2016-20, Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers (“ASU

2016-20”). In February 2017, the FASB issued ASU 2017-05, Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20) (“ASU 2017-05”). In September 2017, the FASB issued ASU 2017-13, Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842): Amendments to SEC Paragraphs Pursuant to the Staff Announcement at the July 20, 2017 EITF Meeting and Rescission of Prior SEC Staff Announcements and Observer Comments (SEC Update) (“ASU 2017-13”). In November 2017, the FASB issued ASU 2017-14, Income Statement—Reporting Comprehensive Income (Topic 220), Revenue Recognition (Topic 605), and Revenue from Contracts with Customers (Topic 606) (SEC Update) (“ASU 2017-14”). These amendments provide additional clarification and implementation guidance on the previously issued ASU 2014-09.

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Under the full retrospective method, a company will apply the rules to contracts in all reporting periods presented, subject to certain allowable exceptions. Under the modified retrospective method, a company will apply the rules to all contracts existing as of January 1, 2018, recognizing in beginning retained earnings an adjustment for the cumulative effect of the change and providing additional disclosures comparing results to previous rules. The Company believes the effects on its existing accounting policies will be associated with its non-leasing revenue components, specifically the amount, timing and presentation of tenant expense reimbursements revenue. The Company adopted the standard using the modified retrospective approach on January 1, 2018 and there was no cumulative effect adjustment recognized. The Company's revenues impacted by this standard are included in tenant recoveries in the consolidated statements of income.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities, ("ASU 2016-01"), which was further amended in February and in March 2018 by ASU 2018-03, Technical Corrections and Improvements to Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Liabilities, ("ASU 2018-03") and ASU 2018-04, Investments—Debt Securities (Topic 320) and Regulated Operations (Topic 980): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 117 and SEC Release No. 33-9273 (SEC Update), ("ASU 2018-04") to clarify certain aspects of ASU 2016-01 and to update Securities and Exchange Commission ("SEC") interpretive guidance in connection with the provisions of ASU 2016-01. These updates provide guidance for the recognition, measurement, presentation, and disclosure of financial instruments. Among other changes, the updates require public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, and clarifies that entities should evaluate the need for a valuation allowance on a deferred tax asset related to available for sale securities in combination with the entities' other deferred tax assets. These standards are effective for public companies for fiscal years beginning after December 15, 2017, and for interim periods within those fiscal years. The Company adopted the guidance effective January 1, 2018, using the modified retrospective method. Upon adoption, the fair value of the Company's loan portfolio is now presented using an exit price method. Also, the Company is no longer required to disclose the methodologies used for estimating fair value of financial assets and liabilities that are not measured at fair value on a recurring or nonrecurring basis. The remaining requirements of this update did not have a material impact on the Company's consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, Compensation-Stock Compensation (Topic 718), ("ASU 2017-09"). The ASU provides clarification on when modification accounting should be used for changes to the terms or conditions of a share-based payment award. ASU 2017-09 does not change the accounting for modifications but clarifies that modification accounting guidance should only be applied if there is a change to the value, vesting conditions or award classification and would not be required if the changes are considered non-substantive. The amendments of this ASU are effective for reporting periods beginning after December 15, 2017, with early adoption permitted. The Company adopted the guidance effective January 1, 2018. The adoption of ASU 2017-09 did not have a material impact on the Company's consolidated financial statements.

In May 2018, FASB issued ASU No. 2018-06, Codification Improvements to Topic 942, Depository and Lending—Income Taxes, ("ASU 2018-06"). The amendments in ASU 2018-06 supersede the guidance within Subtopic 942-741 that has been rescinded by the Office of the Comptroller of the Currency and is no longer relevant. A cross-reference between Subtopic 740-30, Income Taxes—Other Considerations or Special Areas, and Subtopic 942-740 is being added to the remaining guidance in Subtopic 740-30 to improve the usefulness of the codification. The amendments in ASU 2018-06 are effective upon issuance, as no accounting requirements are affected. The amendments in ASU 2018-06 do not have a material impact on the Company's consolidated financial statements.

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Recent Accounting Pronouncements Pending Adoption

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) (“ASU 2016-02”), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sale-type leases, direct financing leases and operating leases. ASU 2016-02 supersedes the previous lease standard, Leases (Topic 840). In July 2018, the FASB issued ASU 2018-10, Codification Improvements to Topic 842 (Leases) (“ASU 2018-10”), which provides narrow amendments to clarify how to apply certain aspects of the new leasing standard. In July 2018, the FASB also issued ASU 2018-11, Leases (Topic 842): Targeted Improvements (“ASU 2018-11”), which provides a new transition method at the adoption date through a cumulative-effect adjustment to the opening balance of retained earnings; prior periods will not require restatement. ASU 2018-11 also provides a new practical expedient for lessors adopting the new lease standard. Lessors have the option to aggregate nonlease components with the related lease component upon adoption of the new standard if the following conditions are met: (1) the timing and pattern of transfer for the nonlease component and the related lease component are the same and (2) the stand-alone lease component would be classified as an operating lease if accounted for separately. Each of the standards are effective for the Company on January 1, 2019, with an early adoption permitted. The Company continues to evaluate the effect the adoption of ASU 2016-02, ASU 2018-10 and ASU 2018-11 will have on the Company’s financial position and/or results of operations. The Company currently believes that the adoption of ASU 2016-02 will not have a material impact for operating leases where it is a lessor and will continue to record revenues from rental properties for its operating leases on a straight-line basis. However, for leases where the Company is the lessee, primarily for the Company’s corporate headquarters, the Company expects to record a lease liability and a right of use asset on its consolidated financial statements at fair value upon adoption. The lease liability and right-of-use asset are to be carried at the present value of remaining expected future lease payments.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, (“ASU 2016-13”). The guidance changes the impairment model for most financial assets. The new model uses a forward-looking expected loss method, which will generally result in earlier recognition of allowances for losses. ASU 2016-13 is effective for annual and interim periods beginning after December 15, 2019, and early adoption is permitted for annual and interim periods beginning after December 15, 2018. The Company must apply the amendments in this update through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. The Company is currently assessing the impact of this standard on the consolidated financial statements. In general, the allowance for credit losses is expected to increase when changing from an incurred loss to expected loss methodology. The models and methodologies that are currently used in estimating the allowance for credit losses are being evaluated to identify the changes necessary to meet the requirements of the new standard.

In January 2017, the FASB issued ASU 2017-04, Intangibles—Goodwill and Other (Topic 350), (“ASU 2017-04”). The ASU simplifies the accounting for goodwill impairment. The guidance removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit’s carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The guidance will be applied prospectively and is effective for annual or any interim goodwill impairment tests in years beginning after December 15, 2019 with early adoption permitted. The Company does not currently expect any impact on its consolidated financial statements as the Company (absent a business combination) has no recorded goodwill.

In March 2017, the FASB issued ASU 2017-08, Receivables-Nonrefundable Fees and Other Costs (Subtopic 310-20), (“ASU 2017-08”). The ASU shortens the amortization period for the premium on certain purchased callable debt securities to the earliest call date. Today, entities generally amortize the premium over the contractual life of the security. The new guidance does not change the accounting for purchased callable debt securities held at a discount; the discount continues to be amortized to maturity. ASU No. 2017-08 is effective for interim and annual reporting periods beginning after December 15, 2018; early adoption is permitted. The guidance calls for a modified retrospective transition approach under which a cumulative-effect adjustment will be made to retained earnings as of the beginning of the first reporting period in which the guidance is adopted. The Company is currently assessing the impact that this guidance will have on its consolidated financial statements when adopted.

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In July 2017, the FASB issued ASU 2017-11, Earnings Per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480) and Derivatives and Hedging (Topic 815): I. Accounting for Certain Financial Instruments with Down Round Features; II. Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception, (“ASU 2017-11”). Part I of this update addresses the complexity of accounting for certain financial instruments with down round features. Down round features are features of certain equity-linked instruments (or embedded features) that result in the strike price being reduced on the basis of the pricing of future equity offerings. Current accounting guidance creates cost and complexity for entities that issue financial instruments (such as warrants and convertible instruments) with down round features that require fair value measurement of the entire instrument or conversion option. Part II of this update addresses the difficulty of navigating Topic 480, Distinguishing Liabilities from Equity, because of the existence of extensive pending content in the FASB Accounting Standards Codification. This pending content is the result of the indefinite deferral of accounting requirements about mandatorily redeemable financial instruments of certain nonpublic entities and certain mandatorily redeemable noncontrolling interests. The amendments in Part II of this update do not have an accounting effect. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. The Company is currently assessing the potential impact of adopting ASU 2017-11 on its financial statements and related disclosures.

In January 2018, the FASB issued ASU 2018-01, Land Easement Practical Expedient for Transition to Topic 842, (“ASU 2018-01”). This ASU provides an optional transition practical expedient that, if elected, would not require companies to reconsider their accounting for existing or expired land easements before adoption of Topic 842 and that were not previously accounted for as leases under Topic 840. This ASU will be effective January 1, 2019, and early adoption is permitted. The Company is currently assessing the potential impact of adopting ASU 2018-01 on its financial statements and related disclosures.

In February 2018, the FASB issued ASU 2018-02, Income Statement - Reporting Comprehensive Income (Topic 220), (“ASU 2018-02”). This ASU allows an entity to elect to reclassify the stranded tax effects related to the Tax Cuts and Jobs Act of 2017 from accumulated other comprehensive income into retained earnings. This ASU will be effective January 1, 2019, and early adoption is permitted. The Company is does not expect the adoption of ASU 2018-02 to have a material impact on its financial statements and related disclosures.

In March 2018, the FASB issued ASU 2018-05, Income Taxes (Topic 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118 (SEC Update), (“ASU 2018-05”), which included amendments to SEC paragraphs pursuant to SEC Staff Accounting Bulletin No. 118 (“SAB 118”). The pronouncement addresses certain circumstances that may arise for registrants in accounting for the income tax effects of the Tax Cuts and Jobs Act, including when certain income tax effects of the Tax Cuts and Jobs Act are incomplete by the time financial statements are issued. The Company has complied with the amendments related to SAB 118, as discussed further in Note 16.

In July 2018, the FASB issued ASU 2018-09, Codification Improvements, (“ASU 2018-09”). This standard does not prescribe any new accounting guidance, but instead makes minor improvements and clarifications of several different FASB Accounting Standards Codification areas based on comments and suggestions made by various stakeholders. Certain updates are applicable immediately while others provide for a transition period to adopt as part of the next fiscal year beginning after December 15, 2018. The Company is currently evaluating this guidance to determine the impact it may have on its consolidated financial statements.

Any new accounting standards not disclosed above that have been issued or proposed by FASB and that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption.

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3. CONSOLIDATED VARIABLE INTEREST ENTITIES

FASB Accounting Standards Codification (“ASC”) Topic 810 — Consolidation (“ASC 810”), provides guidance on the identification of entities for which control is achieved through means other than voting rights (“variable interest entities” or “VIEs”) and the determination of which business enterprise, if any, should consolidate the VIEs. Generally, the consideration of whether an entity is a VIE applies when either: (1) the equity investors (if any) lack one or more of the essential characteristics of a controlling financial interest; (2) the equity investment at risk is insufficient to finance that entity’s activities without additional subordinated financial support; or (3) the equity investors have voting rights that are not proportionate to their economic interests and the activities of the entity involve or are conducted on behalf of an investor with a disproportionately small voting interest. The Company consolidates VIEs in which it is considered to be the primary beneficiary. The primary beneficiary is the entity that has both of the following characteristics: (1) the power to direct the activities that, when taken together, most significantly impact the VIE’s performance; and (2) the obligation to absorb losses and right to receive the returns from the VIE that would be significant to the VIE. The Operating Partnership is a VIE and as such, substantially all of the consolidated balance sheet is a consolidated VIE. In addition, the Operating Partnership consolidates two collateralized loan obligation (“CLO”) VIEs with the following aggregate balance sheets (\$ in thousands):

	June 30, 2018 Notes 4 & 8	December 31, 2017 Notes 4 & 8
Mortgage loan receivables held for investment, net, at amortized cost	\$861,209	880,385
Accrued interest receivable	4,360	4,252
Other assets	21,860	—
Total assets	\$887,429	\$884,637
Senior and unsecured debt obligations	\$691,312	\$689,961
Accrued expenses	1,463	794
Other liabilities	2	—
Total liabilities	692,777	690,755
Net equity in VIEs (eliminated in consolidation)	194,653	193,882
Total equity	194,653	193,882
Total liabilities and equity	\$887,430	\$884,637

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4. MORTGAGE LOAN RECEIVABLES

June 30, 2018 (\$ in thousands)

	Outstanding Face Amount	Carrying Value	Weighted Average Yield (1)	Remaining Maturity (years)
Mortgage loans held by consolidated subsidiaries(2)	\$ 3,788,546	\$3,764,172	7.70 %	1.48
Provision for loan losses	N/A	(7,300)		
Mortgage loan receivables held for investment, net, at amortized cost	3,788,546	3,756,872		
Mortgage loan receivables held for sale	108,340	107,744	5.24 %	9.79
Total	\$ 3,896,886	\$3,864,616	7.65 %	1.71

(1) June 30, 2018 London Interbank Offered Rate (“LIBOR”) rates are used to calculate weighted average yield for floating rate loans.

(2) Includes amounts relating to consolidated variable interest entities. See Note 3.

On June 29, 2017, the Company transferred its interests in \$625.7 million of loans to the LCCM 2017-LC26 securitization trust. The assets transferred to the trust were comprised of 34 loans to third parties having a combined outstanding face amount of \$549.0 million and a combined carrying value of \$547.7 million as well as 23 former intercompany loans secured by certain of the Company’s real estate assets, having a combined principal balance of \$76.7 million (which had not previously been recognized for accounting purposes because they eliminated in consolidation). In connection with this transaction, pursuant to the 5% risk retention requirement of the Dodd-Frank Act described in Part I, Item 1A “Risk Factors,” in the Annual Report, the Company (i) retained a \$12.9 million restricted “vertical interest” consisting of approximately 2% in each class of securities issued by the trust, which must be held by the Company until the principal balance of the pool has been reduced to a level prescribed by the risk retention rules and (ii) sold an approximately 3% restricted “horizontal interest” in the form of 98% of the controlling classes (excluding the 2% included in the vertical interest) to a TPP, which must be held by the TPP for at least five years. In addition, the Company purchased \$62.7 million of securities issued by the trust, which are not restricted.

The Company initially concluded that the transfer restrictions placed on the TPP of the risk retention securities, imposed by the risk retention rules of the Dodd-Frank Act, precluded sale accounting under generally accepted accounting principles and, accordingly, the Company originally accounted for the transaction as a financing. As a result of industry discussions, in November 2017, the SEC staff indicated that, despite such restrictions, they would not take exception to a registrant treating such transfers as sales if they otherwise met all the criteria for sale accounting. The Company believes treatment of such transfers as sales is more consistent with the substance of such transaction, and accordingly, changed its accounting principles to treat such transfers as sales in the quarter ended December 31, 2017. In accordance with generally accepted accounting principles, the Company reflected this change in accounting principle retrospectively to prior interim periods within 2017. The retrospective changes for the three and six months ended June 30, 2017 are reflected in this Quarterly Report. The retrospective changes for the three and nine months ended September 30, 2017 will be reflected in the Company’s quarterly report for the quarter ended September 30, 2018. Refer to Note 20, Quarterly Financial Data (Unaudited) in the Company’s December 31, 2017 Annual Report for a summary of these changes.

In connection with the securitization transaction, the former intercompany loans, which are secured by real estate properties still owned by the Company, will continue to be reported as a financing transaction. As a result of the change in accounting principle, the Company recognized a gain of \$26.1 million on the transaction when it closed on

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June 29, 2017. In addition, upon consummation, the Company recognized \$12.9 million and \$62.7 million in restricted and unrestricted securities, respectively, which are included in real estate securities on the Company's consolidated balance sheets. The Company also recognized a liability for \$78.8 million for 23 intercompany loans with a combined principal balance of \$76.7 million.

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As of June 30, 2018, \$781.2 million, or 20.8%, of the carrying value of our mortgage loan receivables held for investment, at amortized cost, were at fixed interest rates and \$3.0 billion, or 79.2%, of the carrying value of our mortgage loan receivables held for investment, at amortized cost, were at variable interest rates, linked to LIBOR, some of which include interest rate floors. As of June 30, 2018, \$107.7 million, or 100.0%, of the carrying value of our mortgage loan receivables held for sale were at fixed interest rates.

December 31, 2017 (\$ in thousands)

	Outstanding Face Amount	Carrying Value	Weighted Average Yield (1)	Remaining Maturity (years)
Mortgage loans held by consolidated subsidiaries	\$ 3,300,709	\$3,282,462	7.18 %	1.61
Provision for loan losses	N/A	(4,000)		
Mortgage loan receivables held for investment, net, at amortized cost	3,300,709	3,278,462		
Mortgage loan receivables held for sale	232,527	230,180	4.88 %	8.17
Total	3,533,236	3,508,642	7.03 %	2.04

(1) December 31, 2017 LIBOR rates are used to calculate weighted average yield for floating rate loans.

As of December 31, 2017, \$723.7 million, or 22.0%, of the carrying value of our mortgage loan receivables held for investment, at amortized cost, were at fixed interest rates and \$2.6 billion, or 78.0%, of the carrying value of our mortgage loan receivables held for investment, at amortized cost, were at variable interest rates, linked to LIBOR, some of which include interest rate floors. As of December 31, 2017, \$230.2 million, or 100%, of the carrying value of our mortgage loan receivables held for sale were at fixed interest rates.

The following table summarizes mortgage loan receivables by loan type (\$ in thousands):

	June 30, 2018		December 31, 2017	
	Outstanding Face Amount	Carrying Value	Outstanding Face Amount	Carrying Value
Mortgage loan receivables held for investment, net, at amortized cost:				
First mortgage loans	\$3,630,000	\$3,606,248	\$3,140,788	\$3,123,268
Mezzanine loans	158,546	157,924	159,921	159,194
Mortgage loan receivables held for investment, net, at amortized cost	3,788,546	3,764,172	3,300,709	3,282,462
Mortgage loan receivables held for sale				
First mortgage loans	108,340	107,744	232,527	230,180
Total mortgage loan receivables held for sale	108,340	107,744	232,527	230,180
Provision for loan losses	N/A	(7,300)	N/A	(4,000)
Total	\$3,896,886	\$3,864,616	\$3,533,236	\$3,508,642

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For the six months ended June 30, 2018 and 2017, the activity in our loan portfolio was as follows (\$ in thousands):

	Mortgage loan receivables held for investment, net, at amortized cost:		
	Mortgage loans held by consolidated subsidiaries	Provision for loan losses	Mortgage loan receivables held for sale
Balance, December 31, 2017	\$3,282,462	\$(4,000)	\$ 230,180
Origination of mortgage loan receivables	914,489	—	764,948
Purchases of mortgage loan receivables	—	—	—
Repayment of mortgage loan receivables	(497,124)	—	(286)
Proceeds from sales of mortgage loan receivables	—	—	(842,727)
Realized gain on sale of mortgage loan receivables(1)	—	—	11,032
Transfer between held for investment and held for sale(2)	55,403	—	(55,403)
Accretion/amortization of discount, premium and other fees	8,942	—	—
Loan loss provision	—	(3,300)	—
Balance, June 30, 2018	\$3,764,172	\$(7,300)	\$ 107,744

(1) Includes \$0.5 million of realized losses on loans related to lower of cost or market adjustments for the six months ended June 30, 2018.

(2) During the six months ended June 30, 2018, the Company reclassified from mortgage loan receivables held for sale to mortgage loan receivables held for investment, net, at amortized cost, three loans with a combined outstanding face amount of \$57.6 million, a combined book value of \$55.4 million (fair value at date of reclassification) and a remaining maturity of 2.5 years. The loans had been recorded at lower of cost or market prior to their reclassification. The discount to fair value is the result of an increase in market interest rates since the loan's origination and not a deterioration in credit of the borrower or collateral coverage and the Company expects to collect all amounts due under the loan. These transfers have been reflected as non-cash items on the consolidated statement of cash flows for the six months ended June 30, 2018.

	Mortgage loan receivables held for investment, net, at amortized cost:		
	Mortgage loans held by consolidated subsidiaries	Provision for loan losses	Mortgage loan receivables held for sale
Balance, December 31, 2016	\$2,000,095	\$(4,000)	\$ 357,882
Origination of mortgage loan receivables	563,392	—	564,492
Purchases of mortgage loan receivables	94,079	—	—
Repayment of mortgage loan receivables	(155,325)	—	(1,184)

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Proceeds from sales of mortgage loan receivables	—	—	(563,929)
Realized gain on sale of mortgage loan receivables(1)	—	—	24,905
Transfer between held for investment and held for sale(2)	119,952	—	(119,952)
Accretion/amortization of discount, premium and other fees	4,539	—	—
Balance, June 30, 2017	\$2,626,732	\$(4,000)	\$ 262,214

(1) Includes \$1.0 million of realized losses on loans related to lower of cost or market adjustments for the six months ended June 30, 2017.

(2) During the six months ended June 30, 2017, the Company reclassified from mortgage loan receivables held for sale to mortgage loan receivables held for investment, net, at amortized cost, a loan with an outstanding face amount of \$120.0 million, a book value of \$119.9 million (fair value at date of reclassification) and a remaining maturity of three years. The loan had been recorded at lower of cost or market prior to its reclassification. The discount to fair value is the result of an increase in market interest rates since the loan's origination and not a deterioration in credit of the borrower or collateral coverage and the Company expects to collect all amounts due under the loan. This transfer has been reflected as a non-cash item on the consolidated statement of cash flows for the six months ended June 30, 2017.

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During the six months ended June 30, 2018, the transfers of financial assets via sales of loans were treated as sales under ASC Topic 860 — Transfers and Servicing.

At June 30, 2018 and December 31, 2017, there was \$25.3 thousand and \$0.2 million, respectively, of unamortized discounts included in our mortgage loan receivables held for investment, at amortized cost, on our consolidated balance sheets.

The Company evaluates each of its loans for potential losses at least quarterly. Its loans are typically collateralized by real estate directly or indirectly. As a result, the Company regularly evaluates the extent and impact of any credit deterioration associated with the performance and/or value of the underlying collateral property, as well as the financial and operating capability of the borrower. Specifically, a property's operating results and any cash reserves are analyzed and used to assess (i) whether cash flow from operations is sufficient to cover the debt service requirements currently and into the future, (ii) the ability of the borrower to refinance the loan at maturity, and/or (iii) the property's liquidation value. The Company also evaluates the financial wherewithal of any loan guarantors as well as the borrower's competency in managing and operating the properties. In addition, the Company considers the overall economic environment, real estate sector, and geographic sub-market in which the collateral property is located. Such impairment analyses are completed and reviewed by asset management personnel, who utilize various data sources, including (i) periodic financial data such as property occupancy, tenant profile, rental rates, operating expenses, the borrowers' business plan, and capitalization and discount rates, (ii) site inspections, and (iii) current credit spreads and other market data.

As a result of this analysis, the Company has concluded that none of its loans, other than the two loans discussed below, are individually impaired as of June 30, 2018 and none of its loans are individually impaired as of December 31, 2017. It is probable, however, that Ladder's loan portfolio as a whole incurred an impairment due to common characteristics and shared inherent risks in the portfolio. The Company determined that an increase in its provision expense for loan losses of \$3.3 million was required for the six months ended June 30, 2018. This provision consisted of a reserve of \$0.6 million based on a targeted percentage level which it seeks to maintain over the life of the portfolio and a reserve of \$2.7 million relating to two of the Company's loans, discussed below. Historically, with the exception of the two loans discussed below, the Company has not incurred losses on any originated loans.

As of June 30, 2018, two of the Company's loans, which were originated simultaneously as part of a single transaction and had a carrying value of \$26.9 million, were in default. These loans are directly and indirectly secured by the same property and are considered collateral dependent because repayment is expected to be provided solely by the underlying collateral. At the time of the initial loan funding in July 2015, the borrowers faced an uncertain situation as the parent company of the sole tenant of the underlying retail property had just filed for bankruptcy protection. The tenant subsequently vacated the property and the original lease was terminated by the tenant as part of the bankruptcy proceedings. In response to a default by the borrowers, the loans were accelerated in March 2016. Subsequently, in August 2016, the borrowers filed for bankruptcy protection, which imposed an automatic stay upon the lenders' ability to, among other things, collect payments due under the loans. In September 2017, the bankruptcy court approved a replacement lease with a new tenant as proposed by the mortgage borrower for the property. The new tenant commenced paying rent in September 2017, retroactive to August 2017 as ordered by the bankruptcy court.

The Company placed these loans on non-accrual status in July 2017. In assessing these collateral dependent loans for collectability, the most significant consideration is the fair value of the underlying real estate collateral, which includes an in-place long-dated retail lease. The value of such properties is most significantly affected by the contractual lease payments and the appropriate market capitalization rates, which are driven by the property's market strength, the general interest rate environment and the retail tenant's creditworthiness. In view of this, the Company uses a direct capitalization rate valuation methodology to calculate the fair value of the underlying real estate

collateral. These non-recurring fair values are considered Level 3 measurements in the fair value hierarchy. Through December 31, 2017, the Company believed no loss provision was necessary as the estimated fair value of the property less the cost to foreclose and sell the property exceeded the combined carrying value of the loans. The Company utilized direct capitalization rates of 4.35% to 4.65% at December 31, 2017.

During the three months ended March 31, 2018, based on the status of the on-going bankruptcy proceedings, rising interest rates and the retail tenant's creditworthiness, the Company utilized direct capitalization rates of 4.70% to 5.00% which resulted in a decline in the estimated value of the collateral. Accordingly, the Company recorded a provision for loss on these loans of \$2.7 million to reduce the carrying value of these loans to the fair value of the property less the cost to foreclose and sell the property.

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During the three months ended June 30, 2018, the Company believed no additional loss provision was necessary as the estimated fair value of the property less the cost to foreclose and sell the property exceeded the combined carrying value of the loans. The Company has continued to utilize direct capitalization rates of 4.70% to 5.00% as of June 30, 2018 based on the status of the on-going bankruptcy proceedings, interest rates and the retail tenant's creditworthiness. The Company continues to pursue all of its legal remedies on these loans.

As of June 30, 2018 and December 31, 2017 there were no other loans on non-accrual status.

Provision for Loan Losses (\$ in thousands)

	Three Months		Six Months	
	Ended June 30,		Ended June 30,	
	2018	2017	2018	2017
Provision for loan losses at beginning of period	\$7,000	\$4,000	\$4,000	\$4,000
Provision for loan losses	300	—	3,300	—
Provision for loan losses at end of period	\$7,300	\$4,000	\$7,300	\$4,000

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5. REAL ESTATE SECURITIES

Commercial mortgage backed securities (“CMBS”), CMBS interest-only securities, Agency securities, Government National Mortgage Association (“GNMA”) construction securities and Government National Mortgage Association (“GNMA”) permanent securities are classified as available-for-sale and reported at fair value with changes in fair value recorded in the current period in other comprehensive income. GNMA and Federal Home Loan Mortgage Corp (“FHLMC”) securities (collectively, “Agency interest-only securities”) are recorded at fair value with changes in fair value recorded in current period earnings. The following is a summary of the Company’s securities at June 30, 2018 and December 31, 2017 (\$ in thousands):

June 30, 2018

Asset Type	Outstanding Face Amount	Amortized Cost Basis	Gross Unrealized		Carrying Value	# of Securities	Weighted Average			Remaining Duration (years)
			Gains	Losses			Rating (1)	Coupon	Yield	
CMBS(2)	\$999,461	\$1,005,795	\$244	\$(11,742)	\$994,297	(3)100	AAA	3.33%	2.92%	2.85
CMBS interest-only(2)(4)	2,466,340	74,383	437	(274)	74,546	(5)21	AAA	0.71%	3.25%	2.87
GNMA interest-only(4)(6)	143,738	3,651	117	(572)	3,196	13	AA+	0.52%	7.19%	4.10
Agency securities(2)	696	712	—	(26)	686	2	AA+	2.78%	1.93%	2.64
GNMA permanent securities(2)	33,196	33,471	412	(250)	33,633	6	AA+	3.96%	3.77%	5.35
Total	\$3,643,431	\$1,118,012	\$1,210	\$(12,864)	\$1,106,358	142		1.45%	2.98%	2.93

Represents the weighted average of the ratings of all securities in each asset type, expressed as an S&P equivalent rating. For each security rated by multiple rating agencies, the highest rating is used. Ratings provided were (1) determined by third-party rating agencies as of a particular date, may not be current and are subject to change (including the assignment of a “negative outlook” or “credit watch”) at any time.

CMBS, CMBS interest-only securities, Agency securities, and GNMA permanent securities are classified as (2) available-for-sale and reported at fair value with changes in fair value recorded in the current period in other comprehensive income.

As more fully described in Note 4, certain securities that were purchased from the LCCM LC-26 securitization trust are designated as risk retention securities under the Dodd-Frank Act and are therefore subject to transfer (3) restrictions over the term of the securitization trust and are classified as held-to-maturity and reported at amortized cost. Includes \$11.3 million of such restricted securities.

The amounts presented represent the principal amount of the mortgage loans outstanding in the pool in which the (4) interest-only securities participate.

As more fully described in Note 4, certain securities that were purchased from the LCCM LC-26 securitization trust are designated as risk retention securities under the Dodd-Frank Act and are therefore subject to transfer (5) restrictions over the term of the securitization trust and are classified as held-to-maturity and reported at amortized cost. Includes \$1.0 million of such restricted securities.

(6) Agency interest-only securities are recorded at fair value with changes in fair value recorded in current period earnings. The Company’s Agency interest-only securities are considered to be hybrid financial instruments that contain embedded derivatives. As a result, the Company accounts for them as hybrid instruments in their entirety at fair value with changes in fair value recognized in unrealized gain (loss) on Agency interest-only securities in the

consolidated statements of income in accordance with ASC 815.

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December 31, 2017

Asset Type	Outstanding Face Amount	Amortized Cost Basis	Gross Unrealized		Carrying Value	# of Securities	Weighted Average			Remaining Duration (years)
			Gains	Losses			Rating (1)	Coupon %	Yield %	
CMBS(2)	\$945,167	\$954,397	\$2,748	\$(3,646)	\$953,499	(3)96	AAA	3.28%	2.79%	2.89
CMBS interest-only(2)(4)	3,140,297	112,609	796	(334)	113,071	(5)25	AAA	0.81%	3.16%	3.08
GNMA interest-only(4)(6)	172,916	5,245	157	(925)	4,477	13	AA+	0.58%	6.70%	4.18
Agency securities(2)	720	743	—	(15)	728	2	AA+	2.82%	1.80%	2.94
GNMA permanent securities(2)	33,745	34,386	595	(239)	34,742	6	AA+	3.98%	3.62%	5.66
Total	\$4,292,845	\$1,107,380	\$4,296	\$(5,159)	\$1,106,517	142		1.37%	2.87%	3.00

Represents the weighted average of the ratings of all securities in each asset type, expressed as an S&P equivalent rating. For each security rated by multiple rating agencies, the highest rating is used. Ratings provided were determined by third-party rating agencies as of a particular date, may not be current and are subject to change (including the assignment of a “negative outlook” or “credit watch”) at any time.

CMBS, CMBS interest-only securities, Agency securities, and GNMA permanent securities are classified as available-for-sale and reported at fair value with changes in fair value recorded in the current period in other comprehensive income.

As more fully described in Note 4, certain securities which were purchased from the LCCM LC-26 securitization trust are designated as risk retention securities under the Dodd-Frank Act which are subject to transfer restrictions over the term of the securitization trust and are classified as held-to-maturity and reported at amortized cost.

Includes \$11.7 million of such restricted securities.

The amounts presented represent the principal amount of the mortgage loans outstanding in the pool in which the interest-only securities participate.

As more fully described in Note 4, certain securities which were purchased from the LCCM LC-26 securitization trust are designated as risk retention securities under the Dodd-Frank Act which are subject to transfer restrictions over the term of the securitization trust and are classified as held-to-maturity and reported at amortized cost.

Includes \$1.1 million of such restricted securities.

Agency interest-only securities are recorded at fair value with changes in fair value recorded in current period earnings. The Company’s Agency interest-only securities are considered to be hybrid financial instruments that contain embedded derivatives. As a result, the Company accounts for them as hybrid instruments in their entirety at fair value with changes in fair value recognized in unrealized gain (loss) on Agency interest-only securities in the consolidated statements of income in accordance with ASC 815.

The following is a breakdown of the carrying value of the Company’s securities by remaining maturity based upon expected cash flows at June 30, 2018 and December 31, 2017 (\$ in thousands):

June 30, 2018

Asset Type	Within 1 year	1-5 years	5-10 years	After 10 years	Total
CMBS(1)	\$ 330,768	\$ 479,270	\$ 182,201	\$ 2,058	\$994,297

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CMBS interest-only(1)	1,378	73,168	—	—	74,546
GNMA interest-only(2)	58	2,738	394	6	3,196
Agency securities(1)	—	686	—	—	686
GNMA permanent securities(1)	—	1,632	32,001	—	33,633
Total	\$ 332,204	\$557,494	\$ 214,596	\$ 2,064	\$1,106,358

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December 31, 2017

Asset Type	Within 1 year	1-5 years	5-10 years	After 10 years	Total
CMBS(1)	\$ 285,982	\$544,278	\$ 123,239	\$ —	\$953,499
CMBS interest-only(1)	537	112,534	—	—	113,071
GNMA interest-only(2)	76	3,906	484	11	4,477
Agency securities(1)	—	728	—	—	728
GNMA permanent securities(1)	—	1,797	32,945	—	34,742
Total	\$ 286,595	\$663,243	\$ 156,668	\$ 11	\$1,106,517

CMBS, CMBS interest-only securities, Agency securities, and GNMA permanent securities are classified as (1) available-for-sale and reported at fair value with changes in fair value recorded in the current period in other comprehensive income.

(2) Agency interest-only securities are recorded at fair value with changes in fair value recorded in current period earnings.

During the three and six months ended June 30, 2018, the Company realized a gain on sale of equity securities of \$72.0 thousand which is included in fee and other income on the Company's consolidated statements of income.

There were \$0.6 million of realized losses on securities recorded as other than temporary impairments for the three months ended June 30, 2018 and 2017. There were \$1.6 million and \$1.0 million of realized losses on securities recorded as other than temporary impairments for the six months ended June 30, 2018 and 2017, respectively. The determination of whether a security is other-than-temporarily impaired involves judgments and assumptions based on subjective and objective factors. Consideration is given to (i) the length of time and the extent to which the fair value has been less than amortized cost, (ii) the financial condition and near-term prospects of recovery in fair value of the security, and (iii) the Company's intent to sell the security and whether it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis. The Company has no intention to sell the securities before recovery of its amortized cost basis. For cash flow statement purposes, all receipts of interest from interest-only real estate securities are treated as part of cash flows from operations.

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6. REAL ESTATE AND RELATED LEASE INTANGIBLES, NET

The following tables present additional detail related to our real estate portfolio (\$ in thousands):

	June 30, 2018	December 31, 2017
Land	\$ 195,210	\$ 213,992
Building	858,503	789,622
In-place leases and other intangibles	182,905	189,490
Less: Accumulated depreciation and amortization	(176,375)	(161,063)
Real estate and related lease intangibles, net	\$ 1,060,243	\$ 1,032,041

Below market lease intangibles, net (other liabilities) \$(42,416) \$(42,607)

The following table presents depreciation and amortization expense on real estate recorded by the Company (\$ in thousands):

	Three Months		Six Months	
	Ended June 30, 2018	2017	Ended June 30, 2018	2017
Depreciation expense (1)	\$ 8,208	\$ 7,126	\$ 15,995	\$ 12,846
Amortization expense	2,429	2,976	5,447	5,824
Total real estate depreciation and amortization expense	\$ 10,637	\$ 10,102	\$ 21,442	\$ 18,670

Depreciation expense on the consolidated statements of income also includes \$19 thousand and \$23 thousand of depreciation on corporate fixed assets for the three months ended June 30, 2018 and 2017, respectively, and \$37 thousand and \$47 thousand of depreciation on corporate fixed assets for the six months ended June 30, 2018 and 2017, respectively.

The Company's intangible assets are comprised of in-place leases, favorable leases compared to market leases and other intangibles. At June 30, 2018, gross intangible assets totaled \$182.9 million with total accumulated amortization of \$63.1 million, resulting in net intangible assets of \$119.8 million, including \$5.9 million of unamortized favorable lease intangibles which are included in real estate and related lease intangibles, net on the consolidated balance sheets. At December 31, 2017, gross intangible assets totaled \$189.5 million with total accumulated amortization of \$60.9 million, resulting in net intangible assets of \$128.6 million, including \$8.9 million of unamortized favorable lease intangibles which are included in real estate and related lease intangibles, net on the consolidated balance sheets. For the three and six months ended June 30, 2018, the Company recorded a net increase (reduction) in operating lease income of \$(0.2) million and \$(0.4) million, respectively, for amortization of above market lease intangibles acquired, compared to \$(0.2) million and \$(0.5) million, respectively, for the three and six months ended June 30, 2017. For the three and six months ended June 30, 2018, the Company recorded a net increase (reduction) in operating lease income of \$0.7 million and \$1.3 million, respectively, for amortization of below market lease intangibles acquired, compared to \$0.4 million and \$0.7 million, respectively, for the three and six months ended June 30, 2017.

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The following table presents expected amortization expense during the next five years and thereafter related to the acquired in-place lease intangibles for property owned as of June 30, 2018 (\$ in thousands):

Period Ending December 31, Amount

2018 (last 6 months)	\$5,717
2019	10,675
2020	9,265
2021	8,662
2022	6,384
Thereafter	73,167
Total	\$113,870

There were \$0.8 million and \$0.9 million of unbilled rent receivables included in other assets on the consolidated balance sheets as of June 30, 2018 and December 31, 2017, respectively.

There was unencumbered real estate of \$72.1 million and \$128.7 million as of June 30, 2018 and December 31, 2017, respectively.

The following is a schedule of non-cancellable, contractual, future minimum rent under leases (excluding property operating expenses paid directly by tenant under net leases or rent escalations under other leases from tenants) at June 30, 2018 (\$ in thousands):

Period Ending December 31, Amount

2018 (last 6 months)	\$52,721
2019	96,832
2020	86,086
2021	83,775
2022	82,779
Thereafter	644,216
Total	\$1,046,409

Acquisitions

During the six months ended June 30, 2018, the Company acquired the following property (\$ in thousands):

Acquisition Date	Type	Primary Location(s)	Purchase Price	Ownership Interest (1)
March 2018	Diversified	Lithia Springs, GA	\$24,466	70.6%
April 2018	Net Lease	Kirbyville, MO	1,156	100.0%
April 2018	Net Lease	Gladwin, MI	1,171	100.0%
April 2018	Net Lease	Foley, MN	1,176	100.0%
April 2018	Net Lease	Moscow Mills, MO	1,237	100.0%
April 2018	Net Lease	Wonder Lake, IL	1,255	100.0%
May 2018	Diversified	Isla Vista, CA	83,723	75.0%
Total			\$114,184	

(1) Properties were consolidated as of acquisition date.

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On October 1, 2016, the Company early adopted ASU 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business (“ASU 2017-01”). As a result of this adoption, acquisitions of real estate may not meet the revised definition of a business and may be treated as asset acquisitions rather than business combinations. The measurement of assets and liabilities acquired will no longer be recorded at fair value and the Company will now allocate purchase consideration based on relative fair values. Real estate acquisition costs which are no longer expensed as incurred, will be capitalized as a component of the cost of the assets acquired. During the six months ended June 30, 2018 and 2017, all acquisitions were determined to be asset acquisitions.

The purchase prices were allocated to the asset acquisitions during the six months ended June 30, 2018, as follows (\$ in thousands):

	Purchase Price Allocation
Land	\$24,466
Building	87,389
Intangibles	3,459
Below Market Lease Intangibles	(1,130)
Total purchase price	\$ 114,184

The Company recorded \$1.4 million in revenues from its 2018 acquisitions for the three and six months ended June 30, 2018. The Company recorded \$0.8 million in earnings (losses) from its 2018 acquisitions for the three and six months ended June 30, 2018, which is included in its consolidated statements of income.

During the six months ended June 30, 2017, the Company acquired the following properties (\$ in thousands):

Acquisition Date	Type	Primary Location(s)	Purchase Price	Ownership Interest (1)
February 2017	Net Lease	Carmi, IL	\$1,411	100.0%
February 2017	Net Lease	Peoria, IL	1,183	100.0%
March 2017	Net Lease	Ridgedale, MO	1,298	100.0%
April 2017	Net Lease	Hanna City, IL	1,141	100.0%
April 2017	Diversified(2)	El Monte, CA	54,110	70.0%
May 2017	Net Lease	Jessup, IA	1,163	100.0%
May 2017	Net Lease	Shelbyville, IL	1,132	100.0%
May 2017	Net Lease	Jacksonville, FL	115,641	100.0%
May 2017	Net Lease	Wabasha, MN	1,280	100.0%
May 2017	Net Lease	Port O'Connor, TX	1,255	100.0%
May 2017	Net Lease	Denver, IA	1,183	100.0%
June 2017	Net Lease	Jefferson City, MO	1,241	100.0%
Total			\$ 182,038	

(1) Properties were consolidated as of acquisition date.

(2) Joint venture partner contributed \$5.3 million to the partnership.

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The purchase prices were allocated to the asset acquisitions during the six months ended June 30, 2017, as follows (\$ in thousands):

	Purchase Price Allocation
Land	\$56,451
Building	120,567
Intangibles	31,322
Below Market Lease Intangibles	(26,302)
Total purchase price	\$182,038

The weighted average amortization period for intangible assets acquired during the six months ended June 30, 2017 was 31.9 years. The Company recorded \$1.9 million in revenues from its 2017 acquisitions for the three and six months ended June 30, 2017, which is included in its consolidated statements of income. The Company recorded \$1.5 million and \$1.6 million in earnings (losses) from its 2017 acquisitions for the three and six months ended June 30, 2017, respectively, which is included in its consolidated statements of income.

Sales

The Company sold the following properties during the six months ended June 30, 2018 (\$ in thousands):

Sales Date	Type	Primary Location(s)	Net Sales Proceeds	Net Book Value	Realized Gain/(Loss)	Properties	Units Sold	Units Remaining
Various	Condominium	Las Vegas, NV	\$4,509	\$1,939	\$ 2,570	—	6	7
Various	Condominium	Miami, FL	3,296	2,662	634	—	12	36
March 2018	Diversified	El Monte, CA	71,807	52,610	19,197	1	—	—
March 2018	Diversified	Richmond, VA	21,632	11,396	10,236	1	—	—
Totals			\$101,244	\$68,607	\$ 32,637			

The Company sold the following properties during the six months ended June 30, 2017 (\$ in thousands):

Sales Date	Type	Primary Location(s)	Net Sales Proceeds	Net Book Value	Realized Gain/(Loss)	Properties	Units Sold	Units Remaining
Various	Condominium	Las Vegas, NV	\$ 7,935	\$4,371	\$ 3,564	—	21	38
Various	Condominium	Miami, FL	4,655	3,656	999	—	16	72
Totals			\$12,590	\$8,027	\$ 4,563			

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7. INVESTMENT IN UNCONSOLIDATED JOINT VENTURES

As of June 30, 2018, the Company had an aggregate investment of \$35.3 million in its equity method joint ventures with unaffiliated third parties.

The following is a summary of the Company's investments in unconsolidated joint ventures, which we account for using the equity method, as of June 30, 2018 and December 31, 2017 (\$ in thousands):

Entity	June 30, December 31,	
	2018	2017
Grace Lake JV, LLC	\$4,192	\$ 4,908
24 Second Avenue Holdings LLC	31,110	30,533
Investment in unconsolidated joint ventures	\$35,302	\$ 35,441

The following is a summary of the Company's allocated earnings (losses) based on its ownership interests from investment in unconsolidated joint ventures for the three and six months ended June 30, 2018 and 2017 (\$ in thousands):

Entity	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Grace Lake JV, LLC	266	269	\$533	\$508
24 Second Avenue Holdings LLC	(253)	(259)	(468)	(571)
Earnings (loss) from investment in unconsolidated joint ventures	\$13	\$10	\$65	\$(63)

Grace Lake JV, LLC

In connection with the origination of a loan in April 2012, the Company received a 25% equity kicker with the right to convert upon a capital event. On March 22, 2013, the loan was refinanced, and the Company converted its interest into a 19% limited liability company membership interest in Grace Lake JV, LLC ("Grace Lake LLC"), which holds an investment in an office building complex. After taking into account the preferred return of 8.25% and the return of all equity remaining in the property to the Company's operating partner, the Company is entitled to 25% of the distribution of all excess cash flows and all disposition proceeds upon any sale. The Company is not legally required to provide any future funding to Grace Lake JV. The Company accounts for its interest in Grace Lake JV using the equity method of accounting, as it has a 19% investment, compared to the 81% investment of its operating partner and does not control the entity.

The Company's investment in Grace Lake LLC is an unconsolidated joint venture, which is a VIE for which the Company is not the primary beneficiary. This joint venture was deemed to be a VIE primarily based on the fact there are disproportionate voting and economic rights within the joint venture. The Company determined that it was not the primary beneficiary of this VIE based on the fact that the Company has a passive investment and no control of this entity and therefore does not have controlling financial interests in this VIE. The Company's maximum exposure to loss is limited to its investment in the VIE. The Company has not provided financial support to this VIE that it was not previously contractually required to provide.

During the six months ended June 30, 2018, the Company received a \$1.3 million distribution from its investment in Grace Lake JV, LLC.

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24 Second Avenue Holdings LLC

On August 7, 2015, the Company entered into a joint venture, 24 Second Avenue Holdings LLC (“24 Second Avenue”), with an operating partner to invest in a ground-up condominium construction and development project located at 24 Second Avenue, New York, NY. The Company accounts for its interest in 24 Second Avenue using the equity method of accounting as its joint venture partner is the managing member of 24 Second Avenue and has substantive participating rights. The Company contributed \$31.1 million for a 73.8% interest, with the operating partner holding the remaining 26.2% interest. The Company is entitled to income allocations and distributions based upon its membership interest of 73.8% until the Company achieves a 1.70x profit multiple, after which, income is allocated and distributed 50% to the Company and 50% to the operating partner.

During the three and six months ended June 30, 2018, the Company recorded \$0.3 million and \$0.5 million, respectively, in expenses, which is recorded in earnings (loss) from investment in unconsolidated joint ventures in the consolidated statements of income. During the three and six months ended June 30, 2017, the Company recorded \$0.3 million and \$0.6 million, respectively, in expenses, which is recorded in earnings (loss) from investment in unconsolidated joint ventures in the consolidated statements of income. The Company capitalizes interest related to the cost of its investment, as 24 Second Avenue has activities in progress necessary to construct and ultimately sell condominium units. During the three and six months ended June 30, 2018, the Company capitalized \$0.4 million and \$0.7 million, respectively, of interest expense, using a weighted average interest rate, which is recorded in investment in unconsolidated joint ventures in the consolidated balance sheets. During the three and six months ended June 30, 2017, the Company capitalized \$0.3 million and \$0.6 million, respectively, of interest expense, using a weighted average interest rate, which is recorded in investment in unconsolidated joint ventures in the consolidated balance sheets.

As of June 30, 2018 and December 31, 2017, 24 Second Avenue had \$43.7 million and \$36.5 million, respectively, of loans payable to third party lenders. As of December 31, 2016, the previously existing building had been demolished and the site was cleared with all supportive excavation work completed, and we are anticipating completion of the new construction in 2018. 24 Second Avenue consists of 31 residential condominium units and one commercial condominium unit. As of June 30, 2018, 15 residential condominium units were under contract for sale for \$38.3 million in sales proceeds. As of June 30, 2018, the Company is holding a 10.0% deposit on each sales contract. The Company expects to start closing on the existing sales contracts during the quarter ended December 31, 2018. The Company’s operating partner entered into a construction loan in the amount of \$50.5 million to fund the completion of the project. As of June 30, 2018, draws of \$43.7 million have been taken against the construction loan. The Company has no remaining capital commitment to our operating partner.

The Company’s investment in 24 Second Avenue is an unconsolidated joint venture, which is a VIE for which the Company is not the primary beneficiary. This joint venture was deemed to be a VIE primarily based on the fact there are disproportionate voting and economic rights within the joint venture. The Company determined that it was not the primary beneficiary of this VIE based on the fact that the Company has shared control of this entity along with the entity’s partner and therefore does not have controlling financial interests in this VIE. The Company’s maximum exposure to loss is limited to its investment in the VIE. The Company has not provided financial support to this VIE that it was not previously contractually required to provide. In general, future costs of development not financed through a third party will be funded with capital contributions from the Company and its outside partner in accordance with their respective ownership percentages.

Combined Summary Financial Information for Unconsolidated Joint Ventures

The following is a summary of the combined financial position of the unconsolidated joint ventures in which the Company had investment interests as of June 30, 2018 and December 31, 2017 (\$ in thousands):

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	June 30, 2018	December 31, 2017
Total assets	\$158,017	\$ 154,979
Total liabilities	114,103	108,119
Partners'/members' capital	\$43,914	\$ 46,860

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The following is a summary of the combined results from operations of the unconsolidated joint ventures for the period in which the Company had investment interests during the three and six months ended June 30, 2018 and 2017 (\$ in thousands):

	Three Months		Six Months	
	Ended June 30,		Ended June 30,	
	2018	2017	2018	2017
Total revenues	\$4,972	\$4,953	\$9,321	\$8,743
Total expenses	2,801	1,686	6,373	7,484
Net income (loss)	\$2,171	\$3,267	\$2,948	\$1,259

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8. DEBT OBLIGATIONS, NET

The details of the Company's debt obligations at June 30, 2018 and December 31, 2017 are as follows (\$ in thousands):

June 30, 2018

Debt Obligations	Committed Financing	Debt Obligations Outstanding	Committed but Unfunded	Interest Rate at June 30, 2018(1)	Current Term Maturity	Remaining Extension Options	Eligible Collateral	Carrying Amount of Collateral	Fair Value of Collateral
Committed Loan Repurchase Facility	\$ 600,000	\$ 156,960	\$ 443,040	3.82% - 4.57%	10/1/2020	(2)	(3)	\$ 249,792	\$ 248,215
Committed Loan Repurchase Facility	350,000	151,930	198,070	4.29% - 5.04%	5/24/2019	(4)	(3)	277,588	278,773
Committed Loan Repurchase Facility	300,000	127,751	172,249	4.07% - 4.57%	4/7/2019	(5)	(6)	196,877	197,412
Committed Loan Repurchase Facility	300,000	106,564	193,436	4.06% - 5.06%	5/6/2021	(7)	(3)	161,130	161,081
Committed Loan Repurchase Facility	100,000	56,448	43,552	4.17% - 4.57%	6/28/2019	N/A	(3)	76,190	76,190
Total Committed Loan Repurchase Facilities	1,650,000	599,653	1,050,347					961,577	961,671
Committed Securities Repurchase Facility	400,000	99,889	300,111	2.38% - 2.99%	9/30/2019	N/A	(8)	120,724	120,724
Uncommitted Securities Repurchase Facility	N/A (9)	120,421	N/A (9)	2.65% - 4.07%	7/2018 - 9/2018	N/A	(8)	137,374	137,374
Total Repurchase Facilities	2,050,000	819,963	1,350,458					1,219,675	1,219,769
Revolving Credit	241,430	—	241,430	NA	2/11/2019	(12)	N/A (13)	N/A (13)	N/A (13)

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Facility									
Mortgage Loan Financing	770,880	770,880	—	4.25% - 2020 - 6.75% 2028	N/A	(14)	999,313	1,170,938	(1)
CLO Debt	685,416	685,416	(16)—	2.95% - 5.67% 2021-2034	N/A	(17)	861,209	861,356	
Participation Financing - Mortgage Loan	2,647	2,647	—	17.00% 12/6/2018	N/A	(3)	2,647	2,647	
Receivable Borrowings from the FHLB	1,933,522	1,270,000	663,522	1.02% - 2.74% 2018 - 2024	N/A	(18)	1,732,392	1,733,058	(1)
Senior Unsecured Notes	1,166,201	1,153,543	(20)—	5.250% 2021 - 5.875% 2025	N/A	N/A (21)	N/A (21)	N/A (21)	
Total Debt Obligations	\$6,850,096	\$4,702,449	\$2,255,410				\$4,815,236	\$4,987,768	

(1) June 2018 LIBOR rates are used to calculate interest rates for floating rate debt.

(2) Two additional 12-month periods at Company's option. No new advances are permitted after the initial maturity date.

(3) First mortgage commercial real estate loans and senior and pari passu interests therein. It does not include the real estate collateralizing such loans.

(4) Two additional 12-month periods at Company's option.

(5) One additional 364-day periods at Company's option and one additional 364-day period with Bank's consent.

(6) First mortgage and mezzanine commercial real estate loans. It does not include the real estate collateralizing such loans.

(7) One additional 12-month extension period and two additional 6-month extension periods at Company's option.

(8) Commercial real estate securities. It does not include the real estate collateralizing such securities.

(9) Represents uncommitted securities repurchase facilities for which there is no committed amount subject to future advances.

(10) As more fully described in Note 4, certain securities which were purchased from the LCCM LC-26 securitization trust are restricted. Includes \$2.5 million of restricted securities.

(11) Includes \$6.0 million of securities purchased in the secondary market of the Company's October 2017 CLO issuance. These securities are not included in real estate securities, available-for-sale but were rather considered a partial retirement of CLO Debt.

(12) Two additional 12-month periods at Company's option.

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- (13) The obligations under the Revolving Credit Facility are guaranteed by the Company and certain of its subsidiaries and secured by equity pledges in certain Company subsidiaries.
- (14) Real estate.
- (15) Using undepreciated carrying value of commercial real estate to approximate fair value.
- (16) Presented net of unamortized debt issuance costs of \$4.5 million at June 30, 2018.
- (17) First mortgage commercial real estate loans and pari passu interests therein. It does not include the real estate collateralizing such loans.
- (18) First mortgage commercial real estate loans and investment grade commercial real estate securities. It does not include the real estate collateralizing such loans and securities.
- (19) As more fully described in Note 4, certain securities which were purchased from the LCCM LC-26 securitization trust are restricted. Includes \$9.7 million of restricted securities.
- (20) Presented net of unamortized debt issuance costs of \$12.7 million at June 30, 2018.
- (21) The obligations under the senior unsecured notes are guaranteed by the Company and certain of its subsidiaries.

December 31, 2017

Debt Obligations	Committed Financing	Debt Obligations Outstanding	Committed but Unfunded	Interest Rate at December 31, 2017(1)	Current Term Maturity	Remaining Extension Options	Eligible Collateral	Carrying Amount of Collateral	Fair Value of Collateral
Committed Loan Repurchase Facility	\$ 600,000	\$ 120,493	\$ 479,507	3.23% - 3.98%	10/1/2020	(2)	(3)	\$ 160,031	\$ 159,500
Committed Loan Repurchase Facility	450,000	183,111	266,889	3.63% - 4.48%	5/24/2018	(4)	(3)	333,647	335,070
Committed Loan Repurchase Facility	300,000	63,007	236,993	3.73% - 4.73%	4/10/2018	(5)	(6)	125,379	125,975
Committed Loan Repurchase Facility	200,000	32,042	167,958	4.25% - 4.50%	2/29/2020	(7)	(8)	48,045	48,045
Committed Loan Repurchase Facility	100,000	—	100,000	N/A	6/28/2019	N/A	(3)	—	—
Total Committed Loan Repurchase Facilities	1,650,000	398,653	1,251,347					667,102	668,660
Committed Securities Repurchase	400,000	—	400,000	N/A	9/30/2019	N/A	(9)	—	—

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Facility Uncommitted Securities Repurchase Facility	N/A (10)	74,757	N/A (10)	1.65% - 3.31%	1/2018 - 3/2018	N/A	(9)	86,322	86,322
Total Repurchase Facilities	2,050,000	473,410	1,651,347					753,424	754,980
Revolving Credit Facility	241,430	—	241,430	N/A	2/11/2018	(4)	N/A (12)	N/A (14)	N/A (14)
Mortgage Loan Financing	692,696	692,696	—	4.25% - 6.75%	2018 - 2027	N/A	(13)	911,034	1,066,700
CLO Debt Participation Financing - Mortgage Loan	688,479	688,479	(15) —	2.36% - 5.08%	2021-2034	N/A	(16)	880,385	881,570
Receivable Borrowings from the FHLB	3,107	3,107	—	17.00%	6/6/2018	N/A	(3)	3,107	3,107
Senior Unsecured Notes	2,000,000	1,370,000	630,000	0.87% - 2.74%	2018 - 2024	N/A	(17)	1,777,597	1,783,200
Total Debt Obligations	1,166,201	1,152,134	(19) —	5.250% - 5.875%	2021 - 2025	N/A	N/A (20)	N/A (20)	N/A (20)
	\$6,841,913	\$4,379,826	\$2,522,777					\$4,325,547	\$4,489,000

(1) December 31, 2017 LIBOR rates are used to calculate interest rates for floating rate debt.

(2) Two additional 12-month periods at Company's option. No new advances are permitted after the initial maturity date.

(3) First mortgage commercial real estate loans and senior and pari passu interests therein. It does not include the real estate collateralizing such loans.

(4) Three additional 12-month periods at Company's option.

(5) Two additional 364-day periods at Company's option and one additional 364-day period with Bank's consent.

(6) First mortgage and mezzanine commercial real estate loans. It does not include the real estate collateralizing such loans.

(7) One additional 12-month extension period and two additional 6-month extension periods at Company's option.

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- (8) First mortgage commercial real estate loans. It does not include the real estate collateralizing such loans.
- (9) Commercial real estate securities. It does not include the real estate collateralizing such securities.
- (10) Represents uncommitted securities repurchase facilities for which there is no committed amount subject to future advances.
- (11) As more fully described in Note 4, certain securities which were purchased from the LCCM LC-26 securitization trust are restricted. Includes \$26.7 million of restricted securities.
- (12) The obligations under the Revolving Credit Facility are guaranteed by the Company and certain of its subsidiaries and secured by equity pledges in certain Company subsidiaries.
- (13) Real estate.
- (14) Using undepreciated carrying value of commercial real estate to approximate fair value.
- (15) Presented net of unamortized debt issuance costs of \$6.0 million at December 31, 2017.
- (16) First mortgage commercial real estate loans and pari passu interests therein. It does not include the real estate collateralizing such loans.
- (17) First mortgage commercial real estate loans and investment grade commercial real estate securities. It does not include the real estate collateralizing such loans and securities.
- (18) As more fully described in Note 4, certain securities which were purchased from the LCCM LC-26 securitization trust are restricted. Includes \$10.1 million of restricted securities.
- (19) Presented net of unamortized debt issuance costs of \$14.1 million at December 31, 2017.
- (20) The obligations under the senior unsecured notes are guaranteed by the Company and certain of its subsidiaries.

Committed Loan and Securities Repurchase Facilities

The Company has entered into multiple committed master repurchase agreements in order to finance its lending activities. The Company has entered into five committed master repurchase agreements, as outlined in the June 30, 2018 table above, totaling \$1.7 billion of credit capacity. Assets pledged as collateral under these facilities are limited to whole mortgage loans or participation interests in mortgage loans collateralized by first liens on commercial properties and mezzanine debt. The Company also has a term master repurchase agreement with a major U.S. bank to finance CMBS totaling \$400.0 million. The Company's repurchase facilities include covenants covering net worth requirements, minimum liquidity levels, maximum leverage ratios, and minimum fixed charge coverage ratios. The Company believes it was in compliance with all covenants as of June 30, 2018 and December 31, 2017.

The Company has the option to extend some of the current facilities subject to a number of conditions, including satisfaction of certain notice requirements, no event of default exists, and no margin deficit exists, all as defined in the repurchase facility agreements. The lenders have sole discretion with respect to the inclusion of collateral in these facilities, to determine the market value of the collateral on a daily basis, to be exercised on a good faith basis, and have the right in certain cases to require additional collateral, a full and/or partial repayment of the facilities (margin call), or a reduction in unused availability under the facilities, sufficient to rebalance the facilities if the estimated market value of the included collateral declines.

On February 22, 2017, the Company exercised a one year extension option on one of its committed loan repurchase facilities. In connection with this extension, the Company elected to reduce the maximum capacity of the facility to \$300.0 million. In addition, on March 21, 2017, the Company amended this committed loan repurchase facility to, among other things, add one additional 364-day extension period at Company's option and one additional 364-day extension period permitted with lender's consent.

On March 1, 2017, the Company executed an amendment and extension of one of its credit facilities with a major banking institution, providing for, among other things, the extension of the maximum term of the facility to February

28, 2022 and increasing the maximum funding capacity to \$200.0 million.

On May 1, 2017, the Company executed an amendment to one of its credit facilities with a major banking institution to, among other things, extend the maximum term by an additional year to May 24, 2021.

On September 29, 2017, the Company executed an amendment to its committed securities repurchase facility with a major banking institution, providing for, among other things, the extension of the maximum term of the facility to September 30, 2019.

Effective September 30, 2017, the Company executed an amendment of one of its committed loan repurchase facilities with a major banking institution, providing for, among other things, the extension of the maximum term of the facility to October 1, 2022, inclusive of two 12-month extension options, and to extend of the final date to obtain new advances under the facility to October 1, 2020.

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On January 4, 2018, the Company executed an amendment to its committed loan repurchase facility with a major banking institution, providing for, among other things, the extension of the maximum term of the facility to April 7, 2019.

On April 3, 2018, the Company exercised its option to extend one of its credit facilities with a major banking institution for a term of one year and agreed with such banking institution to decrease the maximum funding capacity under such facility from \$450 million to \$350 million together with other related modifications, all of which will be memorialized in definitive documentation.

On May 7, 2018, the Company executed an amendment of one of its committed loan repurchase facilities with a major banking institution, providing for, among other things, the extension of the maximum term of the facility to May 6, 2023 and increasing the maximum funding capacity to \$300.0 million.

As of June 30, 2018, we had repurchase agreements with eight counterparties, with total debt obligations outstanding of \$820.0 million. As of June 30, 2018, three counterparties, Deutsche Bank, JP Morgan and Wells Fargo, held collateral that exceeded the amounts borrowed under the related repurchase agreements by more than \$75.6 million, or 5% of our total equity. As of June 30, 2018, the weighted average haircut, or the percent of collateral value in excess of the loan amount, under our repurchase agreements was 32.8%. There have been no significant fluctuations in haircuts across asset classes on our repurchase facilities.

Revolving Credit Facility

On February 11, 2014, the Company entered into a revolving credit facility (the “Revolving Credit Facility”), which was subsequently amended on February 26, 2016, March 1, 2017, March 23, 2017, September 29, 2017 and October 27, 2017, to add additional banks to our syndicate, add two additional one-year extension options and increase its maximum funding capacity. The Revolving Credit Facility provides for an aggregate maximum borrowing amount of \$241.4 million, including a \$25.0 million sublimit for the issuance of letters of credit. The Revolving Credit Facility is available on a revolving basis to finance the Company’s working capital needs and for general corporate purposes. The Revolving Credit Facility has a maturity date of February 11, 2019, which may be extended by two 12-month periods subject to the satisfaction of customary conditions, including the absence of default. Interest on the Revolving Credit Facility is one-month LIBOR plus 3.50% per annum payable monthly in arrears.

The obligations under the Revolving Credit Facility are guaranteed by the Company and certain of its subsidiaries. The Revolving Credit Facility is secured by a pledge of the shares of (or other ownership or equity interests in) certain subsidiaries to the extent the pledge is not restricted under existing regulations, law or contractual obligations.

LCFH is subject to customary affirmative covenants and negative covenants, including limitations on the incurrence of additional debt, liens, restricted payments, sales of assets and affiliate transactions. In addition, under the Revolving Credit Facility, LCFH is required to comply with financial covenants relating to minimum net worth, maximum leverage, minimum liquidity, and minimum fixed charge coverage, consistent with our other credit facilities. The Company’s ability to borrow under the Revolving Credit Facility is dependent on, among other things, LCFH’s compliance with the financial covenants. The Revolving Credit Facility contains customary events of default, including non-payment of principal or interest, fees or other amounts, failure to perform or observe covenants, cross-default to other indebtedness, the rendering of judgments against the Company or certain of our subsidiaries to pay certain amounts of money and certain events of bankruptcy or insolvency.

Debt Issuance Costs

As discussed in Note 2, Significant Accounting Policies in the Annual Report, the Company considers its committed loan master repurchase facilities and Revolving Credit Facility to be revolving debt arrangements. As such, the Company continues to defer and present costs associated with these facilities as an asset, subsequently amortizing those costs ratably over the term of each revolving debt arrangement. As of June 30, 2018 and December 31, 2017, the amount of unamortized costs relating to such facilities are \$7.7 million and \$7.8 million, respectively, and are included in other assets in the consolidated balance sheets.

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Uncommitted Securities Repurchase Facilities

The Company has also entered into multiple master repurchase agreements with several counterparties collateralized by real estate securities. The borrowings under these agreements have typical advance rates between 75% and 95% of the fair value of collateral.

Mortgage Loan Financing

During the six months ended June 30, 2018 and 2017, the Company executed eight and 23 term debt agreements, respectively, to finance properties in its real estate portfolio. These non-recourse debt agreements provide for fixed rate financing at rates, ranging from 4.25% to 6.75%, maturing between 2020 - 2028 as of June 30, 2018. These loans have carrying amounts of \$770.9 million and \$692.7 million, net of unamortized premiums of \$6.1 million and \$6.6 million at June 30, 2018 and December 31, 2017, respectively, representing proceeds received upon financing greater than the contractual amounts due under these agreements. The premiums are being amortized over the remaining life of the respective debt instruments using the effective interest method. The Company recorded \$0.2 million and \$0.5 million of premium amortization, which decreased interest expense, for the three and six months ended June 30, 2018, respectively. The Company recorded \$0.2 million and \$0.5 million of premium amortization, which decreased interest expense, for the three and six months ended June 30, 2017, respectively. The loans are collateralized by real estate and related lease intangibles, net, of \$999.3 million and \$911.0 million as of June 30, 2018 and December 31, 2017, respectively.

CLO Debt

The Company completed its inaugural CLO issuances in the two transactions described below. As of June 30, 2018 and December 31, 2017, the Company had a total of \$685.4 million and \$688.5 million, respectively, of floating rate, non-recourse CLO debt included in debt obligations on its consolidated balance sheets. Unamortized debt issuance costs of \$4.5 million and \$6.0 million are included in CLO Debt as of June 30, 2018 and December 31, 2017, respectively. As of June 30, 2018, the CLO debt has interest rates of 2.95% to 5.67% (with a weighted average of 3.95%). As of June 30, 2018, collateral for the CLO debt comprised \$861.2 million of first mortgage commercial mortgage real estate loans.

On October 17, 2017, a consolidated subsidiary of the Company consummated a securitization of floating-rate commercial mortgage loans through a static CLO structure. Over \$456.9 million of balance sheet loans (“Contributed Loans”) were contributed into the CLO. Certain of the Contributed Loans have future funding components that were not contributed to the CLO and that are retained by a consolidated subsidiary of the Company in the form of a participation interest or separate note. However, for a limited period of time, to the extent loans in the CLO are repaid, the CLO may acquire portions of the future fundings from the Company’s consolidated subsidiary. A consolidated subsidiary of the Company retained an approximately 18.5% interest in the CLO by retaining the most subordinate classes of notes issued by the CLO, retains control over major decisions made with respect to the administration of the Contributed Loans and appoints the special servicer under the CLO. The CLO is a VIE and the Company is the primary beneficiary and, therefore, consolidates the VIE - See Note 3.

On December 21, 2017, a subsidiary of the Company consummated a securitization of fixed and floating-rate commercial mortgage loans through a static CLO structure. Over \$431.5 million of Contributed Loans were contributed into the CLO. Certain of the Contributed Loans have future funding components that were not contributed to the CLO and that are retained by a consolidated subsidiary of the Company in the form of a participation interest or separate note. However, for a limited period of time, to the extent loans in the CLO are repaid, the CLO may acquire portions of the future fundings from the Company’s consolidated subsidiary. A consolidated subsidiary of the Company retained an approximately 25% interest in the CLO by retaining the most subordinate classes of notes issued

by the CLO, retains control over major decisions made with respect to the administration of the Contributed Loans and appoints the special servicer under the CLO. The CLO is a VIE and the Company is the primary beneficiary and, therefore, consolidates the VIE - See Note 3.

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Participation Financing - Mortgage Loan Receivable

During the three months ended March 2017, the Company sold a participating interest in a first mortgage loan receivable to a third party. The sales proceeds of \$4.0 million are considered non-recourse secured borrowings and are recognized in debt obligations on the Company's consolidated balance sheets with \$2.6 million and \$3.1 million outstanding as of June 30, 2018 and December 31, 2017, respectively. The Company recorded \$0.1 million and \$0.2 million of interest expense for the three and six months ended June 30, 2018, respectively. The Company recorded \$0.2 million of interest expense for the three and six months ended June 30, 2017.

Borrowings from the Federal Home Loan Bank ("FHLB")

On July 11, 2012, Tuebor Captive Insurance Company LLC ("Tuebor"), a consolidated subsidiary of the Company, became a member of the FHLB and subsequently drew its first secured funding advances from the FHLB. On December 6, 2017, Tuebor's advance limit was updated by the FHLB to the lowest of a Set Dollar Limit (\$2.0 billion), 40% of Tuebor's total assets or 150% of the Company's total equity. Beginning April 1, 2020 through December 31, 2020, the Set Dollar Limit will be \$1.5 billion. Beginning January 1, 2021 through February 19, 2021, the Set Dollar Limit will be \$750.0 million. Tuebor is well-positioned to meet its obligations and pay down its advances in accordance with the scheduled reduction in the Set Dollar Limit, which remains subject to revision by the FHLB or as a result of any future changes in applicable regulations.

As of June 30, 2018, Tuebor had \$1.3 billion of borrowings outstanding (with an additional \$663.5 million of committed term financing available from the FHLB), with terms of overnight to six years (with a weighted average of 2.4 years), interest rates of 1.02% to 2.74% (with a weighted average of 2.07%), and advance rates of 59.3% to 95.2% of the collateral. As of June 30, 2018, collateral for the borrowings was comprised of \$787.8 million of CMBS and U.S. Agency Securities and \$944.6 million of first mortgage commercial real estate loans.

As of December 31, 2017, Tuebor had \$1.4 billion of borrowings outstanding (with an additional \$630.0 million of committed term financing available from the FHLB), with terms of overnight to six years (with a weighted average of 2.5 years), interest rates of 0.87% to 2.74% (with a weighted average of 1.61%), and advance rates of 49.6% to 100% of the collateral. As of December 31, 2017, collateral for the borrowings was comprised of \$861.7 million of CMBS and U.S. Agency Securities and \$915.9 million of first mortgage commercial real estate loans.

Tuebor is subject to state regulations which require that dividends (including dividends to the Company as its parent) may only be made with regulatory approval. However, there can be no assurance that we would obtain such approval if sought. Largely as a result of this restriction, approximately \$1.3 billion of the member's capital was restricted from transfer via dividend to Tuebor's parent without prior approval of state insurance regulators at June 30, 2018. To facilitate intercompany cash funding of operations and investments, Tuebor and its parent maintain regulator-approved intercompany borrowing/lending agreements.

Effective February 19, 2016, the Federal Housing Finance Agency (the "FHFA"), regulator of the FHLB, adopted a final rule amending its regulation regarding the eligibility of captive insurance companies for FHLB membership.

According to the final rule, Ladder's captive insurance company subsidiary, Tuebor may remain as a member of the FHLB through February 19, 2021 (the "Transition Period"). During the Transition Period, Tuebor is eligible to continue to draw new additional advances, extend the maturities of existing advances, and pay off outstanding advances on the same terms as non-captive insurance company FHLB members with the following two exceptions:

1. New advances (including any existing advances that are extended during the Transition Period) will have maturity dates on or before February 19, 2021; and
- 2.

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The FHLB will make new advances to Tuebor subject to a requirement that Tuebor's total outstanding advances do not exceed 40% of Tuebor's total assets.

Tuebor has executed new advances since the effective date of the new rule in the ordinary course of business.

FHLB advances amounted to 27.0% of the Company's outstanding debt obligations as of June 30, 2018. The Company does not anticipate that the FHFA's final regulation will materially impact its operations as it will continue to access FHLB advances during the five-year Transition Period.

There is no assurance that the FHFA or the FHLB will not take actions that could adversely impact Tuebor's membership in the FHLB and continuing access to new or existing advances prior to February 19, 2021.

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Senior Unsecured Notes

LCFH issued the 2025 Notes, the 2022 Notes, the 2021 Notes and the 2017 Notes (each as defined below, and collectively, the “Notes”) with Ladder Capital Finance Corporation (“LCFC”), as co-issuers on a joint and several basis. LCFC is a 100% owned finance subsidiary of Series TRS of LCFH with no assets, operations, revenues or cash flows other than those related to the issuance, administration and repayment of the Notes. The Company and certain subsidiaries of LCFH currently guarantee the obligations under the Notes and the indenture. The Company is the general partner of LCFH and, through LCFH and its subsidiaries, operates the Ladder Capital business. As of June 30, 2018, the Company has a 88.0% economic and voting interest in LCFH and controls the management of LCFH as a result of its ability to appoint board members. Accordingly, the Company consolidates the financial results of LCFH and records noncontrolling interest for the economic interest in LCFH held by the Continuing LCFH Limited Partners. In addition, the Company, through certain subsidiaries which are treated as TRSs, is indirectly subject to U.S. federal, state and local income taxes. Other than the noncontrolling interest in the Operating Partnership and federal, state and local income taxes, there are no material differences between the Company’s consolidated financial statements and LCFH’s consolidated financial statements. The Company believes it was in compliance with all covenants of the Notes as of June 30, 2018 and December 31, 2017.

Unamortized debt issuance costs of \$12.7 million and \$14.1 million are included in senior unsecured notes as of June 30, 2018 and December 31, 2017, respectively, in accordance with GAAP.

2017 Notes

On September 19, 2012, LCFH issued \$325.0 million in aggregate principal amount of 7.375% senior notes due October 1, 2017 (the “2017 Notes”). The 2017 Notes required interest payments semi-annually in cash in arrears on April 1 and October 1 of each year, beginning on September 19, 2012. The 2017 Notes were unsecured and subject to incurrence-based covenants, including limitations on the incurrence of additional debt, restricted payments, liens, sales of assets, affiliate transactions and other covenants typical for financings of this type. At any time on or after April 1, 2017, the 2017 Notes were redeemable at the option of the Company, in whole or in part, upon not less than 30 nor more than 60 days’ notice, without penalty. On November 5, 2014, the board of directors authorized the Company to make up to \$325.0 million in repurchases of the 2017 Notes from time to time without further approval.

On December 17, 2014, the Company retired \$5.4 million of principal of the 2017 Notes for a repurchase price of \$5.6 million recognizing a \$0.2 million loss on extinguishment of debt. During the year ended December 31, 2016, the Company retired \$21.9 million of principal of the 2017 Notes for a repurchase price of \$21.4 million, recognizing a \$0.3 million net gain on extinguishment of debt after recognizing \$(0.2) million of unamortized debt issuance costs associated with the retired debt.

On March 1, 2017, the Company delivered a notice of conditional full redemption to holders of the 2017 Notes, pursuant to which the Company redeemed all outstanding 2017 Notes at 100% of the principal amount thereof (plus any accrued and unpaid interest to the redemption date) as of April 1, 2017. The redemption was conditional on the completion by the Company of a senior notes offering with gross proceeds of not less than \$500 million. The Company’s offering of the 2022 Notes, described below, satisfied this condition. On April 3, 2017, the Company retired the remaining \$297.7 million of principal of the 2017 Notes for a repurchase price of \$297.7 million, recognizing a \$53.5 thousand net loss on extinguishment of debt after recognizing \$(22.8) thousand of unamortized debt issuance costs associated with the retired debt.

2021 Notes

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On August 1, 2014, LCFH issued \$300.0 million in aggregate principal amount of 5.875% senior notes due August 1, 2021 (the "2021 Notes"). The 2021 Notes require interest payments semi-annually in cash in arrears on February 1 and August 1 of each year, beginning on February 1, 2015. The 2021 Notes will mature on August 1, 2021. The 2021 Notes are unsecured and are subject to incurrence-based covenants, including limitations on the incurrence of additional debt, restricted payments, liens, sales of assets, affiliate transactions and other covenants typical for financings of this type. At any time on or after August 1, 2020, the 2021 Notes are redeemable at the option of the Company, in whole or in part, upon not less than 30 nor more than 60 days' notice, without penalty. On February 24, 2016, the board of directors authorized the Company to make up to \$100.0 million in repurchases of the 2021 Notes from time to time without further approval. On May 2, 2018, the board of the directors authorized the Company to repurchase any or all of the 2021 Notes from time to time without further approval.

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During the year ended December 31, 2016, the Company retired \$33.8 million of principal of the 2021 Notes for a repurchase price of \$28.2 million, recognizing a \$5.1 million net gain on extinguishment of debt after recognizing \$(0.4) million of unamortized debt issuance costs associated with the retired debt. As of June 30, 2018, the remaining \$266.2 million in aggregate principal amount of the 2021 Notes is due August 1, 2021.

2022 Notes

On March 16, 2017, LCFH issued \$500.0 million in aggregate principal amount of 5.250% senior notes due March 15, 2022 (the “2022 Notes”). The 2022 Notes require interest payments semi-annually in cash in arrears on March 15 and September 15 of each year, beginning on September 15, 2017. The 2022 Notes will mature on March 15, 2022. The 2022 Notes are unsecured and are subject to an unencumbered assets to unsecured debt covenant. At any time on or after September 15, 2021, the 2022 Notes are redeemable at the option of the Company, in whole or in part, upon not less than 15 nor more than 60 days’ notice, without penalty. On May 2, 2018, the board of the directors authorized the Company to repurchase any or all of the 2022 Notes from time to time without further approval.

2025 Notes

On September 25, 2017, LCFH issued \$400.0 million in aggregate principal amount of 5.250% senior notes due October 1, 2025 (the “2025 Notes”). The 2025 Notes require interest payments semi-annually in cash in arrears on April 1 and October 1 of each year, beginning on April 1, 2018. The 2025 Notes will mature on October 1, 2025. The 2025 Notes are unsecured and are subject to an unencumbered assets to unsecured debt covenant. The Company may redeem the 2025 Notes, in whole, at any time, or from time to time, prior to their stated maturity. The 2025 Notes are redeemable at the option of the Company, in whole or in part, upon not less than 15 nor more than 60 days’ notice, at a redemption price equal to 100% of the principal amount of the 2025 Notes plus the Applicable Premium (as defined in the indenture governing the 2025 Notes) as of, and accrued and unpaid interest, if any, to the redemption date. On May 2, 2018, the board of the directors authorized the Company to repurchase any or all of the 2025 Notes from time to time without further approval.

Combined Maturity of Debt Obligations

The following schedule reflects the Company’s contractual payments under all borrowings by maturity (\$ in thousands):

Period ending December 31,	Borrowings by Maturity(1)
2018 (last 6 months)	\$ 680,637
2019	1,056,619
2020	506,998
2021	546,801
2022	656,759
Thereafter	1,266,758
Subtotal	\$ 4,714,572
Debt issuance costs included in senior unsecured notes	(12,658)
Debt issuance costs included in CLO debt	(4,526)
Debt issuance costs included in mortgage loan financing	(999)
Premiums included in mortgage loan financing(2)	6,060
Total	4,702,449

- Contractual payments under current maturities, some of which are subject to extensions. The maturities listed
- (1) above for 2018 relate to debt obligations that are subject to existing Company controlled extension options for one or more additional one-year periods or could be refinanced by other existing facilities as of June 30, 2018.
 - (2) Deferred gains on intercompany loans, secured by our own real estate, sold into securitizations. Premium is amortized as a reduction to interest expense.

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The Company's debt facilities are subject to covenants which require the Company to maintain a minimum level of total equity. Largely as a result of this restriction, approximately \$780.0 million of the total equity is restricted from payment as a dividend by the Company at June 30, 2018.

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9. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is based upon market quotations, broker quotations, counterparty quotations or pricing services quotations, which provide valuation estimates based upon reasonable market order indications and are subject to significant variability based on market conditions, such as interest rates, credit spreads and market liquidity. The fair value of the mortgage loan receivables held for sale is based upon a securitization model utilizing market data from recent securitization spreads and pricing.

Fair Value Summary Table

The carrying values and estimated fair values of the Company's financial instruments, which are both reported at fair value on a recurring basis (as indicated) or amortized cost/par, at June 30, 2018 and December 31, 2017 are as follows (\$ in thousands):

June 30, 2018

	Outstanding Face Amount	Amortized Cost Basis	Fair Value	Fair Value Method	Weighted Average Yield %	Remaining Maturity/Duration (years)
Assets:						
CMBS(1)	\$ 999,461	\$ 1,005,795	\$ 994,297	Internal model, third-party inputs	2.92 %	2.85
CMBS interest-only(1)	2,466,340	(2)74,383	74,546	Internal model, third-party inputs	3.25 %	2.87
GNMA interest-only(3)	143,738	(2)3,651	3,196	Internal model, third-party inputs	7.19 %	4.10
Agency securities(1)	696	712	686	Internal model, third-party inputs	1.93 %	2.64
GNMA permanent securities(1)	33,196	33,471	33,633	Internal model, third-party inputs	3.77 %	5.35
Mortgage loan receivables held for investment, net, at amortized cost:						
Mortgage loan receivables held for investment, net, at amortized cost	3,788,546	3,764,172	3,766,295	Discounted Cash Flow(4)	7.70 %	1.48
Provision for loan losses	N/A	(7,300)	(7,300)	(5)	N/A	N/A
Mortgage loan receivables held for sale	108,340	107,744	110,582	Internal model, third-party inputs(6)	5.24 %	9.79
FHLB stock(7)	77,915	77,915	77,915	(7)	4.25 %	N/A
Nonhedge derivatives(1)(8)	579,800	N/A	660	Counterparty quotations	N/A	0.25

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Liabilities:

Repurchase agreements - short-term	563,870	563,870	563,870	Discounted Cash Flow(9)	3.51	%	0.60
Repurchase agreements - long-term	256,093	256,093	256,093	Discounted Cash Flow(10)	2.72	%	1.69
Mortgage loan financing	784,366	770,880	752,120	Discounted Cash Flow(10)	5.01	%	2.86
CLO debt	685,416	685,416	685,416	Discounted Cash Flow(9)	3.95	%	10.24
Participation Financing - Mortgage Loan Receivable	2,647	2,647	2,647	Discounted Cash Flow(11)	17.00	%	0.44
Borrowings from the FHLB	1,270,000	1,270,000	1,253,440	Discounted Cash Flow Broker quotations, pricing services	2.07	%	2.43
Senior unsecured notes	1,166,201	1,153,543	1,143,944	Counterparty quotations	5.39	%	4.78
Nonhedge derivatives(1)(8)	96,471	N/A	—		N/A		1.85

(1) Measured at fair value on a recurring basis with the net unrealized gains or losses recorded as a component of other comprehensive income (loss) in equity.

(2) Represents notional outstanding balance of underlying collateral.

(3) Measured at fair value on a recurring basis with the net unrealized gains or losses recorded in current period earnings.

(4) Fair value for floating rate mortgage loan receivables, held for investment is estimated to approximate the outstanding face amount given the short interest rate reset risk (30 days) and no significant change in credit risk.

(5) Fair value for fixed rate mortgage loan receivables, held for investment is measured using a hypothetical securitization model utilizing market data from recent securitization spreads and pricing.

(6) Fair value is estimated to equal par value.

(7) Fair value for mortgage loan receivables, held for sale is measured using a hypothetical securitization model utilizing market data from recent securitization spreads and pricing.

(8) Fair value of the FHLB stock approximates outstanding face amount as the Company's captive insurance subsidiary is restricted from trading the stock and can only put the stock back to the FHLB, at the FHLB's discretion, at par.

(9) The outstanding face amount of the nonhedge derivatives represents the notional amount of the underlying contracts.

Fair value for repurchase agreement liabilities and CLO debt is estimated to approximate carrying amount primarily due to the short interest rate reset risk (30 days) of the financings and the high credit quality of the assets collateralizing these positions. If the collateral is determined to be impaired, the related financing would be revalued accordingly. There are no impairments on any positions.

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- (10) For repurchase agreements - long term and mortgage loan financing, the carrying value approximates the fair value discounting the expected cash flows at current market rates. If the collateral is determined to be impaired, the related financing would be revalued accordingly. There are no impairments on any positions.
- (11) Fair value for Participation Financing - Mortgage Loan Receivable approximates amortized cost as this is a loan participation to a third party.

December 31, 2017

	Outstanding Face Amount	Amortized Cost Basis	Fair Value	Fair Value Method	Weighted Average Yield %	Remaining Maturity/Duration (years)
Assets:						
CMBS(1)	\$ 945,167	\$954,397	\$953,499	Internal model, third-party inputs	2.79 %	2.89
CMBS interest-only(1)	3,140,297	(2) 112,609	113,071	Internal model, third-party inputs	3.16 %	3.08
GNMA interest-only(3)	172,916	(2) 5,245	4,477	Internal model, third-party inputs	6.70 %	4.18
Agency securities(1)	720	743	728	Internal model, third-party inputs	1.80 %	2.94
GNMA permanent securities(1)	33,745	34,386	34,742	Internal model, third-party inputs	3.62 %	5.66
Mortgage loan receivables held for investment, net, at amortized cost:						
Mortgage loan receivables held for investment, net, at amortized cost	3,300,709	3,282,462	3,292,035	Discounted Cash Flow(4)	7.18 %	1.61
Provision for loan losses	N/A	(4,000)	(4,000)	(5)	N/A	N/A
Mortgage loan receivables held for sale	232,527	230,180	236,428	Internal model, third-party inputs(6)	4.88 %	8.17
FHLB stock(7)	77,915	77,915	77,915	(7)	4.25 %	N/A
Nonhedge derivatives(1)(8)	594,140	N/A	888	Counterparty quotations	N/A	0.24
Liabilities:						
Repurchase agreements - short-term	371,427	371,427	371,427	Discounted Cash Flow(9)	3.19 %	0.35
Repurchase agreements - long-term	101,983	101,983	101,983	Discounted Cash Flow(10)	2.62 %	2.64
Mortgage loan financing	692,394	692,696	693,055		4.91 %	6.81

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				Discounted Cash Flow(10)		
CLO debt	688,479	688,479	688,479	Discounted Cash Flow(9)	3.40 %	10.77
Participation Financing - Mortgage Loan Receivable	3,107	3,107	3,107	Discounted Cash Flow(11)	17.00 %	0.43
Borrowings from the FHLB	1,370,000	1,370,000	1,369,544	Discounted Cash Flow Broker quotations, pricing services	1.61 %	2.49
Senior unsecured notes	1,166,201	1,152,134	1,187,187	Counterparty quotations	5.39 %	5.28
Nonhedge derivatives(1)(8)	54,160	N/A	2,606		N/A	2.44

(1) Measured at fair value on a recurring basis with the net unrealized gains or losses recorded as a component of other comprehensive income (loss) in equity.

(2) Represents notional outstanding balance of underlying collateral.

(3) Measured at fair value on a recurring basis with the net unrealized gains or losses recorded in current period earnings.

(4) Fair value for floating rate mortgage loan receivables, held for investment is estimated to approximate the outstanding face amount given the short interest rate reset risk (30 days) and no significant change in credit risk.

(5) Fair value for fixed rate mortgage loan receivables, held for investment is measured using a hypothetical securitization model utilizing market data from recent securitization spreads and pricing.

(6) Fair value is estimated to equal par value.

(7) Fair value for mortgage loan receivables, held for sale is measured using a hypothetical securitization model utilizing market data from recent securitization spreads and pricing.

(8) Fair value of the FHLB stock approximates outstanding face amount as the Company's captive insurance subsidiary is restricted from trading the stock and can only put the stock back to the FHLB, at the FHLB's discretion, at par.

(9) The outstanding face amount of the nonhedge derivatives represents the notional amount of the underlying contracts.

(10) Fair value for repurchase agreement liabilities and CLO debt is estimated to approximate carrying amount primarily due to the short interest rate reset risk (30 days) of the financings and the high credit quality of the assets collateralizing these positions. If the collateral is determined to be impaired, the related financing would be revalued accordingly. There are no impairments on any positions.

(11) For repurchase agreements - long term and mortgage loan financing, the carrying value approximates the fair value discounting the expected cash flows at current market rates. If the collateral is determined to be impaired, the related financing would be revalued accordingly. There are no impairments on any positions.

(12) Fair value for Participation Financing - Mortgage Loan Receivable approximates amortized cost as this is a loan participation to a third party.

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The following table summarizes the Company's financial assets and liabilities, which are both reported at fair value on a recurring basis (as indicated) or amortized cost/par, at June 30, 2018 and December 31, 2017 (\$ in thousands):

June 30, 2018

Financial Instruments Reported at Fair Value on Consolidated Statements of Financial Condition	Outstanding Face Amount	Fair Value		Total
		Level 1	Level 2 Level 3	
Assets:				
CMBS(1)	\$ 999,461	\$—	\$994,297	\$994,297
CMBS interest-only(1)	2,466,340	(2)—	74,546	74,546
GNMA interest-only(3)	143,738	(2)—	3,196	3,196
Agency securities(1)	696	—	686	686
GNMA permanent securities(1)	33,196	—	33,633	33,633
Nonhedge derivatives(4)	579,800	—660	—	660
		\$—\$ 660	\$ 1,106,358	\$ 1,107,018
Liabilities:				
Nonhedge derivatives(4)	96,471	\$—\$ —	\$—	\$—
Financial Instruments Not Reported at Fair Value on Consolidated Statements of Financial Condition	Outstanding Face Amount	Fair Value		Total
		Level 1	Level 2 Level 3	
Assets:				
Mortgage loan receivable held for investment, net, at amortized cost:				
Mortgage loans held by consolidated subsidiaries	\$ 3,788,546	\$—\$ —	\$3,766,295	\$3,766,295
Provision for loan losses	N/A	—	(7,300)	(7,300)
Mortgage loan receivable held for sale	108,340	—	110,582	110,582
FHLB stock	77,915	—	77,915	77,915
		\$—\$ —	\$3,947,492	\$3,947,492
Liabilities:				
Repurchase agreements - short-term	563,869	\$—\$ —	\$563,870	\$563,870
Repurchase agreements - long-term	256,093	—	256,093	256,093
Mortgage loan financing	784,366	—	752,120	752,120
CLO debt	685,416	—	685,416	685,416
Participation Financing - Mortgage Loan Receivable	2,647	—	2,647	2,647
Borrowings from the FHLB	1,270,000	—	1,253,440	1,253,440
Senior unsecured notes	1,166,201	—	1,143,944	1,143,944
		\$—\$ —	\$4,657,530	\$4,657,530

(1) Measured at fair value on a recurring basis with the net unrealized gains or losses recorded as a component of other comprehensive income (loss) in equity.

(2) Represents notional outstanding balance of underlying collateral.

(3) Measured at fair value on a recurring basis with the net unrealized gains or losses recorded in current period earnings.

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Measured at fair value on a recurring basis with the net unrealized gains or losses recorded in current period (4) earnings. The outstanding face amount of the nonhedge derivatives represents the notional amount of the underlying contracts.

December 31, 2017

Financial Instruments Reported at Fair Value on Consolidated Statements of Financial Condition	Outstanding Face Amount	Fair Value		Total
		Level 1	Level 2 Level 3	
Assets:				
CMBS(1)	\$ 945,167	\$—	\$953,499	\$953,499
CMBS interest-only(1)	3,140,297	(2)—	113,071	113,071
GNMA interest-only(3)	172,916	(2)—	4,477	4,477
Agency securities(1)	720	—	728	728
GNMA permanent securities(1)	33,745	—	34,742	34,742
Nonhedge derivatives(4)	594,140	—888	—	888
		\$—888	\$1,106,517	\$1,107,405
Liabilities:				
Nonhedge derivatives(4)	\$ 54,160	\$—2,606	\$—	\$2,606
Financial Instruments Not Reported at Fair Value on Consolidated Statements of Financial Condition	Outstanding Face Amount	Fair Value		Total
		Level 1	Level 2 Level 3	
Assets:				
Mortgage loan receivable held for investment, net, at amortized cost:				
Mortgage loans held by consolidated subsidiaries	\$ 3,300,709	\$—	\$3,292,035	\$3,292,035
Provision for loan losses	N/A	—	(4,000)	(4,000)
Mortgage loan receivables held for sale	232,527	—	236,428	236,428
FHLB stock	77,915	—	77,915	77,915
		\$—	\$3,602,378	\$3,602,378
Liabilities:				
Repurchase agreements - short-term	371,427	\$—	\$371,427	\$371,427
Repurchase agreements - long-term	101,983	—	101,983	101,983
Revolving credit facility	—	—	—	—
Mortgage loan financing	692,394	—	693,055	693,055
Participation Financing - Mortgage Loan Receivable	688,479	—	688,479	688,479
Liability for transfers not considered sales	3,107	—	3,107	3,107
Borrowings from the FHLB	1,370,000	—	1,369,544	1,369,544
Senior unsecured notes	1,166,201	—	1,187,187	1,187,187
		\$—	\$4,414,782	\$4,414,782

(1) Measured at fair value on a recurring basis with the net unrealized gains or losses recorded as a component of other comprehensive income (loss) in equity.

(2) Represents notional outstanding balance of underlying collateral.

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(3) Measured at fair value on a recurring basis with the net unrealized gains or losses recorded in current period earnings.

(4) Measured at fair value on a recurring basis with the net unrealized gains or losses recorded in current period earnings. The outstanding face amount of the nonhedge derivatives represents the notional amount of the underlying contracts.

The following table summarizes changes in Level 3 financial instruments reported at fair value on the consolidated statements of financial condition for the six months ended June 30, 2018 and 2017 (\$ in thousands):

Level 3	2018	2017
Balance at January 1,	\$1,106,517	\$2,100,947
Transfer from level 2	—	—
Purchases	243,921	151,503
Sales	(161,518)	(669,807)
Paydowns/maturities	(56,707)	(81,747)
Amortization of premium/discount	(12,724)	(36,677)
Unrealized gain/(loss)	(10,789)	5,638
Realized gain/(loss) on sale(1)	(2,342)	12,494
Balance at June 30,	\$1,106,358	\$1,482,351

(1) Includes realized losses on securities recorded as other than temporary impairments.

The following is quantitative information about significant unobservable inputs in our Level 3 measurements for those assets and liabilities measured at fair value on a recurring basis (\$ in thousands):

June 30, 2018

Financial Instrument	Carrying Value	Valuation Technique	Unobservable Input	Minimum	Weighted Average	Maximum
CMBS (1)	\$994,297	Discounted cash flow	Yield (4)	— %	3.67 %	21.29 %
			Duration (years)(5)	0.00	3.08	7.97
CMBS interest-only (1)	74,546	(2) Discounted cash flow	Yield (4)	2.24 %	3.88 %	6.73 %
			Duration (years)(5)	0.14	2.84	4.18
			Prepayment speed (CPY)(5)	100.00	100.00	100.00
GNMA interest-only (3)	3,196	(2) Discounted cash flow	Yield (4)	— %	12.76 %	45.61 %
			Duration (years)(5)	0.00	2.77	10.05
			Prepayment speed (CPJ)(5)	5.00	10.02	25.00
Agency securities (1)	686	Discounted cash flow	Yield (4)	— %	2.16 %	3.06 %
			Duration (years)(5)	0.00	3.01	4.26
GNMA permanent securities (1)	33,633	Discounted cash flow	Yield (4)	3.70 %	6.43 %	19.00 %
			Duration (years)(5)	1.16	8.23	14.08

Total \$1,106,358

CMBS, CMBS interest-only securities, Agency securities, GNMA construction securities, and GNMA permanent (1) securities are classified as available-for-sale and reported at fair value with changes in fair value recorded in the current period in other comprehensive income.

(2) The amounts presented represent the principal amount of the mortgage loans outstanding in the pool in which the interest-only securities participate.

(3) Agency interest-only securities are recorded at fair value with changes in fair value recorded in current period earnings.

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Sensitivity of the Fair Value to Changes in the Unobservable Inputs

- (4) Significant increase (decrease) in the unobservable input in isolation would result in significantly lower (higher) fair value measurement.
- (5) Significant increase (decrease) in the unobservable input in isolation would result in either a significantly lower or higher (lower or higher) fair value measurement depending on the structural features of the security in question.

December 31, 2017

Financial Instrument	Carrying Value	Valuation Technique	Unobservable Input	Minimum	Weighted Average	Maximum
CMBS (1)	\$953,499	Discounted cash flow	Yield (3)	0.61	% 3	% 18.32
			Duration (years)(4)	0.12	3.19	7.84
CMBS interest-only (1)	113,072	(2) Discounted cash flow	Yield (3)	2.7	% 3.52	% 6.31
			Duration (years)(4)	0.39	3.06	4.46
			Prepayment speed (CPY)(4)	100.00	100.00	100.00
GNMA interest-only (3)	4,476	(2) Discounted cash flow	Yield (4)	4.46	% 11.85	% 71.88
			Duration (years)(5)	0.44	2.43	5.19
			Prepayment speed (CPJ)(5)	5.00	12.19	35.00
Agency securities (1)	728	Discounted cash flow	Yield (4)	1.4	% 2.16	% 2.52
			Duration (years)(5)	0.00	3.22	4.72
GNMA permanent securities (1)	34,742	Discounted cash flow	Yield (4)	2.62	% 3.44	% 6.93
			Duration (years)(5)	1.40	5.75	5.94
Total	\$1,106,517					

CMBS, CMBS interest-only securities, GNMA construction securities, and GNMA permanent securities are (1) classified as available-for-sale and reported at fair value with changes in fair value recorded in the current period in other comprehensive income.

(2) The amounts presented represent the principal amount of the mortgage loans outstanding in the pool in which the interest-only securities participate.

(3) Agency interest-only securities are recorded at fair value with changes in fair value recorded in current period earnings.

Sensitivity of the Fair Value to Changes in the Unobservable Inputs

- (4) Significant increase (decrease) in the unobservable input in isolation would result in significantly lower (higher) fair value measurement.
- (5) Significant increase (decrease) in the unobservable input in isolation would result in either a significantly lower or higher (lower or higher) fair value measurement depending on the structural features of the security in question.

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10. DERIVATIVE INSTRUMENTS

The Company uses derivative instruments primarily to economically manage the fair value variability of fixed rate assets caused by interest rate fluctuations and overall portfolio market risk. The following is a breakdown of the derivatives outstanding as of June 30, 2018 and December 31, 2017 (\$ in thousands):

June 30, 2018

Contract Type	Notional	Fair Value		Remaining Maturity (years)
		Asset(1)	Liability(1)	
Caps				
1MO LIB	\$96,471	\$ —	\$ —	—1.85
Futures				
5-year Swap	\$299,600	\$ 341	\$ —	—0.25
10-year Swap	271,800	310	—	0.25
5-year U.S. Treasury Note	8,400	9	—	0.25
Total futures	579,800	660	—	
Total derivatives	\$676,271	\$ 660	\$ —	

(1) Shown as derivative instruments, at fair value, in the accompanying consolidated balance sheets.

December 31, 2017

Contract Type	Notional	Fair Value		Remaining Maturity (years)
		Asset(1)	Liability(1)	
Futures				
5-year Swap	304,300	656	—	0.25
10-year Swap	248,100	133	153	0.25
5-year U.S. Treasury Note	11,400	47	—	0.25
10-year U.S. Treasury Note	—	—	911	
Total futures	563,800	836	1,064	
Swaps				
3 Month LIBOR(2)	50,000	—	1,542	2.68
Credit Derivatives				
CDX	34,500	52	—	0.12
Total credit derivatives	34,500	52	—	
Total derivatives	\$648,300	\$888	\$ 2,606	

(1) Shown as derivative instruments, at fair value, in the accompanying consolidated balance sheets.

(2) The Company is paying fixed interest rates on these swaps.

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The following table indicates the net realized gains (losses) and unrealized appreciation (depreciation) on derivatives, by primary underlying risk exposure, as included in net result from derivatives transactions in the consolidated statements of operations for the three and six months ended June 30, 2018 and 2017 (\$ in thousands):

Contract Type	Three Months Ended June 30, 2018			Six Months Ended June 30, 2018		
	Unrealized		Net Result	Unrealized		Net Result
	Gain/(Loss)	Gain/(Loss)	from Derivative Transactions	Gain/(Loss)	Gain/(Loss)	from Derivative Transactions
Caps	\$—	\$ —	\$ —	\$—	\$ —	\$ —
Futures	568	6,513	7,081	888	20,885	21,773
Swaps	—	—	—	1,403	(848)	) 555
Credit Derivatives	—	—	—	49	(337)	) (288)
Total	\$568	\$ 6,513	\$ 7,081	\$2,340	\$ 19,700	\$ 22,040

Contract Type	Three Months Ended June 30, 2017			Six Months Ended June 30, 2017		
	Unrealized		Net Result	Unrealized		Net Result
	Gain/(Loss)	Gain/(Loss)	from Derivative Transactions	Gain/(Loss)	Gain/(Loss)	from Derivative Transactions
Futures	\$4,182	\$(19,805)	) \$(15,623)	) \$(1,661)	\$(15,762)	) \$(17,423)
Swaps	(16)	) (260)	) (276)	) 285	(539)	) (254)
Credit Derivatives	174	(297)	) (123)	) 67	(393)	) (326)
Total	\$4,340	\$(20,362)	) \$(16,022)	) \$(1,309)	\$(16,694)	) \$(18,003)

The Company's counterparties held \$5.8 million and \$9.6 million of cash margin as collateral for derivatives as of June 30, 2018 and December 31, 2017, respectively, which is included in restricted cash in the consolidated balance sheets.

Futures

Collateral posted with our futures counterparties is segregated in the Company's books and records. Interest rate futures are centrally cleared by the Chicago Mercantile Exchange ("CME") through a Futures Commission Merchant. Interest rate futures that are governed by an ISDA agreement provide for bilateral collateral pledging based on the counterparties' market value. The counterparties have the right to re-pledge the collateral posted but have the obligation to return the pledged collateral, or substantially the same collateral, if agreed to by us, as the market value of the interest rate futures change.

The Company is required to post initial margin and daily variation margin for our interest rate futures that are centrally cleared by CME. CME determines the fair value of our centrally cleared futures, including daily variation margin. Effective January 3, 2017, CME amended their rulebooks to legally characterize daily variation margin payments for centrally cleared interest rate futures as settlement rather than collateral. As a result of this rule change, variation margin pledged on the Company's centrally cleared interest rate futures is settled against the realized results

of these futures.

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Credit Risk-Related Contingent Features

The Company has agreements with certain of its derivative counterparties that contain a provision whereby, if the Company defaults on certain of its indebtedness, the Company could also be declared in default on its derivatives, resulting in an acceleration of payment under the derivatives. As of June 30, 2018 and December 31, 2017, the Company was in compliance with these requirements and not in default on its indebtedness. As of June 30, 2018, there was no cash collateral held by the derivative counterparties for these derivatives. As of December 31, 2017, there was \$4.1 million of cash collateral held by the derivative counterparties for these derivatives, included in restricted cash in the consolidated statements of financial condition. No additional cash would be required to be posted if the acceleration of payment under the derivatives was triggered.

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11. OFFSETTING ASSETS AND LIABILITIES

The following tables present both gross information and net information about derivatives and other instruments eligible for offset in the statement of financial position as of June 30, 2018 and 2017. The Company's accounting policy is to record derivative asset and liability positions on a gross basis, therefore, the following tables present the gross derivative asset and liability positions recorded on the balance sheets, while also disclosing the eligible amounts of financial instruments and cash collateral to the extent those amounts could offset the gross amount of derivative asset and liability positions. The actual amounts of collateral posted by or received from counterparties may be in excess of the amounts disclosed in the following tables as the following only disclose amounts eligible to be offset to the extent of the recorded gross derivative positions.

As of June 30, 2018

Offsetting of Financial Assets and Derivative Assets

(\$ in thousands)

Description	Gross amounts of recognized assets	Gross amounts offset in the balance sheet	Net amounts of assets presented in the balance sheet	Gross amounts not offset in the balance sheet Financial instruments	Cash collateral received/(posted)(1)	Net amount
Derivatives	\$ 660	\$ —	\$ 660	\$ —	\$ —	\$ 660
Total	\$ 660	\$ —	\$ 660	\$ —	\$ —	\$ 660

(1) Included in restricted cash on consolidated balance sheets.

As of June 30, 2018

Offsetting of Financial Liabilities and Derivative Liabilities

(\$ in thousands)

Description	Gross amounts of recognized liabilities	Gross amounts offset in the balance sheet	Net amounts of liabilities presented in the balance sheet	Gross amounts not offset in the balance sheet Financial instruments collateral	Cash collateral posted/(received)(1)	Net amount
Repurchase agreements	\$ 819,963	\$ —	\$ 819,963	\$ 819,963	\$ —	\$ —
Total	\$ 819,963	\$ —	\$ 819,963	\$ 819,963	\$ —	\$ —

(1) Included in restricted cash on consolidated balance sheets.

As of December 31, 2017

Offsetting of Financial Assets and Derivative Assets

(\$ in thousands)

Description	Gross amounts of recognized assets	Gross amounts offset in the balance sheet	Net amounts of assets presented in the balance sheet	Gross amounts not offset in the balance sheet Financial instruments	Cash collateral	Net amount
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			sheet		instruments		received/(posted)(1)			
Derivatives	\$	888	\$	—	\$	888	\$	—	\$	888
Total	\$	888	\$	—	\$	888	\$	—	\$	888

(1) Included in restricted cash on consolidated balance sheets.

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As of December 31, 2017

Offsetting of Financial Liabilities and Derivative Liabilities

(\$ in thousands)

Description	Gross amounts of recognized liabilities	Gross amounts offset in the balance sheet	Net amounts of liabilities presented in the balance sheet	Gross amounts not offset in the balance sheet Financial instruments collateral	Cash collateral posted/(received)(1)	Net amount
Derivatives	\$ 2,606	\$ —	—\$ 2,606	\$ —	\$ 2,606	\$ —
Repurchase agreements	473,410	—	473,410	473,410	—	—
Total	\$ 476,016	\$ —	—\$ 476,016	\$ 473,410	\$ 2,606	\$ —

(1) Included in restricted cash on consolidated balance sheets.

Master netting agreements that the Company has entered into with its derivative and repurchase agreement counterparties allow for netting of the same transaction, in the same currency, on the same date. Assets, liabilities, and collateral subject to master netting agreements as of June 30, 2018 and 2017 are disclosed in the tables above. The Company does not present its derivative and repurchase agreements net on the consolidated financial statements as it has elected gross presentation.

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12. EQUITY STRUCTURE AND ACCOUNTS

The Company has two classes of common stock, Class A and Class B, which are described as follows:

Class A Common Stock

Voting Rights

Holders of shares of Class A common stock are entitled to one vote per share on all matters to be voted upon by the shareholders. The holders of Class A common stock do not have cumulative voting rights in the election of directors.

Dividend Rights

Subject to the rights of the holders of any preferred stock that may be outstanding and any contractual or statutory restrictions, holders of Class A common stock are entitled to receive equally and ratably, share for share, dividends as may be declared by the board of directors out of funds legally available to pay dividends. Dividends upon Class A common stock may be declared by the board of directors at any regular or special meeting and may be paid in cash, in property, or in shares of capital stock. Before payment of any dividend, there may be set aside out of any funds available for dividends, such sums as the board of directors deems proper as reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any of the Company's property, or for any proper purpose, and the board of directors may modify or abolish any such reserve.

Liquidation Rights

Upon liquidation, dissolution, distribution of assets or other winding up, the holders of Class A common stock are entitled to receive ratably the assets available for distribution to the shareholders after payment of liabilities and the liquidation preference of any outstanding shares of preferred stock.

Other Matters

The shares of Class A common stock have no preemptive or conversion rights and are not subject to further calls or assessment by the Company. There are no redemption or sinking fund provisions applicable to the Class A common stock. All outstanding shares of Class A common stock are fully paid and non-assessable.

Allocation of Income and Loss

Income and losses are allocated among the shareholders based upon the number of shares outstanding.

Class B Common Stock

Voting Rights

Holders of shares of Class B common stock are entitled to one vote for each share held of record by such holder and all matters submitted to a vote of shareholders. Holders of shares of our Class A common stock and Class B common stock vote together as a single class on all matters presented to our shareholders for their vote or approval, except as otherwise required by applicable law.

No Dividend or Liquidation Rights

Holders of Class B common stock do not have any right to receive dividends or to receive a distribution upon a liquidation or winding up of Ladder Capital Corp.

Exchange for Class A Common Stock

Pursuant to the Third Amended and Restated LLLP Agreement of LCFH, the Continuing LCFH Limited Partners may from time to time, subject to certain conditions, receive one share of the Company's Class A common stock in exchange for (i) one share of the Company's Class B common stock, (ii) one Series REIT LP Unit and (iii) either one Series TRS LP Unit or one TRS Share, subject to equitable adjustments for stock splits, stock dividends and reclassifications.

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During the six months ended June 30, 2018, 4,349,832 Series REIT LP Units and 4,349,832 Series TRS LP Units were collectively exchanged for 4,349,832 shares of Class A common stock and 4,349,832 shares of Class B common stock were canceled. We received no other consideration in connection with these exchanges.

During the six months ended June 30, 2017, 13,737,365 Series REIT LP Units and 13,737,365 Series TRS LP Units were collectively exchanged for 13,737,365 shares of Class A common stock; and 13,737,365 shares of Class B common stock were canceled. We received no other consideration in connection with these exchanges.

Stock Repurchases

On October 30, 2014, the board of directors authorized the Company to repurchase up to \$50.0 million of the Company’s Class A common stock from time to time without further approval. Stock repurchases by the Company are generally made for cash in open market transactions at prevailing market prices but may also be made in privately negotiated transactions or otherwise. The timing and amount of purchases are determined based upon prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. During the six months ended June 30, 2018 and 2017, the Company repurchased no shares of Class A common stock. All repurchased shares are recorded in treasury stock at cost. As of June 30, 2018, the Company has a remaining amount available for repurchase of \$41.8 million, which represents 2.7% in the aggregate of its outstanding Class A common stock, based on the closing price of \$15.62 per share on such date.

Dividends

In order for the Company to maintain its qualification as a REIT under the Code, it must annually distribute at least 90% of its taxable income. The Company has paid and in the future intends to declare regular quarterly distributions to its shareholders in an amount approximating the REIT’s net taxable income.

Consistent with IRS guidance, the Company may, subject to a cash/stock election by its shareholders, pay a portion of its dividends in stock, to provide for meaningful capital retention; however, the REIT distribution requirements limit its ability to retain earnings and thereby replenish or increase capital for operations. The timing and amount of future distributions is based on a number of factors, including, among other things, the Company’s future operations and earnings, capital requirements and surplus, general financial condition and contractual restrictions. All dividend declarations are subject to the approval of the Company’s board of directors. Generally, the Company expects its distributions to be taxable as ordinary dividends to its shareholders, whether paid in cash or a combination of cash and common stock, and not as a tax-free return of capital or a capital gain (although for taxable years beginning after December 31, 2017 and before January 1, 2026, generally stockholders that are individuals, trusts or estates may deduct 20% of the aggregate amount of ordinary dividends distributed by us, subject to certain limitations). The Company believes that its significant capital resources and access to financing will provide the financial flexibility at levels sufficient to meet current and anticipated capital requirements, including funding new investment opportunities, paying distributions to its shareholders and servicing our debt obligations.

The following table presents dividends declared (on a per share basis) of Class A common stock for the six months ended June 30, 2018 and 2017:

Declaration Date	Dividend per Share
February 27, 2018	\$ 0.315
May 30, 2018	0.325

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Total	\$ 0.640
March 1, 2017	\$ 0.300
June 1, 2017	0.300
Total	\$ 0.600

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Changes in Accumulated Other Comprehensive Income

The following table presents changes in accumulated other comprehensive income related to the cumulative difference between the fair market value and the amortized cost basis of securities classified as available for sale for the six months ended June 30, 2018 and 2017 (\$ in thousands):

	Accumulated Other Comprehensive Income (Loss)	Accumulated Other Comprehensive Income of Noncontrolling Interests	Total Accumulated Other Comprehensive Income (Loss)
December 31, 2017	\$ (212)	\$ 116	\$ (96)
Other comprehensive income (loss)	(9,506)	(1,598)	(11,104)
Exchange of noncontrolling interest for common stock	(143)	143	—
Rebalancing of ownership percentage between Company and Operating Partnership	6	(6)	—
June 30, 2018	\$ (9,855)	\$ (1,345)	\$ (11,200)
	Accumulated Other Comprehensive Income (Loss)	Accumulated Other Comprehensive Income of Noncontrolling Interests	Total Accumulated Other Comprehensive Income (Loss)
December 31, 2016	\$ 1,365	\$ 761	\$ 2,126
Other comprehensive income (loss)	3,018	2,163	5,181
Exchange of noncontrolling interest for common stock	1,422	(1,422)	—
Rebalancing of ownership percentage between Company and Operating Partnership	(102)	102	—
June 30, 2017	\$ 5,703	\$ 1,604	\$ 7,307

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13. NONCONTROLLING INTERESTS

Pursuant to ASC 810, Consolidation, on the accounting and reporting for noncontrolling interests and changes in ownership interests of a subsidiary, changes in a parent's ownership interest (and transactions with noncontrolling interest unitholders in the subsidiary), while the parent retains its controlling interest in its subsidiary, should be accounted for as equity transactions. The carrying amount of the noncontrolling interest shall be adjusted to reflect the change in its ownership interest in the subsidiary, with the offset to equity attributable to the parent. Accordingly, as a result of LP unit exchanges which caused changes in ownership percentages between the Company's Class A shareholders and the noncontrolling interests in the Operating Partnership that occurred during the six months ended June 30, 2018, the Company has increased noncontrolling interests in the Operating Partnership and decreased additional paid-in capital and accumulated other comprehensive income in the Company's shareholders' equity by \$0.7 million as of June 30, 2018. Upon the adoption of ASU 2015-02, which amended ASC 810, Consolidation, in the quarter ended March 31, 2016, the Operating Partnership is now determined to be a VIE, however, since the Company was previously consolidating the Operating Partnership, the adoption of ASU 2015-02 had no material impact on the Company's consolidated financial statements.

There are two main types of noncontrolling interest reflected in the Company's consolidated financial statements (i) noncontrolling interest in the operating partnership and (ii) noncontrolling interest in consolidated joint ventures.

Noncontrolling Interest in the Operating Partnership

As more fully described in Note 1, certain of the predecessor equity owners continue to own interests in the operating partnership as modified by the IPO Transactions. These interests were subsequently further modified by the REIT Structuring Transactions (also described in Note 1). These interests, along with the Class B shares held by these investors, are exchangeable for Class A shares of the Company. The roll-forward of the Operating Partnership's LP Units follow the Class B common stock of the Company as disclosed in the consolidated statements of changes in equity.

Distributions to Noncontrolling Interest in the Operating Partnership

Notwithstanding the foregoing, subject to any restrictions in applicable debt financing agreements and available liquidity as determined by the board of directors of each of Series REIT of LCFH and Series TRS of LCFH, each Series must use commercially reasonable efforts to make quarterly distributions to each of its partners (including the Company) at least equal to such partner's "Quarterly Estimated Tax Amount," which shall be computed (as more fully described in LCFH's Third Amended and Restated LLLP Agreement) for each partner as the product of (x) the U.S. federal taxable income (or alternative minimum taxable income, if higher) allocated by such Series to such partner in respect of the Series REIT LP Units and Series TRS LP Units held by such partner and (y) the highest marginal blended U.S. federal, state and local income tax rate (or alternative minimum taxable rate, as applicable) applicable to an individual residing in New York, NY, taking into account, for U.S. federal income tax purposes, the deductibility of state and local taxes; provided that Series TRS of LCFH may take into account, in determining the amount of tax distributions to holders of Series TRS LP Units, the amount of any distributions each such holder received from Series REIT of LCFH in excess of tax distributions. In addition, to the extent the Company requires an additional distribution from the Series of LCFH in excess of its quarterly tax distribution in order to pay its quarterly cash dividend, the Series of LCFH will be required to make a corresponding distribution of cash to each of their partners (other than the Company) on a pro-rata basis.

Allocation of Income and Loss

Income and losses and comprehensive income are allocated among the partners in a manner to reflect as closely as possible the amount each partner would be distributed under the Third Amended and Restated LLLP Agreement upon liquidation of the Operating Partnership's assets.

Noncontrolling Interest in Unconsolidated Joint Ventures

The Company consolidates 10 ventures in which there are other noncontrolling investors, which own between 1.2% - 29.4% of such ventures. These ventures hold investments in a 40 property student housing portfolio, 25 office buildings, one industrial property and one apartment complex. The Company makes distributions and allocates income from these ventures to the noncontrolling interests in accordance with the terms of the respective governing agreements.

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14. EARNINGS PER SHARE

The Company's net income (loss) and weighted average shares outstanding for the three and six months ended June 30, 2018 and 2017 consist of the following:

(\$ in thousands except share amounts)	For the Three Months Ended June 30, 2018	For the Three Months Ended June 30, 2017	For the Six Months Ended June 30, 2018	For the Six Months Ended June 30, 2017
Basic Net income (loss) available for Class A common shareholders	\$ 38,406	\$ 22,113	\$ 89,281	\$ 35,584
Diluted Net income (loss) available for Class A common shareholders	\$ 38,406	\$ 28,967	\$ 89,281	\$ 49,004
Weighted average shares outstanding				
Basic	96,810,266	80,108,431	96,003,151	76,510,201
Diluted	97,165,899	110,055,308	96,276,824	109,693,706

The calculation of basic and diluted net income (loss) per share amounts for the three and six months ended June 30, 2018 and 2017 are described and presented below.

Basic Net Income (Loss) per Share

Numerator: utilizes net income (loss) available for Class A common shareholders for the three and six months ended June 30, 2018 and 2017, respectively.

Denominator: utilizes the weighted average shares of Class A common stock for the three and six months ended June 30, 2018 and 2017, respectively.

Diluted Net Income (Loss) per Share

Numerator: utilizes net income (loss) available for Class A common shareholders for the three and six months ended June 30, 2018 and 2017, respectively, for the basic net income (loss) per share calculation described above, adding net income (loss) amounts attributable to the noncontrolling interest in the Operating Partnership using the as-if converted method for the Class B common shareholders while adjusting for additional corporate income tax expense (benefit) for the described net income (loss) add-back.

Denominator: utilizes the weighted average number of shares of Class A common stock for the three and six months ended June 30, 2018 and 2017, respectively, for the basic net income (loss) per share calculation described above adding the dilutive effect of shares issuable relating to Operating Partnership exchangeable interests and the incremental shares of unvested Class A restricted stock using the treasury method.

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(In thousands except share amounts)	For the Three Months Ended June 30, 2018(1)	For the Three Months Ended June 30, 2017	For the Six Months Ended June 30, 2018(1)	For the Six Months Ended June 30, 2017
Basic Net Income (Loss) Per Share of Class A Common Stock				
Numerator:				
Net income (loss) attributable to Class A common shareholders	\$ 38,406	\$ 22,113	\$ 89,281	\$ 35,584
Denominator:				
Weighted average number of shares of Class A common stock outstanding	96,810,266	80,108,431	96,003,151	76,510,201
Basic net income (loss) per share of Class A common stock	\$ 0.40	\$ 0.28	\$ 0.93	\$ 0.47
Diluted Net Income (Loss) Per Share of Class A Common Stock				
Numerator:				
Net income (loss) attributable to Class A common shareholders	\$ 38,406	\$ 22,113	\$ 89,281	\$ 35,584
Add (deduct) - dilutive effect of:				
Amounts attributable to operating partnership's share of Ladder Capital Corp net income (loss)	—	8,868	—	14,706
Additional corporate tax (expense) benefit	—	(2,014)	—	(1,286)
Diluted net income (loss) attributable to Class A common shareholders	\$ 38,406	\$ 28,967	\$ 89,281	\$ 49,004
Denominator:				
Basic weighted average number of shares of Class A common stock outstanding	96,810,266	80,108,431	96,003,151	76,510,201
Add - dilutive effect of:				
Shares issuable relating to converted Class B common shareholders	—	29,723,350	—	33,013,753
Incremental shares of unvested Class A restricted stock	355,633	223,527	273,673	169,752
Diluted weighted average number of shares of Class A common stock outstanding	97,165,899	110,055,308	96,276,824	109,693,706
Diluted net income (loss) per share of Class A common stock	\$ 0.40	\$ 0.26	\$ 0.93	\$ 0.45

For the three and six months ended June 30, 2018, shares issuable relating to converted Class B common (1)shareholders are excluded from the calculation of diluted EPS as the inclusion of such potential common shares in the calculation would be anti-dilutive.

The shares of Class B common stock do not share in the earnings of Ladder Capital Corp and are, therefore, not participating securities. Accordingly, basic and diluted net income (loss) per share of Class B common stock has not been presented, although the assumed conversion of Class B common stock has been included in the presented diluted net income (loss) per share of Class A common stock.

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15. STOCK BASED AND OTHER COMPENSATION PLANS

The following table summarizes the impact on the consolidated statement of operations of the various stock based compensation plans described in this note (\$ in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Stock Based Compensation Expense:				
Annual Incentive Awards Granted in 2015 With Respect to 2014 Performance	\$—	\$415	\$172	\$1,037
Annual Incentive Awards Granted in 2016 With Respect to 2015 Performance	325	430	647	1,215
Annual Incentive Awards Granted in 2017 With Respect to 2016 Performance(1)	509	590	1,131	5,786
Other 2017 Restricted Stock Awards(1)	76	56	181	147
Annual Incentive Awards Granted in 2017 With Respect to 2017 Performance(1)	1,087	—	2,202	—
2018 Restricted Stock Awards	93	—	136	—
Other 2018 Restricted Stock Awards(1)	3	—	3	—
Other Employee/Director Awards	12	21	33	581
Total Stock Based Compensation Expense	\$2,105	\$1,512	\$4,505	\$8,766
Phantom Equity Investment Plan	\$—	\$65	\$—	\$342
Ladder Capital Corp Deferred Compensation Plan	\$236	\$(431)	\$919	\$187
Bonus Expense	\$7,782	\$9,425	\$17,562	\$12,528

(1)Includes immediate vesting of retirement eligible employees, including Brian Harris.

2014 Omnibus Incentive Plan

In connection with the IPO Transactions, the 2014 Ladder Capital Corp Omnibus Incentive Equity Plan (the “2014 Omnibus Incentive Plan”) was adopted by the board of directors on February 11, 2014, and provides certain members of management, employees and directors of the Company or its affiliates with additional incentives including grants of stock options, stock appreciation rights, restricted stock, other stock-based awards and other cash-based awards.

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Annual Incentive Awards Granted in 2016 With Respect to 2015 Performance

Members of management were eligible to receive annual restricted stock awards (the “Annual Restricted Stock Awards”) and annual option awards (the “Annual Option Awards”) based on the performance of the Company. On February 18, 2016, Annual Restricted Stock Awards were granted to Management Grantees with an aggregate value of \$9.1 million which represents 793,598 shares of restricted Class A common stock in connection with 2015 compensation. Fifty percent of each restricted stock award granted is subject to time-based vesting criteria, and the remaining 50% of each restricted stock award is subject to attainment of the Performance Target for the applicable years. The time-vesting restricted stock granted to the Management Grantees will generally vest in three installments on each of the first three anniversaries of the date of grant, subject to continued employment on the applicable vesting dates. The performance-vesting restricted stock will vest in three equal installments upon the compensation committee’s confirmation that the Company achieves a return on equity, based on core earnings divided by the Company’s average book value of equity, equal to or greater than 8% for such year (the “Performance Target”) for those years. If the Company misses the Performance Target during either the first or second calendar year but meets the Performance Target for a subsequent year during the three-year performance period and the Company’s return on equity for such subsequent year and any years for which it missed its Performance Target equals or exceeds the compounded return on equity of 8%, based on core earnings divided by the Company’s average book value of equity, the performance-vesting restricted stock which failed to vest because the Company previously missed its Performance Target will vest on the last day of such subsequent year (the “Catch-Up Provision”). If the term “core earnings” is no longer used in the Company’s SEC filings and approved by the compensation committee, then the Performance Target will be calculated using such other pre-tax performance measurement defined in the Company’s SEC filings, as determined by the compensation committee. The Company met the Performance Target for the years ended December 31, 2017 and 2016.

The Company has elected to recognize the compensation expense related to the time-based vesting of the Annual Restricted Stock Awards for the entire award on a straight-line basis over the requisite service period. As such, the compensation expense related to the February 18, 2016 Annual Restricted Stock Awards to Management Grantees is recognized as follows:

1. Compensation expense for restricted stock subject to time-based vesting criteria granted to Brian Harris was expensed in full on February 11, 2017, the Harris Retirement Eligibility Date.
2. Compensation expense for restricted stock subject to time-based vesting criteria granted to the Management Grantees other than Mr. Harris, will be expensed 1/3 each year, for three years on an annual basis following such grant.

Accruals of compensation cost for an award with a performance condition shall be based on the probable outcome of that performance condition. Therefore, compensation cost shall be accrued if it is probable that the performance condition will be achieved and shall not be accrued if it is not probable that the performance condition will be achieved.

On February 18, 2016, Annual Stock Option Awards were granted to Management Grantees with an aggregate grant date fair value of \$1.0 million, which represents 289,326 shares of Class A common stock subject to the Annual Stock Option Awards. The stock option awards are subject to the same terms and conditions as those granted in 2015 except that the vesting period commenced in 2016 and the 2016 stock option awards included dividend equivalent rights. The actual grant date fair values of the Annual Option Awards granted to our Management Grantees were computed in accordance with FASB ASC Topic 718 using the Black Scholes model based on the following assumptions: (1) risk-free rate of 1.5%; (2) dividend yield of 9.8%; (3) expected life of six years; and (4) volatility of 48.0%.

On February 18, 2016, certain members of the board of directors each received Annual Restricted Stock Awards with a grant date fair value of \$0.1 million, representing 12,636 shares of restricted Class A common stock, which will vest in full on the first anniversary of the date of grant, subject to continued service on the board of directors.

Compensation expense for restricted stock subject to time-based vesting criteria granted to directors will be expensed in full on an annual basis following such grant.

Upon a change in control (as defined in the respective award agreements), all restricted stock and option awards will become fully vested, if (1) the Management Grantee continues to be employed through the closing of the change in control or (2) after the signing of definitive documentation related to the change in control, but prior to its closing, the Management Grantee's employment is terminated without cause or due to death or disability or the Management Grantee resigns for Good Reason. The compensation committee retains the right, in its sole discretion, to provide for the accelerated vesting (in whole or in part) of the restricted stock and option awards granted.

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On February 11, 2017 (the “Harris Retirement Eligibility Date”), all outstanding Annual Restricted Stock Awards, including the time-vesting portion and the performance-vesting portion, and all outstanding Annual Option Awards granted to Mr. Harris became fully vested, and any Annual Restricted Stock Awards and Annual Option Awards granted after the Harris Retirement Eligibility Date will be fully vested at grant. The Executive Retirement Eligibility Date for Pamela McCormack is December 8, 2019 (the “McCormack Retirement Eligibility Date”). For Management Grantees other than Harris and McCormack, the Executive Retirement Eligibility Date is February 11, 2019, the time-vesting portion of the Annual Restricted Stock Awards and the Annual Option Awards will become fully vested, and the time-vesting portion of any Annual Restricted Stock Awards and Annual Option Awards granted after the Executive Retirement Eligibility Date will be fully vested at grant. Upon the occurrence of the Executive Retirement Eligibility Date, the performance-vesting portion of such Management Grantee’s Annual Restricted Stock Awards will remain outstanding for the performance period and will vest to the extent we meet the Performance Target, including via the Catch-Up Provision described above, regardless of continued employment with us our subsidiaries following the Executive Retirement Eligibility Date.

Annual Incentive Awards Granted in 2017 With Respect to 2016 Performance

For 2016 performance, management received stock-based incentive equity. On February 18, 2017, Annual Restricted Stock Awards were granted to Management Grantees with an aggregate value of \$10.2 million which represents 736,461 shares of restricted Class A common stock in connection with 2016 compensation. In accordance with the Harris Employment Agreement, Mr. Harris’ annual awards were fully vested at grant. For other Management Grantees, fifty percent of each restricted stock award granted is subject to time-based vesting criteria, and the remaining 50% of each restricted stock award is subject to attainment of the Performance Target for the applicable years. The time-vesting restricted stock will vest in three installments on each of the first three anniversaries of the date of grant, subject to continued employment on the applicable vesting dates and subject to the applicable Retirement Eligibility Date. The performance-vesting restricted stock will vest in three equal installments upon the compensation committee’s confirmation that the Company achieves the Performance Target for the years ended December 31, 2017, 2018 and 2019, respectively. The Catch-Up Provision applies to the performance vesting portion of this award.

The Company has elected to recognize the compensation expense related to the time-based vesting of the Annual Restricted Stock Awards for the entire award on a straight-line basis over the requisite service period for the entire award. As such, the compensation expense related to the February 18, 2017 Annual Restricted Stock Awards to Management Grantees shall be recognized as follows:

1. Compensation expense for stock granted to Brian Harris will be expensed immediately in accordance with the Harris Retirement Eligibility Date.
2. Compensation expense for restricted stock subject to time-based vesting criteria granted to Pamela McCormack will be expensed 1/3 each year, for three years, on an annual basis in advance of the McCormack Retirement Eligibility Date.
3. Compensation expense for restricted stock subject to time-based vesting criteria granted to Michael Mazzei will be expensed 1/3 each year, for three years, on an annual basis.
4. Compensation expense for restricted stock subject to time-based vesting criteria granted to the Management Grantees other than Mr. Harris, Ms. McCormack and Mr. Mazzei will be expensed 1/3 each year, for three years, on an annual basis in advance of the Executive Retirement Eligibility Date.

Accruals of compensation cost for an award with a performance condition is accrued if it is probable that the performance condition will be achieved and shall not be accrued if it is not probable that the performance condition will be achieved.

Upon a change in control (as defined in the respective award agreements), all restricted stock and option awards will become fully vested, if (1) the Management Grantee continues to be employed through the closing of the change in control or (2) after the signing of definitive documentation related to the change in control, but prior to its closing, the Management Grantee's employment is terminated without cause or due to death or disability or the Management Grantee resigns for Good Reason. The compensation committee retains the right, in its sole discretion, to provide for the accelerated vesting (in whole or in part) of the restricted stock and option awards granted.

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Other 2017 Restricted Stock Awards

On January 24, 2017, Management Grantees received a Restricted Stock Award with a grant date fair value of \$30,455, representing 2,191 shares of restricted Class A common stock. These shares represent stock dividends paid on the number of shares subject to the 2016 options (had such shares been outstanding) and vest with the time-vesting 2016 options they are associated with, subject to the Retirement Eligibility Date of the respective member of management. Compensation expense shall be recognized on a straight-line basis over the requisite service period.

On February 18, 2017, a new employee of the Company received a Restricted Stock Award with a grant date fair value of \$0.4 million, representing 28,881 shares of restricted Class A common stock, which will vest in two equal installments on each of the first two anniversaries of the date of grant, subject to continued employment on the applicable vesting dates. Compensation expense shall be recognized on a straight-line basis over the requisite service period.

On February 18, 2017, Management Grantees received cash of \$1.0 million and a Stock Award with a grant date fair value of \$48,475, representing 3,500 shares of Class A common stock, intended to represent dividends in type and amount that the 2015 stock option grant to management would have received had such options had dividend equivalent rights since grant. This grant also provides for future dividend equivalents that vest according to the vesting schedule of the 2015 stock option grant. Compensation expense shall be recognized on a straight-line basis over the requisite service period.

On February 18, 2017, certain members of the board of directors each received Annual Restricted Stock Awards with a grant date fair value of \$0.2 million, representing 16,245 shares of restricted Class A common stock, which will vest in full on the first anniversary of the date of grant, subject to continued service on the board of directors. Compensation expense related to the time-based vesting criteria of the award shall be recognized on a straight-line basis over the one-year vesting period.

On February 18, 2017, Restricted Stock Awards were granted to certain non-management employees (each, a “Non-Management Grantee”) with an aggregate value of \$0.6 million which represents 40,000 shares of restricted Class A common stock in connection with 2016 compensation. Fifty percent of each Restricted Stock Award granted is subject to time-based vesting criteria, and the remaining 50% of each Restricted Stock Award is subject to attainment of the Performance Target for the applicable years. The time-vesting restricted stock granted to Non-Management Grantees will vest in three installments on each of the first three anniversaries of June 1, 2017, subject to continued employment on the applicable vesting dates. The performance-vesting restricted stock will vest in three equal installments on June 1 of each of 2018, 2019 and 2020 (subject to the performance target being achieved). The Catch-Up Provision applies to the performance vesting portion of this award. The Company has elected to recognize the compensation expense related to the time-based vesting criteria of these Restricted Stock Awards for the entire award on a straight-line basis over the requisite service period. As such, the compensation expense related to the February 18, 2017 Restricted Stock Awards to Non-Management Grantees for time-based vesting shall be recognized 1/3 for the period February 18, 2017 through June 1, 2018, 1/3 for the period June 2, 2018 through June 1, 2019 and 1/3 for the period June 2, 2019 through June 1, 2020.

Accruals of compensation cost for an award with a performance condition shall be based on the probable outcome of that performance condition. Therefore, compensation cost shall be accrued if it is probable that the performance condition will be achieved and shall not be accrued if it is not probable that the performance condition will be achieved.

On March 3, 2017, a new member of the board of directors received a Restricted Stock Award with a grant date fair value of \$0.1 million, representing 5,130 shares of restricted Class A common stock, which will vest in three equal

installments on each of the first three anniversaries of the date of grant, subject to continued service on the board of directors. Compensation expense for restricted stock subject to time-based vesting criteria granted to the director will be expensed 1/3 each year, for three years on an annual basis following such grant.

On June 19, 2017, Restricted Stock Awards were granted to a Non-Management Grantee with an aggregate value of \$0.3 million, which represents 21,307 shares of time-based restricted Class A common stock. One-third of this amount will vest on the first anniversary date of the grant date and 1,775 shares will vest on each of October 1, 2018, December 31, 2018, April 1, 2019, July 1, 2019, September 30, 2019, December 31, 2019 and March 31, 2020. The remaining 1,780 shares of the grant will vest on July 1, 2020, subject to the Non-Management Grantee's continued employment with the Company. The Company has elected to recognize the compensation expense related to the time-based vesting criteria of this Restricted Stock Award for the entire award on a straight-line basis over the requisite service period.

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In connection with Mr. Mazzei's retirement as President, Ladder Capital Finance LLC, a subsidiary of Ladder, and Mr. Mazzei entered into a separation agreement, dated June 22, 2017 (the "Separation Agreement"). Pursuant to the Separation Agreement, Mr. Mazzei was appointed as a Class III director of Ladder and, subject to certain exceptions, Mr. Mazzei's unvested stock and stock options will continue to vest as they would have had he continued to be employed with Ladder as long as he continues to serve on the Board of Directors. Such unvested stock and stock options will not be subject to the original retirement eligibility date provided for in his employment agreement. On June 22, 2017, in connection with his appointment to the board of directors, Mr. Mazzei received a Restricted Stock Award with a grant date fair value of \$0.1 million, representing 5,346 shares of restricted Class A common stock, which will vest in three equal installments on each of the first three anniversaries of the date of grant, subject to continued service on the board of directors. Compensation expense for restricted stock subject to time-based vesting criteria granted to the director will be expensed 1/3 each year, for three years on an annual basis following such grant.

Annual Incentive Awards Granted in 2017 With Respect to 2017 Performance

For 2017 performance, management received stock-based incentive equity. On December 21, 2017, Annual Restricted Stock Awards were granted to Management Grantees with an aggregate value of \$10.5 million which represents 768,205 shares of restricted Class A common stock in connection with 2017 compensation. In accordance with the Harris Employment Agreement, Mr. Harris' annual awards were fully vested at grant. For other Management Grantees, 50% of each restricted stock award granted is subject to time-based vesting criteria, and the remaining 50% of each restricted stock award is subject to attainment of the Performance Target for the applicable years. The time-vesting restricted stock will vest in three installments on each of February 18, 2019, February 18, 2020 and February 18, 2021, subject to continued employment on the applicable vesting dates and subject to the applicable Retirement Eligibility Date. The performance-vesting restricted stock will vest in three equal installments upon the compensation committee's confirmation that the Company achieves the Performance Target for the years ended December 31, 2018, 2019 and 2020, respectively. The Catch-Up Provision applies to the performance vesting portion of this award.

The Company has elected to recognize the compensation expense related to the time-based vesting of the Annual Restricted Stock Awards for the entire award on a straight-line basis over the requisite service period for the entire award. As such, the compensation expense related to the December 21, 2017 Annual Restricted Stock Awards to Management Grantees shall be recognized as follows:

1. Compensation expense for stock granted to Brian Harris will be expensed immediately in accordance with the Harris Retirement Eligibility Date.

2. Compensation expense for restricted stock subject to time-based vesting criteria granted to Pamela McCormack will be expensed 1/3 each year, for three years, on an annual basis in advance of the McCormack Retirement Eligibility Date.

3. Compensation expense for restricted stock subject to time-based vesting criteria granted to the Management Grantees other than Mr. Harris and Ms. McCormack will be expensed 1/3 each year, for three years, on an annual basis in advance of the Executive Retirement Eligibility Date.

Compensation cost for an award with a performance condition is accrued if it is probable that the performance condition will be achieved and shall not be accrued if it is not probable that the performance condition will be achieved.

Upon a change in control (as defined in the respective award agreements), all restricted stock awards will become fully vested, if (1) the Management Grantee continues to be employed through the closing of the change in control or (2) after the signing of definitive documentation related to the change in control, but prior to its closing, the

Management Grantee's employment is terminated without cause or due to death or disability or the Management Grantee resigns for Good Reason. The compensation committee retains the right, in its sole discretion, to provide for the accelerated vesting (in whole or in part) of the restricted stock and option awards granted.

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On December 21, 2017, Restricted Stock Awards were granted to certain non-management employees (each, a “Non-Management Grantee”) with an aggregate value of \$5.0 million which represents 369,328 shares of restricted Class A common stock in connection with 2017 compensation. Fifty percent of each Restricted Stock Award granted is subject to time-based vesting criteria, and the remaining 50% of each Restricted Stock Award is subject to attainment of the Performance Target for the applicable years. The time-vesting restricted stock granted to Non-Management Grantees will vest in three installments on February 18 of each of 2019, 2020 and 2021 subject to continued employment on the applicable vesting dates. The performance-vesting restricted stock will vest in three equal installments upon the compensation committee’s confirmation that the Company achieves the Performance Target for the years ended December 31, 2018, 2019 and 2020, respectively. The Catch-Up Provision applies to the performance vesting portion of this award. The Company has elected to recognize the compensation expense related to the time-based vesting criteria of these Restricted Stock Awards for the entire award on a straight-line basis over the requisite service period. As such, the compensation expense related to the December 21, 2017 Restricted Stock Awards to Non-Management Grantees shall be recognized 1/3 for the period December 21, 2017 through February 18, 2019, 1/3 for the period February 19, 2019 through February 18, 2020 and 1/3 for the period February 19, 2020 through February 18, 2021.

In the event a Non-Management Grantee is terminated by the Company without cause within six months of certain changes in control, all unvested time shares shall vest on the termination date and all unvested performance shares shall remain outstanding and be eligible to vest (and be forfeited) in accordance with the performance conditions; provided that if such change in control is for more than 50% of the shares of the Company, then all restricted stock awards will become fully vested if the Non-Management Grantee continues to be employed through the closing of the change in control.

Accruals of compensation cost for an award with a performance condition shall be based on the probable outcome of that performance condition. Therefore, compensation cost shall be accrued if it is probable that the performance condition will be achieved and shall not be accrued if it is not probable that the performance condition will be achieved.

2018 Restricted Stock Awards

On February 18, 2018, certain members of the board of directors each received Annual Restricted Stock Awards with a grant date fair value of \$0.4 million, representing 25,370 shares of restricted Class A common stock, which will vest in full on the first anniversary of the date of grant, subject to continued service on the board of directors. Compensation expense related to the time-based vesting criteria of the award shall be recognized on a straight-line basis over the one-year vesting period.

Other 2018 Restricted Stock Awards

On April 24, 2018, a new employee of the Company received a Restricted Stock Award with a grant date fair value of \$0.1 million, representing 3,566 shares of restricted Class A common stock, which will vest in three equal installments on each of the first three anniversaries of the date of grant, subject to continued employment on the applicable vesting dates. Compensation expense shall be recognized on a straight-line basis over the requisite service period.

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Summary of Restricted Stock and Stock Option Expense and Shares/Options Nonvested/Outstanding

A summary of the grants is presented below (\$ in thousands):

	Three Months Ended June 30, 2018		2017		Six Months Ended June 30, 2018		2017	
	Number of Shares	Weighted Average Fair Value	Number of Shares	Weighted Average Fair Value	Number of Shares	Weighted Average Fair Value	Number of Shares	Weighted Average Fair Value
Grants - Class A Common Stock (restricted)	3,566	\$ 50	26,653	\$ 379	28,936	\$ 425	859,061	\$ 11,995
Grants - Class A Common Stock (restricted) dividends	—	—	—	—	—	—	15,560	216
Amortization to compensation expense								
Ladder compensation expense		(2,105)		(1,512)		\$ (4,505)		\$ (8,766)
Total amortization to compensation expense		\$ (2,105)		\$ (1,512)		\$ (4,505)		\$ (8,766)

The table below presents the number of unvested shares and outstanding stock options at June 30, 2018 and changes during 2018 of the Class A Common stock and Stock Options of Ladder Capital Corp granted under the 2014 Omnibus Incentive Plan:

	Restricted Stock	Stock Options
Nonvested/Outstanding at December 31, 2017	1,252,365	982,135
Granted	28,936	—
Exercised	—	—
Vested	(138,216)	—
Forfeited	(26,061)	—
Expired	—	—
Nonvested/Outstanding at June 30, 2018	1,117,024	982,135
Exercisable at June 30, 2018		929,701

At June 30, 2018 there was \$10.3 million of total unrecognized compensation cost related to certain share-based compensation awards that is expected to be recognized over a period of up to 34 months, with a weighted-average remaining vesting period of 23.1 months.

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The table below presents the number of unvested shares and outstanding stock options at June 30, 2017 and changes during 2017 of the Class A Common stock and Stock Options of Ladder Capital Corp granted under the 2014 Omnibus Incentive Plan:

	Restricted Stock	Stock Options
Nonvested/Outstanding at December 31, 2016	1,475,865	982,135
Granted	874,621	—
Exercised		—
Vested	(1,425,490)	
Forfeited	(10,000)	—
Expired		—
Nonvested/Outstanding at June 30, 2017	914,996	982,135
Exercisable at June 30, 2017		752,017

As of June 30, 2017 there was \$9.2 million of total unrecognized compensation cost related to certain share-based compensation awards that is expected to be recognized over a period of up to 37 months, with a weighted-average remaining vesting period of 24.0 months.

Phantom Equity Investment Plan

LCFH maintained a Phantom Equity Investment Plan, effective on June 30, 2011 (the “Phantom Equity Plan”) in which certain eligible employees of LCFH, LCF and their subsidiaries participate. On July 3, 2014, the Board of Directors froze the Phantom Equity Plan and adopted the 2014 Deferred Compensation Plan, as defined and further described below. The Phantom Equity Plan is an annual deferred compensation plan pursuant to which participants could elect, or in some cases, non-management participants could be required, depending upon the participant’s specific level of compensation, to defer all or a portion of their annual cash performance-based bonuses as elective or mandatory contributions. Generally, if a participant’s total compensation was in excess of a certain threshold, a portion of such participant’s annual bonus, was required to be deferred into the Phantom Equity Plan. Otherwise, amounts could be deferred into the Phantom Equity Plan at the election of the participant, so long as such election was timely made in accordance with the terms and procedures of the Phantom Equity Plan.

In the event that a participant elected to (or was required to) defer a portion of his or her compensation pursuant to the Phantom Equity Plan, such amount was not paid to the participant and was instead credited to such participant’s notional account under the Phantom Equity Plan. Prior to the closing of our IPO, such amounts were invested, on a phantom basis, in the Series B Participating Preferred Units issued by LCFH until such amounts were eventually paid to the participant pursuant to the Phantom Equity Plan. Following our IPO, as described below, such amounts were invested on a phantom basis in shares of the Company’s Class A common stock. Mandatory contributions are subject to one-third vesting over a three year period following the applicable Phantom Equity Plan year in which the related compensation was earned. Elective contributions were immediately vested upon contribution. Unvested amounts are generally forfeited upon the participant’s involuntary termination for cause, a voluntary termination for which the participant’s employer would have grounds to terminate the participant for cause or a voluntary termination within one year of which the participant obtains employment with a financial services organization.

The date that the amounts deferred into the Phantom Equity Plan are paid to a participant depends upon whether such deferral is a mandatory deferral or an elective deferral. Elective deferrals are paid upon the earliest to occur of (1) a change in control (as defined in the Phantom Equity Plan), (2) the end of the participant’s employment, or (3) December 31, 2017. The vested amounts of the mandatory contributions are paid upon the first to occur of (A) a change in control and (B) the first to occur of (x) December 31, 2017 or (y) the date of payment of the annual bonus

payments following December 31 of the third calendar year following the applicable plan year to which the underlying deferred annual bonus relates. The Company could elect to make, and did make, payments pursuant to the Phantom Equity Plan in the form of cash in an amount equal to the then fair market value of such shares of the Company's Class A common stock (or, prior to our IPO, the Series B Participating Preferred Units), and on May 14, 2014, the Compensation Committee made a global election to make all payments pursuant to the Phantom Equity Plan in the form of cash. Mandatory contributions that were paid at the time specified in clause 2(B) above were made in cash.

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Upon the closing of our IPO, each participant in the Phantom Equity Plan had his or her notional interest in LCFH's Series B Participating Preferred Units converted into a notional interest in the Company's Class A common stock, which notional conversion was based on the issuance price of our Class A common stock at the time of the IPO. On July 3, 2014, the board of directors froze the Phantom Equity Plan, effective as of such date, so that there will neither be future participants in the Phantom Equity Plan nor additional amounts contributed to any accounts outstanding under the Phantom Equity Plan. Amounts previously outstanding under the Phantom Equity Plan will be paid in accordance with their original payment terms, including limiting payment to the dates and events specified above. In connection with freezing the Phantom Equity Plan, the board of directors also updated the definition of fair market value for purposes of measuring the value of its Class A Common Stock, to provide that, generally, such value would be the closing price of such stock on the principal national securities exchange on which it is then traded.

The final payment, which closed the liability under the Phantom Equity Plan, was made on January 5, 2018. As of December 31, 2017, there were 42,270 phantom units that have been withdrawn from the plan, resulting in a liability of \$1.0 million, which is included in accrued expenses on the consolidated balance sheets.

Ladder Capital Corp Deferred Compensation Plan

On July 3, 2014, the Company adopted a nonqualified deferred compensation plan, which was amended and restated on March 17, 2015 (the "2014 Deferred Compensation Plan"), in which certain eligible employees participate. On February 22, 2018, the Board of Directors froze the 2014 Deferred Compensation Plan. Pursuant to the 2014 Deferred Compensation Plan, participants elected, or in some cases non-management participants were required, to defer all or a portion of their annual cash performance-based bonuses into the 2014 Deferred Compensation Plan. Generally, if a participant's total compensation was in excess of a certain threshold, a portion of a participant's performance-based annual bonus was required to be deferred into the 2014 Deferred Compensation Plan. Otherwise, a portion of the participant's annual bonus could have been deferred into the 2014 Deferred Compensation Plan at the election of the participant, so long as such elections were timely made in accordance with the terms and procedures of the 2014 Deferred Compensation Plan.

In the event that a participant elected to (or was required to) defer a portion of his or her compensation pursuant to the 2014 Deferred Compensation Plan, such amount was not paid to the participant and was instead credited to such participant's notional account under the 2014 Deferred Compensation Plan. Such amounts were then invested on a phantom basis in Class A common stock of the Company, or the phantom units, and a participant's account is credited with any dividends or other distributions received by holders of Class A common stock of the Company, which are subject to the same vesting and payment conditions as the applicable contributions. Elective contributions were immediately vested upon contribution. Mandatory contributions are subject to one-third vesting over a three-year period on a straight-line basis following the applicable year in which the related compensation was earned and mandatory contributions for compensation earned in 2015, 2016 and 2017 remain in the 2014 Deferred Compensation Plan, subject to vesting in 2018, 2019 and 2020, respectively.

If a participant's employment with the Company is terminated by the Company other than for cause and such termination is within six months following a change in control (each, as defined in the 2014 Deferred Compensation Plan), then the participant will fully vest in his or her unvested account balances. Furthermore, the unvested account balances will fully vest in the event of the participant's death, disability, retirement (as defined in the 2014 Deferred Compensation Plan) or in the event of certain hostile takeovers of the board of directors of the Company. In the event that a participant's employment is terminated by the Company other than for cause, the participant will vest in the portion of the participant's account that would have vested had the participant remained employed through the end of the year in which such termination occurs, subject to, in such case or in the case of retirement, the participant's timely execution of a general release of claims in favor of the Company. Unvested amounts are otherwise generally forfeited upon the participant's resignation or termination of employment, and vested mandatory contributions are generally forfeited upon the participant's termination for cause.

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Amounts deferred into the 2014 Deferred Compensation Plan are paid upon the earliest to occur of (1) a change in control, (2) within sixty days following the end of the participant's employment with the Company, or (3) the date of payment of the annual bonus payments following December 31 of the third calendar year following the applicable year to which the underlying deferred annual compensation relates. Payment is made in cash equal to the fair market value of the number of phantom units credited to a participant's account, provided that, if the participant's termination was by the Company for cause or was a voluntary resignation other than on account of such participant's retirement, the amount paid is based on the lowest fair market value of a share of Class A common stock during the forty-five day period following such termination of employment. The amount of the final cash payment may be more or less than the amount initially deferred into the 2014 Deferred Compensation Plan, depending upon the change in the value of the Class A common stock of the Company during such period.

As of June 30, 2018, there are 362,967 phantom units outstanding, of which 238,807 are unvested and 13,722 phantom units which have been withdrawn from the plan, resulting in a liability of \$5.9 million, which is included in accrued expenses on the consolidated balance sheets. As of December 31, 2017, there were 321,476 phantom units outstanding, of which 182,983 are unvested, resulting in a liability of \$3.8 million, which is included in accrued expenses on the consolidated balance sheets.

Bonus Payments

On December 19, 2017, the board of directors of Ladder Capital Corp approved 2017 bonus payments to employees, including officers, totaling \$49.3 million, which included \$15.5 million of equity based compensation, which was granted on December 21, 2017. Cash bonuses of \$17.1 million were paid on December 29, 2017. The remaining \$16.8 million of cash bonuses were accrued for as of December 31, 2017 and paid to employees in full on January 5, 2018. On February 8, 2017, the board of directors of Ladder Capital Corp approved 2016 bonus payments to employees, including officers, totaling \$39.5 million, which included \$10.2 million of equity based compensation. The bonuses were accrued for as of December 31, 2016 and paid to employees in full on February 21, 2017. During the three and six months ended June 30, 2018, the Company recorded compensation expense of \$7.8 million and \$17.6 million, respectively, related to 2018 bonuses. During the three and six months ended June 30, 2017, the Company recorded compensation expense of \$9.3 million and \$12.4 million, respectively, related to 2017 bonuses.

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16. INCOME TAXES

The Company elected to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended, commencing with the taxable year ended December 31, 2015. As such, the Company's income is generally not subject to U.S. Federal, state and local corporate income taxes other than as described below.

Certain of the Company's subsidiaries have elected to be treated as TRSs. TRSs permit the Company to participate in certain activities from which REITs are generally precluded, as long as these activities meet specific criteria, are conducted within the parameters of certain limitations established by the Code, and are conducted in entities which elect to be treated as taxable subsidiaries under the Code. To the extent these criteria are met, the Company will continue to maintain its qualification as a REIT. The Company's TRSs are not consolidated for U.S. federal income tax purposes, but are instead taxed as corporations. For financial reporting purposes, a provision for current and deferred taxes is established for the portion of earnings recognized by the Company with respect to its interest in TRSs.

There were \$0.7 million and \$2.6 million. corporate taxes payable (receivable) as of June 30, 2018 and December 31, 2017, respectively. There were \$0.5 million NYC UBT taxes payable (receivable) at June 30, 2018 and December 31, 2017. Prepaid corporate taxes as of June 30, 2018 and December 31, 2017 were \$13.7 million and \$12.4 million, respectively.

As part of the recently enacted Tax Cuts and Jobs Act, the federal income tax rate applicable to TRS activities has been reduced. The Company has adjusted its deferred tax positions at the TRSs (including those resulting from the TRA) to reflect the reduced tax rate as part of its 2017 tax provision.

As of June 30, 2018 and December 31, 2017, the Company's net deferred tax assets (liabilities) were \$(6.9) million and \$(5.7) million, respectively, and are included in other assets (liabilities) in the Company's consolidated balance sheets. The Company believes it is more likely than not that the net deferred tax assets (liabilities) will be realized in the future. Realization of the net deferred tax assets (liabilities) is dependent upon our generation of sufficient taxable income in future years in appropriate tax jurisdictions to obtain benefit from the reversal of temporary differences. The amount of net deferred tax assets (liabilities) considered realizable is subject to adjustment in future periods if estimates of future taxable income change.

As of June 30, 2018 and December 31, 2017, the Company has a deferred tax asset of \$0.4 million and \$5.8 million, respectively, relating to capital losses which it may only use to offset capital gains. These tax attributes will expire if unused in 2020. As the realization of these assets are not more likely than not before their expiration, the Company has provided a full valuation allowance against this deferred tax asset.

The Company's tax returns are subject to audit by taxing authorities. Generally, as of June 30, 2018, the tax years 2014, 2015, 2016 and 2017 remain open to examination by the major taxing jurisdictions in which the Company is subject to taxes. The IRS and New York State have recently begun routine audits of the Company's U.S. federal and state income tax returns for tax year 2014 and 2013-2015 respectively. The Company does not expect the audits to result in any material changes to the Company's financial position. The Company does not expect tax expense to have an impact on either short or long-term liquidity or capital needs.

Under U.S. GAAP, a tax benefit related to an income tax position may be recognized when it is more likely than not that the position will be sustained upon examination by the tax authorities based on the technical merits of the position. A position that meets this standard is measured at the largest amount of benefit that will more likely than not be realized upon settlement. As of June 30, 2018 and December 31, 2017, the Company's unrecognized tax benefit is a liability for \$0.8 million and is included in the accrued expenses in the Company's consolidated balance sheets. This unrecognized tax benefit, if recognized, would have a favorable impact on our effective income tax rate in future

periods. As of June 30, 2018, the Company has not recognized a significant amount of any interest or penalties related to uncertain tax positions. In addition, the Company does not believe that it has any tax positions for which it is reasonably possible that it will be required to record a significant liability for unrecognized tax benefits within the next twelve months.

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Tax Receivable Agreement

Upon consummation of the IPO, the Company entered into a Tax Receivable Agreement with the Continuing LCFH Limited Partners (the “TRA Members”). Under the Tax Receivable Agreement the Company generally is required to pay to the TRA Members that exchange their interests in LCFH and Class B shares of the Company for Class A shares of the Company, 85% of the applicable cash savings, if any, in U.S. federal, state and local income tax that the Company realizes (or is deemed to realize in certain circumstances) as a result of (i) the increase in tax basis in its proportionate share of LCFH’s assets that is attributable to the Company as a result of the exchanges and (ii) payments under the Tax Receivable Agreement, including any tax benefits related to imputed interest deemed to be paid by the Company as a result of such agreement. The Company may make future payments under the Tax Receivable Agreement if the tax benefits are realized. We would then benefit from the remaining 15% of cash savings in income tax that we realize. For purposes of the Tax Receivable Agreement, cash savings in income tax will be computed by comparing our actual income tax liability to the amount of such taxes that we would have been required to pay had there been no increase to the tax basis of the assets of LCFH as a result of the exchanges and had we not entered into the Tax Receivable Agreement.

Payments to a TRA Member under the Tax Receivable Agreement are triggered by each exchange and are payable annually commencing following the Company’s filing of its income tax return for the year of such exchange. The timing of the payments may be subject to certain contingencies, including the Company having sufficient taxable income to utilize all of the tax benefits defined in the Tax Receivable Agreement.

As of June 30, 2018 and December 31, 2017, pursuant to the Tax Receivable Agreement, the Company recorded a liability of \$1.6 million and \$1.7 million, respectively, included in amount payable pursuant to tax receivable agreement in the consolidated balance sheets for TRA Members. The amount and timing of any payments may vary based on a number of factors, including the absence of any material change in the relevant tax law, the Company continuing to earn sufficient taxable income to realize all tax benefits, and assuming no additional exchanges that are subject to the Tax Receivable Agreement. Depending upon the outcome of these factors, the Company may be obligated to make substantial payments pursuant to the Tax Receivable Agreement. The actual payment amounts may differ from these estimated amounts, as the liability will reflect changes in prevailing tax rates, the actual benefit the Company realizes on its annual income tax returns, and any additional exchanges.

To determine the current amount of the payments due, the Company estimates the amount of the Tax Receivable Agreement payments that will be made within twelve months of the balance sheet date. As described in Note 1 above, the Tax Receivable Agreement was amended and restated in connection with the Company’s REIT Election, effective as of December 31, 2014 (the “TRA Amendment”), in order to preserve a portion of the potential tax benefits currently existing under the Tax Receivable Agreement that would otherwise be reduced in connection with our REIT Election. The purpose of the TRA Amendment was to preserve the benefits of the Tax Receivable Agreement to the extent possible in a REIT, although, as a result, the amount of payments made to the TRA Members under the TRA Amendment is expected to be less than the amount that would have been paid under the original Tax Receivable Agreement. The TRA Amendment continues to share such benefits in the same proportions and otherwise has substantially the same terms and provisions as the prior Tax Receivable Agreement.

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17. RELATED PARTY TRANSACTIONS

Ladder Select Bond Fund

On October 18, 2016, Ladder Capital Asset Management LLC (“LCAM”), a subsidiary of the Company and a registered investment adviser, launched the Ladder Select Bond Fund (the “Fund”), a mutual fund. In addition, on October 18, 2016, the Company made a \$10.0 million investment in the Fund, which is included in other assets in the consolidated balance sheets. As of June 30, 2018, members of senior management have \$0.9 million invested in the Fund. LCAM earns a 0.75% fee on assets under management, which may be reduced for expenses incurred in excess of the Fund’s expense cap of 0.95%.

Stockholders Agreement

On March 3, 2017, Ladder, RREF II Ladder LLC, an entity affiliated with The Related Companies, and certain pre-IPO stockholders of Ladder, including affiliates of TowerBrook Capital Partners, L.P. and GI Partners L.P., closed a purchase by Related of \$80.0 million of Ladder’s Class A common stock from the pre-IPO stockholders. As part of the closing of the transaction, Ladder and Related entered into a Stockholders Agreement, dated as of March 3, 2017, pursuant to which Jonathan Bilzin resigned from the Board, and all committees thereof, and Ladder appointed Richard O’Toole to replace Mr. Bilzin as a Class II Director on Ladder’s Board, each effective as of March 3, 2017. Pursuant to the Stockholders Agreement, Ladder granted to Related a right of first offer with respect to certain horizontal risk retention investments in which Ladder intends to retain an interest and Related agreed to certain standstill provisions.

Commercial Real Estate Loans

From time to time, the Company may provide commercial real estate loans to entities affiliated with certain of our directors, officers or large shareholders who are, as part of their ordinary course of business, commercial real estate investors. These loans are made in the ordinary course of the Company’s business on the same terms and conditions as would be offered to any other borrower of similar type and standing on a similar property.

On March 13, 2017, Related Reserve IV LLC, an affiliate of Related Fund Management LLC (the “B Participation Holder”), purchased a \$4.0 million subordinate participation interest (the “B Participation Interest”) in the up to \$136.5 million mortgage loan (the “Loan”) secured by the Conrad hotels and condominiums in Fort Lauderdale, Florida from a subsidiary of the Company. The B Participation Interest earns interest at an annual rate of 17%, with the Company’s participation interest (the “A Participation Interest”) receiving the balance of all interest paid under the Loan. Upon an event of default under the Loan, all receipts will be applied to the payment of interest and principal on the Company’s share of the principal balance before the B Participation Holder receives any sums. The Company retains all control over the administration and servicing of the whole loan, except that upon the occurrence of certain Loan defaults and other events, the B Participation Holder will have the option to trigger a buy-sell option, whereupon the Company shall have the right to either repurchase the B Participation Interest at par or sell the A Participation Interest to the B Participation Holder at par plus exit fees that would have been payable upon a borrower repayment. Because the participation interest was not *pari passu* and effective control continued to reside with the retained portions of the loans the transfers of any portion of this loan asset is considered a non-recourse secured borrowing in which the full loan asset remains on the Company’s consolidated balance sheets in mortgage loan receivables held for investment, net, at amortized cost and the sale proceeds are reported as debt obligations. The Company recorded \$0.1 million and \$0.2 million of interest expense for the three and six months ended June 30, 2018, respectively, which is included in accrued expenses on the consolidated balance sheets. The Company recorded \$0.2 million of interest expense for the three and six months ended June 30, 2017, which is included in accrued expenses on the consolidated balance sheets.

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On July 6, 2017, Ladder provided a \$21.0 million first mortgage loan to a borrower affiliated with The Related Companies to facilitate the acquisition of two commercial condominium units in the Brickell Heights mixed use development in Miami, Florida. The borrowing entity, Brickell Heights Commercial LLC, is 80% owned by a joint venture between Related Special Assets LLC, a personal investment vehicle for certain principals of The Related Companies, and another investor, with the remaining 20% interest belonging to an affiliate of The Related Group of Florida. This loan was sold to a securitization trust on October 31, 2017.

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18. COMMITMENTS AND CONTINGENCIES

Leases

In 2011, the Company entered into a lease for its primary office space, which commenced on October 1, 2011 and expires on January 31, 2022 with no extension option. In 2012, the Company entered into a lease for secondary office space. The lease commenced on May 15, 2012 and would have expired on May 14, 2015 with no extension option. This lease was amended, however, on October 2, 2014, extending the expiration date from May 14, 2015 to May 14, 2018. The Company recorded \$0.3 million and \$0.6 million of rental expense for the three and six months ended June 30, 2018, respectively, which is included in operating expenses in the consolidated statements of income. The Company recorded \$0.3 million and \$0.6 million, of rental expense for the three and six months ended June 30, 2017, respectively, which is included in operating expenses in the consolidated statements of income.

The following is a schedule of future minimum rental payments required under the above operating leases (\$ in thousands):

Period Ending December 31,	Amount
2018 (last 6 months)	\$ 590
2019	1,180
2020	1,180
2021	1,180
2022	99
Thereafter	—
Total	\$ 4,229

Unfunded Loan Commitments

As of June 30, 2018, the Company's off-balance sheet arrangements consisted of \$243.4 million of unfunded commitments on mortgage loan receivables held for investment to provide additional first mortgage loan financing, at rates to be determined at the time of funding. As of December 31, 2017, the Company's off-balance sheet arrangements consisted of \$157.0 million of unfunded commitments of mortgage loan receivables held for investment to provide additional first mortgage loan financing, at rates to be determined at the time of funding. Such commitments are subject to our loan borrowers' satisfaction of certain financial and nonfinancial covenants and may or may not be funded depending on a variety of circumstances including timing, credit metric hurdles, and other nonfinancial events occurring. These commitments are not reflected on the consolidated balance sheets.

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19. SEGMENT REPORTING

The Company has determined that it has three reportable segments based on how the chief operating decision maker reviews and manages the business. These reportable segments include loans, securities, and real estate. The loans segment includes mortgage loan receivables held for investment (balance sheet loans) and mortgage loan receivables held for sale (conduit loans). The securities segment is composed of all of the Company's activities related to commercial real estate securities, which include investments in CMBS and U.S. Agency Securities. The real estate segment includes net leased properties, office buildings, a mobile home community, a warehouse, a shopping center and condominium units. Corporate/other includes the Company's investments in joint ventures, other asset management activities and operating expenses.

The Company evaluates performance based on the following financial measures for each segment (\$ in thousands):

	Loans	Securities	Real Estate(1)	Corporate/Other(2)	Company Total
Three months ended June 30, 2018					
Interest income	\$76,485	\$8,662	\$5	\$ 78	\$85,230
Interest expense	(15,488)	(1,085)	(8,732)	(23,112)	(48,417)
Net interest income (expense)	60,997	7,577	(8,727)	(23,034)	36,813
Provision for loan losses	(300)	—	—	—	(300)
Net interest income (expense) after provision for loan losses	60,697	7,577	(8,727)	(23,034)	36,513
Operating lease income	—	—	24,258	—	24,258
Tenant recoveries	—	—	1,913	—	1,913
Sale of loans, net	6,144	—	—	—	6,144
Realized gain (loss) on securities	—	(1,243)	—	—	(1,243)
Unrealized gain (loss) on Agency interest-only securities	—	110	—	—	110
Realized gain (loss) on sale of real estate, net	—	—	1,628	—	1,628
Fee and other income	3,866	72	1,634	905	6,477
Net result from derivative transactions	3,886	3,195	—	—	7,081
Earnings (loss) from investment in unconsolidated joint ventures	—	—	13	—	13
Total other income (expense)	13,896	2,134	29,446	905	46,381
Salaries and employee benefits	—	—	—	(13,866)	(13,866)
Operating expenses	(86)	—	—	(5,511)	(5,597)
Real estate operating expenses	—	—	(7,836)	—	(7,836)
Fee expense	(615)	(96)	(88)	—	(799)
Depreciation and amortization	—	—	(10,637)	(19)	(10,656)
Total costs and expenses	(701)	(96)	(18,561)	(19,396)	(38,754)
Income tax (expense) benefit	—	—	—	(573)	(573)
Segment profit (loss)	\$73,892	\$9,615	\$2,158	\$ (42,098)	\$43,567
Total assets as of June 30, 2018	\$3,864,616	\$1,106,358	\$1,095,545	\$ 322,895	\$6,389,414

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	Loans	Securities	Real Estate(1)	Corporate/Other(2)	Company Total
Three months ended June 30, 2017					
Interest income	\$53,878	\$12,042	\$3	\$ 47	\$65,970
Interest expense	(11,123	) (1,869	) (6,373	) (16,296	) (35,661)
Net interest income (expense)	42,755	10,173	(6,370	) (16,249	) 30,309
Provision for loan losses	—	—	—	—	—
Net interest income (expense) after provision for loan losses	42,755	10,173	(6,370	) (16,249	) 30,309
Operating lease income	—	—	22,187	—	22,187
Tenant recoveries	—	—	1,159	—	1,159
Sale of loans, net	25,904	—	—	—	25,904
Realized gain (loss) on securities	—	7,132	—	—	7,132
Unrealized gain (loss) on Agency interest-only securities	—	299	—	—	299
Realized gain on sale of real estate, net	(159	) —	2,391	—	2,232
Fee and other income	1,730	—	2,011	833	4,574
Net result from derivative transactions	(10,508	) (5,514	) —	—	(16,022)
Earnings from investment in unconsolidated joint ventures	—	—	10	—	10
Total other income	16,967	1,917	27,758	833	47,475
Salaries and employee benefits	(5,700	) —	—	(8,789	) (14,489)
Operating expenses	69	—	—	(5,898	) (5,829)
Real estate operating expenses	—	—	(8,056	) —	(8,056)
Fee expense	(1,271	) (68	) (282	) —	(1,621)
Depreciation and amortization	—	—	(10,102	) (23	) (10,125)
Total costs and expenses	(6,902	) (68	) (18,440	) (14,710	) (40,120)
Income tax (expense) benefit	—	—	—	(6,606	) (6,606)
Segment profit (loss)	\$52,820	\$12,022	\$2,948	\$ (36,732	) \$31,058
Total assets as of December 31, 2017	\$3,508,642	\$1,106,517	\$1,067,482	\$ 342,974	\$6,025,615

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	Loans	Securities	Real Estate(1)	Corporate/Other(2)	Company Total
Six months ended June 30, 2018					
Interest income	\$ 146,494	\$ 16,676	\$ 10	\$ 257	\$ 163,437
Interest expense	(29,054	) (1,941	) (16,586	) (45,549	) (93,130)
Net interest income (expense)	117,440	14,735	(16,576	) (45,292	) 70,307
Provision for loan losses	(3,300	) —	—	—	(3,300)
Net interest income (expense) after provision for loan losses	114,140	14,735	(16,576	) (45,292	) 67,007
Operating lease income	—	—	48,818	—	48,818
Tenant recoveries	—	—	5,492	—	5,492
Sale of loans, net	11,032	—	—	—	11,032
Realized gain (loss) on securities	—	(2,342	) —	—	(2,342)
Unrealized gain (loss) on Agency interest-only securities	—	313	—	—	313
Realized gain (loss) on sale of real estate, net	—	—	32,637	—	32,637
Fee and other income	6,929	72	3,416	2,311	12,728
Net result from derivative transactions	10,774	11,266	—	—	22,040
Earnings from investment in unconsolidated joint ventures	—	—	65	—	65
Gain (loss) on extinguishment of debt	(69	) —	—	—	(69)
Total other income (expense)	28,666	9,309	90,428	2,311	130,714
Salaries and employee benefits	—	—	—	(30,962	) (30,962)
Operating expenses	—	—	—	(11,144	) (11,144)
Real estate operating expenses	—	—	(16,654	)	(16,654)
Fee expense	(1,232	) (206	) (203	) —	(1,641)
Depreciation and amortization	—	—	(21,441	) (38	) (21,479)
Total costs and expenses	(1,232	) (206	) (38,298	) (42,144	) (81,880)
Tax (expense) benefit	—	—	—	(4,476	) (4,476)
Segment profit (loss)	\$ 141,574	\$ 23,838	\$ 35,554	\$ (89,601) \$ 111,365
Total assets as of June 30, 2018	\$ 3,864,616	\$ 1,106,358	\$ 1,095,545	\$ 322,895	\$ 6,389,414

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	Loans	Securities	Real Estate(1)	Corporate/Other(2)	Company Total
Six months ended June 30, 2017					
Interest income	\$98,176	\$25,250	\$6	\$ 50	\$123,482
Interest expense	(17,376)	(3,722)	(12,923)	(33,055)	(67,076)
Net interest income (expense)	80,800	21,528	(12,917)	(33,005)	56,406
Provision for loan losses	—	—	—	—	—
Net interest income (expense) after provision for loan losses	80,800	21,528	(12,917)	(33,005)	56,406
Operating lease income	—	—	41,816	—	41,816
Tenant recoveries	—	—	2,739	—	2,739
Sale of loans, net	24,905	—	—	—	24,905
Realized gain (loss) on securities	—	12,494	—	—	12,494
Unrealized gain (loss) on Agency interest-only securities	—	457	—	—	457
Realized gain on sale of real estate, net	—	—	4,563	—	4,563
Fee and other income	3,351	—	3,984	1,704	9,039
Net result from derivative transactions	(12,189)	(5,814)	—	—	(18,003)
Earnings from investment in unconsolidated joint ventures	—	—	(63)	—	(63)
Loss on extinguishment of debt	—	—	—	(54)	(54)
Total other income	16,067	7,137	53,039	1,650	77,893
Salaries and employee benefits	(6,700)	—	—	(23,831)	(30,531)
Operating expenses	112	—	—	(11,420)	(11,308)
Real estate operating expenses	—	—	(15,510)	—	(15,510)
Fee expense	(1,806)	(162)	(346)	—	(2,314)
Depreciation and amortization	—	—	(18,670)	(47)	(18,717)
Total costs and expenses	(8,394)	(162)	(34,526)	(35,298)	(78,380)
Income tax (expense) benefit	—	—	—	(5,231)	(5,231)
Segment profit (loss)	\$88,473	\$28,503	\$5,596	\$ (71,884)	\$50,688
Total assets as of December 31, 2017	\$3,508,642	\$1,106,517	\$1,067,482	\$ 342,974	\$6,025,615

(1) Includes the Company's investment in unconsolidated joint ventures that held real estate of \$35.3 million and \$35.4 million as of June 30, 2018 and December 31, 2017, respectively.

(2) Corporate/Other represents all corporate level and unallocated items including any intercompany eliminations necessary to reconcile to consolidated Company totals. This caption also includes the Company's investment in unconsolidated joint ventures and strategic investments that are not related to the other reportable segments above, including the Company's investment in FHLB stock of \$77.9 million as of June 30, 2018 and December 31, 2017, the Company's deferred tax asset (liability) of \$(6.9) million and \$(5.7) million as of June 30, 2018 and December 31, 2017, respectively and the Company's senior unsecured notes of \$1.2 billion as of June 30, 2018 and December 31, 2017.

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20. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through the issuance date of the financial statements and determined that the following disclosure is necessary:

Committed Loan Repurchase Facility

On July 20, 2018, the Company executed an amendment of one of its committed loan repurchase facilities with a major banking institution, providing for, among other things, the extension of the maximum term of the facility to July 20, 2021 and decreasing the interest rate spreads thereunder by 25 basis points.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of financial condition and results of operations should be read in conjunction with the consolidated financial statements and the related notes of Ladder Capital Corp included within this Quarterly Report and the Annual Report. This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements. See "Cautionary Statement Regarding Forward-Looking Statements" within this Quarterly Report and "Risk Factors" within the Annual Report for a discussion of the uncertainties, risks and assumptions associated with these statements. Actual results may differ materially from those contained in any forward-looking statements as a result of various factors, including but not limited to, those in "Risk Factors" set forth within the Annual Report. References to "Ladder," the "Company," and "we," "our" and "us" refer to Ladder Capital Corp, a Delaware corporation incorporated in 2013, and its consolidated subsidiaries.

Ladder Capital Corp is the sole general partner of Ladder Capital Finance Holdings LLLP ("LCFH") and, as a result of the serialization of LCFH on December 31, 2014, became the sole general partner of Series REIT of LCFH. LC TRS I LLC, a wholly-owned subsidiary of Series REIT of LCFH, is the general partner of Series TRS of LCFH. Ladder Capital Corp has a controlling interest in Series REIT of LCFH, and through such controlling interest, also has a controlling interest in Series TRS of LCFH. Ladder Capital Corp's only business is to act as the sole general partner of LCFH and Series REIT of LCFH, and, as a result of the foregoing, Ladder Capital Corp directly and indirectly operates and controls all of the business and affairs of LCFH, and each Series thereof, and consolidates the financial results of LCFH, and each Series thereof, into Ladder Capital Corp's consolidated financial statements.

Overview

We are a leading commercial real estate finance company structured as an internally-managed REIT. We conduct our business through three commercial real estate-related business lines: loans, securities, and real estate investments. We believe that our in-house origination platform, ability to flexibly allocate capital among complementary product lines, credit-centric underwriting approach, access to diversified financing sources, and experienced management team position us well to deliver attractive returns on equity to our shareholders through economic and credit cycles.

Our businesses, including balance sheet lending, conduit lending, securities investments, and real estate investments, provide for a stable base of net interest and rental income. We have originated \$21.7 billion of commercial real estate loans from our inception through June 30, 2018. During this timeframe, we also acquired \$10.0 billion of investment grade-rated securities secured by first mortgage loans on commercial real estate and \$1.7 billion of selected net leased and other real estate assets.

As part of our commercial mortgage lending operations, we originate conduit loans, which are first mortgage loans on stabilized, income producing commercial real estate properties that we intend to make available for sale in commercial mortgage-backed securities ("CMBS") securitizations. From our inception in October 2008 through June 30, 2018, we originated \$15.0 billion of conduit loans, \$14.9 billion of which were sold into 55 CMBS securitizations, making us, by volume, the second largest non-bank contributor of loans to CMBS securitizations in the United States in such period. Our sales of loans into securitizations are generally, historically accounted for as true sales, not financings, and we generally retain no ongoing interest in loans which we securitize unless we are required to do so as issuer pursuant to the risk retention requirements of the Dodd-Frank Act. The securitization of conduit loans enables us to reinvest our equity capital into new loan originations or allocate it to other investments.

As of June 30, 2018, we had \$6.4 billion in total assets and \$1.5 billion of total equity. Our assets included \$3.9 billion of loans, \$1.1 billion of securities, and \$1.1 billion of real estate.

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We have a diversified and flexible financing strategy supporting our business operations, including unsecured debt and significant committed term financing from leading financial institutions. As of June 30, 2018, we had \$266.2 million in aggregate principal amount of 5.875% senior notes due 2021 (the “2021 Notes”), \$500.0 million in aggregate principal amount of 5.25% senior notes due 2022 (the “2022 Notes”) and \$400.0 million in aggregate principal amount of 5.25% senior notes due 2025 (the “2025 Notes,” collectively with the 2021 Notes and the 2022 Notes, the “Notes”). In addition, as of June 30, 2018, we had \$4.7 billion of debt financing outstanding. This financing was comprised of \$1.3 billion of financing from the Federal Home Loan Bank (the “FHLB”), \$699.5 million committed secured term repurchase agreement financing, \$120.4 million of other securities financing, \$770.9 million of third-party, non-recourse mortgage debt and \$685.4 million of collateralized loan obligation (“CLO”) debt. There were no borrowings outstanding under our Revolving Credit Facility and \$2.6 million of participation financing - mortgage loan receivable. As of June 30, 2018, we had \$2.3 billion of committed, undrawn funding capacity available, consisting of \$241.4 million of availability under our \$241.4 million Revolving Credit Facility, \$663.5 million of undrawn committed FHLB financing and \$1.4 billion of other undrawn committed financings. As of June 30, 2018, our debt-to-equity ratio was 3.1:1.0, as we employ leverage prudently to maximize financial flexibility. Our adjusted leverage, a non-GAAP financial measure, was 2.7:1.0 as of June 30, 2018. See “—Reconciliation of Non-GAAP Financial Measures” for our definition of adjusted leverage and a reconciliation to debt obligations, net.

Ladder was founded in October 2008 and we completed our IPO in February 2014. We are led by a disciplined and highly aligned management team. As of June 30, 2018, our management team and directors held interests in our Company comprising 12.1% of our total equity. On average, our management team members have 29 years of experience in the industry. Our management team includes Brian Harris, Chief Executive Officer; Pamela McCormack, President; Marc Fox, Chief Financial Officer; Thomas Harney, Head of Merchant Banking & Capital Markets; and Robert Perelman, Head of Asset Management. Additional officers of Ladder include Kelly Porcella, General Counsel and Secretary, and Kevin Moclair, Chief Accounting Officer. We employ 70 full-time industry professionals.

We are organized and conduct our operations to qualify as a REIT under the Internal Revenue Code of 1986, as amended (the “Code”). As such, we will generally not be subject to U.S. federal income tax on that portion of our net income that is distributed to shareholders if we distribute at least 90% of our taxable income and comply with certain other requirements.

Recent Developments

Committed Loan Repurchase Facility

On July 20, 2018, the Company executed an amendment of one of its committed loan repurchase facilities with a major banking institution, providing for, among other things, the extension of the maximum term of the facility to July 20, 2021 and decreasing the interest rate spreads thereunder by 25 basis points.

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Our Businesses

We invest primarily in loans, securities and other interests in U.S. commercial real estate, with a focus on senior secured assets. Our complementary business segments are designed to provide us with the flexibility to opportunistically allocate capital in order to generate attractive risk-adjusted returns under varying market conditions. The following table summarizes the value of our investment portfolio as reported in our consolidated financial statements as of the dates indicated below (\$ in thousands):

	June 30, 2018			December 31, 2017		
Loans						
Balance sheet loans:						
Balance sheet first mortgage loans	\$3,606,248	56.3	%	\$3,123,268	51.9	%
Other commercial real estate-related loans	157,924	2.5	%	159,194	2.6	%
Provision for loan losses	(7,300)	(0.1)	%	(4,000)	(0.1)	%
Total balance sheet loans	3,756,872	58.7	%	3,278,462	54.4	%
Conduit first mortgage loans	107,744	1.7	%	230,180	3.8	%
Total loans	3,864,616	60.4	%	3,508,642	58.2	%
Securities						
CMBS investments	1,068,843	16.7	%	1,066,570	17.7	%
U.S. Agency Securities investments	37,515	0.6	%	39,947	0.7	%
Total securities	1,106,358	17.3	%	1,106,517	18.4	%
Real Estate						
Real estate and related lease intangibles, net	1,060,243	16.6	%	1,032,041	17.1	%
Total real estate	1,060,243	16.6	%	1,032,041	17.1	%
Other Investments						
Investments in unconsolidated joint ventures	35,302	0.6	%	35,441	0.6	%
FHLB stock	77,915	1.2	%	77,915	1.3	%
Total other investments	113,217	1.8	%	113,356	1.9	%
Total investments	6,144,434	96.1	%	5,760,556	95.6	%
Cash, cash equivalents and restricted cash	94,739	1.5	%	182,683	3.0	%
Other assets	150,241	2.4	%	82,376	1.4	%
Total assets	\$6,389,414	100.0	%	\$6,025,615	100.0	%

We invest in the following types of assets:

Loans

Balance Sheet First Mortgage Loans. We originate and invest in balance sheet first mortgage loans secured by commercial real estate properties that are undergoing transition, including lease-up, sell-out, and renovation or repositioning. These mortgage loans are structured to fit the needs and business plans of the property owners, and generally have LIBOR based floating rates and terms (including extension options) ranging from one to five years. Our loans are directly originated by an internal team that has longstanding and strong relationships with borrowers and mortgage brokers throughout the United States. We follow a rigorous investment process, which begins with an initial due diligence review; continues through a comprehensive legal and underwriting process incorporating multiple internal and external checks and balances; and culminates in approval or disapproval of each prospective investment by our Investment Committee. Balance sheet first mortgage loans in excess of \$50.0 million also require the approval of our board of directors' Risk and Underwriting Committee.

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We generally seek to hold our balance sheet first mortgage loans for investment although we also maintain the flexibility to contribute such loans into a CLO or similar structure, sell participation interests or “b-notes” in our mortgage loans or sell such mortgage loans as whole loans. These investments have been typically repaid at or prior to maturity (including by being refinanced by us into a new conduit first mortgage loan upon property stabilization). As of June 30, 2018, we held a portfolio of 161 balance sheet first mortgage loans with an aggregate book value of \$3.6 billion. Based on the loan balances and the “as-is” third-party FIRREA appraised values at origination, the weighted average loan-to-value ratio of this portfolio was 67.0% at June 30, 2018.

Other Commercial Real Estate-Related Loans. We selectively invest in note purchase financings, subordinated debt, mezzanine debt and other structured finance products related to commercial real estate that are generally held for investment. As of June 30, 2018, we held a portfolio of 32 other commercial real estate-related loans with an aggregate book value of \$157.9 million. Based on the loan balance and the “as-is” third-party FIRREA appraised values at origination, the weighted average loan-to-value ratio of the portfolio was 69.6% at June 30, 2018.

Conduit First Mortgage Loans. We also originate conduit loans, which are first mortgage loans that are secured by cash-flowing commercial real estate and are available for sale to securitizations. These first mortgage loans are typically structured with fixed interest rates and generally have five- to ten-year terms. Conduit first mortgage loans are originated, underwritten, approved and funded using the same comprehensive legal and underwriting approach, process and personnel used to originate our balance sheet first mortgage loans. Conduit first mortgage loans in excess of \$50.0 million also require approval of our board of directors’ Risk and Underwriting Committee.

Although our primary intent is to sell our conduit first mortgage loans to CMBS trusts, we generally seek to maintain the flexibility to keep them on our balance sheet, sell participation interests or “b-notes” in our conduit first mortgage loans or sell conduit first mortgage loans as whole loans. From our inception in 2008 through June 30, 2018, we have originated and funded \$15.0 billion of conduit first mortgage loans and securitized \$14.9 billion of such mortgage loans in 55 separate transactions, including two securitizations in 2010, three securitizations in 2011, six securitizations in 2012, six securitizations in 2013, 10 securitizations in 2014, 10 securitizations in 2015, six securitizations in 2016, seven securitizations in 2017 and five securitizations in 2018. We generally securitize our loans together with certain financial institutions, which to date have included affiliates of Deutsche Bank Securities Inc., J.P. Morgan Securities LLC, UBS Securities LLC and Wells Fargo Securities, LLC. We have also completed three single-asset securitizations, executed a Ladder-only multi-borrower securitization from Ladder’s CMBS shelf in June 2017 and completed our first contributions of shorter-term loans into CLO transactions in the fourth quarter of 2017. As of June 30, 2018, we held 9 first mortgage loans that were substantially available for contribution into a securitization with an aggregate book value of \$107.7 million. Based on the loan balances and the “as-is” third-party Financial Institutions Reform, Recovery and Enforcement Act of 1989 (“FIRREA”) appraised values at origination, the weighted average loan- to-value ratio of this portfolio was 64.7% at June 30, 2018. The Company holds these conduit loans in its taxable REIT subsidiary (“TRS”).

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The following charts set forth our total outstanding balance sheet first mortgage loans, other commercial real estate-related loans, mortgage loans transferred but not considered sold and conduit first mortgage loans as of June 30, 2018 and a breakdown of our loan portfolio by loan size and geographic location and asset type of the underlying real estate.

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Securities

CMBS Investments. We invest in CMBS secured by first mortgage loans on commercial real estate and own predominantly AAA-rated securities. These investments provide a stable and attractive base of net interest income and help us manage our liquidity. We have significant in-house expertise in the evaluation and trading of CMBS, due in part to our experience in originating and underwriting mortgage loans that comprise assets within CMBS trusts, as well as our experience in structuring CMBS transactions. AAA-rated CMBS investments in excess of \$76.0 million and all other investment grade securities positions in excess of \$51.0 million require the approval of our board of directors' Risk and Underwriting Committee. The Risk and Underwriting Committee also must approve the lesser of (x) \$21,000,000 and (y) 10% of the total net asset value of the respective Ladder investment company for non-rated or sub-investment grade securities. As of June 30, 2018, the estimated fair value of our portfolio of CMBS investments totaled \$1.1 billion in 121 CUSIPs (\$8.8 million average investment per CUSIP). As of June 30, 2018, included in the \$1.1 billion of CMBS securities are \$12.3 million of CMBS securities designated as risk retention securities under the Dodd-Frank Act which are subject to transfer restrictions over the term of the securitization trust. As of that date, 100% of our CMBS investments were rated investment grade by Standard & Poor's Ratings Group, Moody's Investors Service, Inc. or Fitch Ratings Inc., consisting of 79.4% AAA/Aaa-rated securities and 20.6% of other investment grade-rated securities, including 16.6% rated AA/Aa, 2.2% rated A/A and 1.7% rated BBB/Baa. In the future, we may invest in CMBS securities or other securities that are unrated. As of June 30, 2018, our CMBS investments had a weighted average duration of 2.9 years. The commercial real estate collateral underlying our CMBS investment portfolio is located throughout the United States. As of June 30, 2018, by property count and market value, respectively, 58.0% and 76.1% of the collateral underlying our CMBS investment portfolio was distributed throughout the top 25 metropolitan statistical areas ("MSAs") in the United States, with 2.4% and 34.7%, by property count and market value, respectively, of the collateral located in the New York-Newark-Edison MSA, and the concentrations in each of the remaining top 24 MSAs ranging from 0.0% to 12.5% by property count and 0.0% to 19.4% by market value.

U.S. Agency Securities Investments. Our U.S. Agency Securities portfolio consists of securities for which the principal and interest payments are guaranteed by a U.S. government agency, such as the Government National Mortgage Association ("GNMA"), or by a government-sponsored enterprise ("GSE"), such as the Federal National Mortgage Association ("Fannie Mae") or the Federal Home Loan Mortgage Corporation ("Freddie Mac"). In addition, these securities are secured by first mortgage loans on commercial real estate. Investments in U.S. Agency Securities are subject to the same Risk and Underwriting Committee approval requirements as CMBS investments, as described above. As of June 30, 2018, the estimated fair value of our portfolio of U.S. Agency Securities was \$37.5 million in 21 CUSIPs (\$1.8 million average investment per CUSIP), with a weighted average duration of 5.2 years. The commercial real estate collateral underlying our U.S. Agency Securities portfolio is located throughout the United States. As of June 30, 2018, by market value, 76.5% and 17.8% of the collateral underlying our U.S. Agency Securities, excluding the collateral underlying our Agency interest-only securities, was located in New York and California, respectively, with no other state having a concentration greater than 10.0%. By property count, California represented 75.9% and New York represented 3.4% of such collateral. While the specific geographic concentration of our Agency interest-only securities portfolio as of June 30, 2018 is not obtainable, risk relating to any such possible concentration is mitigated by the interest payments of these securities being guaranteed by a U.S. government agency or a GSE.

Real Estate

Commercial Real Estate Properties. As of June 30, 2018, we owned 137 single tenant net leased properties with an aggregate book value of \$677.5 million. These properties are fully leased on a net basis where the tenant is generally responsible for payment of real estate taxes, property, building and general liability insurance and property and building maintenance expenses. As of June 30, 2018, our net leased properties comprised a total of 5.2 million square

feet, 100% leased with an average age since construction of 14.3 years and a weighted average remaining lease term of 13.8 years. Commercial real estate investments in excess of \$20.0 million require the approval of our board of directors' Risk and Underwriting Committee.

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In addition, as of June 30, 2018, we owned 73 diversified commercial real estate properties with an aggregate book value of \$370.2 million. Through separate joint ventures, we owned a 40 property student housing portfolio in Isla Vista, CA with a book value of \$83.9 million and an occupancy rate of 97.4%, a portfolio of 12 office buildings in Richmond, VA with a book value of \$78.9 million with an 90.8% occupancy rate, a portfolio of four single-tenant office buildings in St. Paul, MN with a book value of \$48.4 million, an apartment complex in Miami, FL with a book value of \$36.2 million and an occupancy rate of 90.2%, an unleased industrial building in Lithia Springs, GA with an aggregate book value of \$24.6 million, a portfolio of seven office buildings in Richmond, VA with a book value of \$15.9 million and an 80.7% occupancy rate, a 13-story office building in Oakland County, MI with a book value of \$11.2 million and a 84.2% occupancy rate, a two-story office building in Grand Rapids, MI with a book value of \$8.6 million and a 100.0% occupancy rate, and a single-tenant industrial building in Grand Rapids, MI with a book value of \$5.3 million. We also own a single-tenant office building in Ewing, NJ with a book value of \$28.8 million, a single-tenant office building in Crum Lynne, PA with a book value of \$10.4 million, a single-tenant two-story office building in Wayne, NJ with a book value of \$8.4 million, a shopping center in Carmel, NY with a book value of \$6.4 million and a 42.6% occupancy rate, and an office building in Peoria, IL with a book value of \$3.1 million and a 50.8% occupancy rate.

Residential Real Estate. We sold six condominium units at Veer Towers in Las Vegas, NV, during the six months ended June 30, 2018, generating aggregate gains on sale of \$2.6 million. As of June 30, 2018, we owned seven residential condominium units at Veer Towers in Las Vegas, NV with a book value of \$2.7 million through a joint venture, and we expect to substantially complete the sale of these remaining units in 2018. As of June 30, 2018, there were no condominium units under contract for sale. As of June 30, 2018, none of the remaining condominium units we hold were rented and occupied.

We sold 12 condominium units at Terrazas River Park Village in Miami, FL, during the six months ended June 30, 2018, generating aggregate gains on sale of \$0.6 million. As of June 30, 2018, we owned 36 residential condominium units at Terrazas River Park Village in Miami, FL with a book value of \$9.9 million, and we intend to sell these remaining units in less than 18 months. As of June 30, 2018, three condominium units were under contract for sale with a book value of \$0.8 million. As of June 30, 2018, the remaining condominium units we hold were 74.1% rented and occupied. During the six months ended June 30, 2018, the Company recorded \$0.4 million of rental income from the condominium units.

The Company holds these residential condominium units in its TRS.

The following table, organized by tenant type and acquisition date, summarizes our owned properties as of June 30, 2018 (\$ amounts in thousands):

Location	Acquisition date	Acquisition price/basic/renov.	Year built/reno.	Lease expiration (1)	Approx. square footage	Carrying value of asset	Mortgage loan outstanding (2)	Asset net of mortgage loan outstanding (3)	Annual rental income (4)	Ownership Percentage (4)
Net Leased										
Moscow Mills, MO	04/12/18	\$ 1,237	2018	1/31/33	9,026	\$ 1,301	\$ —	\$ 1,301	\$ 90	100.0 %
Foley, MN	04/12/18	1,176	2018	1/1/33	7,489	1,225	884	341	85	100.0 %
Wonder Lake, IL	04/12/18	1,255	2017	7/31/32	9,100	1,315	—	1,315	91	100.0 %
	04/02/18	1,156	2018	1/31/33	9,026	1,211	870	341	84	100.0 %

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Kirbyville, MO											
Gladwin, MI	04/02/18	1,171	2017	1/31/33	9,026	1,233	884	349	85	100.0	%
Rockford, MN	12/08/17	1,195	2017	10/31/32	9,002	1,220	884	336	87	100.0	%
Winterset, IA	12/08/17	1,258	2017	8/31/32	9,026	1,283	932	351	91	100.0	%
Kawkawlin, MI	10/05/17	1,234	2017	7/31/32	9,100	1,264	915	349	89	100.0	%
Aroma Park, IL	10/05/17	1,218	2017	7/31/32	9,002	1,233	950	283	88	100.0	%
East Peoria, IL	10/05/17	1,350	2017	7/31/32	9,100	1,365	1,020	345	98	100.0	%
Milford, IA	09/08/17	1,298	2017	6/1/32	9,100	1,326	989	337	94	100.0	%
Jefferson City, MO	06/02/17	1,241	2016	2/28/32	9,002	1,298	953	345	90	100.0	%
Denver, IA	05/31/17	1,183	2017	3/31/31	9,026	1,192	907	285	86	100.0	%
Port O'Connor, TX	05/25/17	1,255	2017	3/31/30	9,100	1,263	958	305	91	100.0	%
Wabasha, MN	05/25/17	1,280	2016	3/31/31	9,026	1,319	973	346	92	100.0	%
Jacksonville, FL	05/23/17	115,641	1989	9/30/31	822,540	136,529	83,449	53,080	7,296	100.0	%
Shelbyville, IL	05/23/17	1,132	2016	1/31/31	9,026	1,201	871	330	82	100.0	%
Jesup, IA	05/05/17	1,163	2017	3/31/30	9,026	1,160	892	268	84	100.0	%

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Location	Acquisition date	Acquisition price/bsis	Year built/reno.	Lease expiration (1)	Approx. square footage	Carryover value of asset (2)	Mortgage loan outstanding	Asset net of mortgage loan outstanding	Annual rental income (3)	Ownership Percentage (4)
Hanna City, IL	04/11/17	1,141	2016	6/30/31	9,100	1,189	873	316	83	100.0 %
Ridgedale, MO	03/09/17	1,298	2016	6/30/31	9,002	1,320	1,001	319	94	100.0 %
Peoria, IL	02/06/17	1,183	2016	8/31/31	7,489	1,225	912	313	86	100.0 %
Carmi, IL	02/03/17	1,411	2016	10/31/31	9,100	1,393	1,109	284	102	100.0 %
Springfield, IL	11/16/16	1,308	2016	6/30/31	9,026	1,358	1,010	348	96	100.0 %
Fayetteville, NC	11/15/16	6,971	2008	10/31/34	14,820	6,583	4,926	1,657	450	100.0 %
Dryden Township, MI	10/26/16	1,190	2016	8/31/31	9,100	1,226	919	307	87	100.0 %
Lamar, MO	07/22/16	1,176	2016	5/31/31	9,100	1,176	909	267	86	100.0 %
Union, MO	07/01/16	1,227	2016	5/31/31	9,100	1,274	953	321	90	100.0 %
Pawnee, IL	07/01/16	1,201	2016	5/31/31	9,002	1,169	953	216	88	100.0 %
Decatur, IL	06/30/16	1,365	2016	5/31/31	9,002	1,409	1,059	350	100	100.0 %
Cape Girardeau, MO	06/30/16	1,281	2016	5/31/31	9,100	1,315	1,020	295	94	100.0 %
Linn, MO	06/30/16	1,122	2016	5/31/31	9,002	1,127	867	260	82	100.0 %
Rantoul, IL	06/21/16	1,204	2016	4/30/31	9,100	1,233	931	302	88	100.0 %
Flora Vista, NM	06/06/16	1,305	2016	4/30/31	9,002	1,252	1,009	243	95	100.0 %
Champaign, IL	06/03/16	1,324	2016	4/30/31	9,002	1,366	1,024	342	97	100.0 %
Mountain Grove, MO	06/03/16	1,279	2016	4/30/31	10,566	1,324	988	336	93	100.0 %
Decatur, IL	06/03/16	1,181	2016	4/30/31	9,002	1,207	947	260	86	100.0 %
San Antonio, TX	05/06/16	1,096	2015	3/31/31	9,100	1,083	888	195	80	100.0 %
Borger, TX	05/06/16	978	2016	3/31/31	9,100	983	784	199	71	100.0 %
St.Charles, MN	04/26/16	1,198	2016	3/31/31	9,026	1,183	962	221	87	100.0 %
Philo, IL	04/26/16	1,156	2016	3/31/31	9,026	1,172	925	247	84	100.0 %
Dimmitt, TX	04/26/16	1,319	2016	3/31/31	10,566	1,309	1,049	260	96	100.0 %
Radford, VA	12/23/15	1,564	2015	9/30/30	8,360	1,459	1,136	323	104	100.0 %
Albion, PA	12/23/15	1,525	2015	9/30/30	8,184	1,371	1,129	242	101	100.0 %
Rural Retreat, VA	12/23/15	1,399	2015	9/30/30	8,305	1,308	1,041	267	93	100.0 %
Mount Vernon, AL	12/23/15	1,224	2015	6/30/30	8,323	1,149	947	202	84	100.0 %
Malone, NY	12/16/15	1,474	2015	6/30/30	8,320	1,372	1,086	286	99	100.0 %
Mercedes, TX	12/16/15	1,263	2015	11/30/30	9,100	1,190	837	353	86	100.0 %
Gordonville, MO	11/10/15	1,207	2015	9/30/30	9,026	1,131	774	357	80	100.0 %
Rice, MN	10/28/15	1,242	2015	9/30/30	9,002	1,131	820	311	85	100.0 %
Bixby, OK	10/27/15	12,151	2012	12/31/32	75,996	11,373	9,979	3,394	769	100.0 %
Farmington, IL	10/23/15	1,408	2015	8/31/30	9,100	1,308	898	410	93	100.0 %
Grove, OK	10/20/15	5,583	2012	8/31/32	31,500	5,123	3,636	1,487	364	100.0 %
Jenks, OK	10/19/15	13,418	2009	9/24/33	80,932	12,498	8,229	3,663	912	100.0 %
Bloomington, IL	10/14/15	1,294	2015	8/31/30	9,026	1,205	820	385	85	100.0 %
Montrose, MN	10/14/15	1,193	2015	8/31/30	9,100	1,080	786	294	83	100.0 %
Lincoln County , MO	10/14/15	1,137	2015	8/31/30	9,002	1,058	741	317	76	100.0 %

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Wilmington, IL	10/07/15	1,399	2015	8/31/30	9,002	1,301905	396	93	100.0	%
Danville, IL	10/07/15	1,160	2015	8/31/30	9,100	1,085741	344	76	100.0	%
Moultrie, GA	09/22/15	1,305	2014	6/30/29	8,225	1,182933	249	85	100.0	%
Rose Hill, NC	09/22/15	1,420	2014	6/30/29	8,320	1,3011,003	298	93	100.0	%
Rockingham, NC	09/22/15	1,158	2014	6/30/29	8,320	1,051824	227	76	100.0	%
Biscoe, NC	09/22/15	1,216	2014	6/30/29	8,320	1,108862	246	80	100.0	%
De Soto, IL	09/08/15	1,111	2015	7/31/30	9,100	1,024706	318	76	100.0	%
Kerrville, TX	08/28/15	1,236	2015	7/31/30	9,100	1,127769	358	84	100.0	%
Floresville, TX	08/28/15	1,312	2015	7/31/30	9,100	1,202815	387	89	100.0	%
Minot, ND	08/19/15	6,946	2012	1/31/34	55,440	6,5124,701	1,811	419	100.0	%
Lebanon, MI	08/14/15	1,261	2015	7/31/30	9,050	1,183821	362	85	100.0	%

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Location	Acquisition date	Acquisition price/bsis	Year built/reno.	Lease expiration (1)	Approx. square footage	Carryover value of asset (2)	Mortgage loan outstanding	Asset net of mortgage loan outstanding	Annual rental income (3)	Ownership Percentage (4)
Effingham County, IL	08/10/15	1,252	2015	6/30/30	9,002	1,161,821	340	85	100.0	%
Ponce, PR	08/03/15	9,345	2012	8/31/37	15,660	8,681,525	2,156	560	100.0	%
Tremont, IL	06/25/15	1,192	2015	5/31/30	9,026	1,093,790	303	82	100.0	%
Pleasanton, TX	06/24/15	1,377	2015	5/31/30	9,026	1,263,867	396	93	100.0	%
Peoria, IL	06/24/15	1,293	2015	5/31/30	9,002	1,186,856	330	87	100.0	%
Bridgeport, IL	06/24/15	1,241	2015	5/31/30	9,100	1,141,823	318	84	100.0	%
Warren, MN	06/24/15	1,090	2015	4/30/30	9,100	975,697	278	75	100.0	%
Canyon Lake, TX	06/18/15	1,443	2015	3/31/30	9,100	1,324,909	415	98	100.0	%
Wheeler, TX	06/18/15	1,127	2015	3/31/30	9,002	1,014,718	296	76	100.0	%
Aurora, MN	06/18/15	993	2015	3/31/30	9,100	911,630	281	68	100.0	%
Red Oak, IA	05/07/15	1,208	2014	10/31/29	9,026	1,087,778	309	84	100.0	%
Zapata, TX	05/07/15	1,204	2015	3/31/30	9,100	1,055,746	309	82	100.0	%
St. Francis, MN	03/26/15	1,180	2014	1/31/30	9,002	1,031,732	299	79	100.0	%
Yorktown, TX	03/25/15	1,301	2015	2/28/30	10,566	1,140,784	356	86	100.0	%
Battle Lake, MN	03/25/15	1,168	2014	2/28/30	9,100	1,013,719	294	78	100.0	%
Paynesville, MN	03/05/15	1,254	2015	11/30/26	9,100	1,124,804	320	89	100.0	%
Wheaton, MO	03/05/15	970	2015	11/30/29	9,100	860,650	210	69	100.0	%
Rotterdam, NY	03/03/15	12,619	1996	8/31/32	115,660	10,508,912	1,594	940	100.0	%
Hilliard, OH	03/02/15	6,384	2007	8/31/32	14,820	5,781,572	1,209	399	100.0	%
Niles, OH	03/02/15	5,200	2007	11/30/32	14,820	4,698,715	983	325	100.0	%
Youngstown, OH	02/20/15	5,400	2005	9/30/30	14,820	4,849,834	1,015	336	100.0	%
Kings Mountain, NC	01/29/15	24,167	1995	9/30/30	467,781	25,287,646	6,641	1,534	100.0	%
Iberia, MO	01/23/15	1,328	2015	12/31/29	10,542	1,180,895	285	94	100.0	%
Pine Island, MN	01/23/15	1,142	2014	4/30/27	9,100	999,769	230	81	100.0	%
Isle, MN	01/23/15	1,077	2014	1/31/30	9,100	940,724	216	77	100.0	%
Jacksonville, NC	01/22/15	8,632	2014	12/31/29	55,000	7,848,679	2,169	517	100.0	%
Evansville, IN	11/26/14	9,000	2014	12/31/35	71,680	8,062,426	1,636	540	100.0	%
Woodland Park, CO	11/14/14	3,969	2014	8/31/29	22,141	3,466,801	665	258	100.0	%
Bellport, NY	11/13/14	18,100	2014	8/16/34	87,788	16,138,835	3,303	1,119	100.0	%
Ankeny, IA	11/04/14	16,510	2013	10/30/34	94,872	14,802,707	3,095	991	100.0	%
Springfield, MO	11/04/14	11,675	2011	10/30/34	88,793	10,698,353	2,338	701	100.0	%
Cedar Rapids, IA	11/04/14	11,000	2012	10/30/34	79,389	9,538,800	1,738	660	100.0	%
Fairfield, IA	11/04/14	10,695	2011	10/30/34	69,280	9,447,587	1,860	642	100.0	%
Owatonna, MN	11/04/14	9,970	2010	10/30/34	70,825	8,877,118	1,759	598	100.0	%
Muscatine, IA	11/04/14	7,150	2013	10/30/34	78,218	7,802,105	2,697	429	100.0	%
Sheldon, IA	11/04/14	4,300	2011	10/30/34	35,385	3,877,070	807	258	100.0	%
Memphis, TN	10/24/14	5,310	1962	12/31/29	68,761	4,550,918	632	358	100.0	%
Bennett, CO	10/02/14	3,522	2014	8/31/29	21,930	3,046,488	558	229	100.0	%
Conyers, GA	08/28/14	32,530	2014	4/30/29	499,668	28,682,832	5,851	1,956	100.0	%
O'Fallon, IL	08/08/14	8,000	1984	1/31/28	141,436	6,959,685	1,274	460	100.0	%

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El Centro, CA	08/08/14	4,277	2014	6/30/29	19,168	3,7992,983	816	278	100.0	%
Durant, OK	01/28/13	4,991	2007	2/28/33	14,550	4,2823,234	1,048	323	100.0	%
Gallatin, TN	12/28/12	5,062	2007	6/30/82	14,820	4,4243,306	1,118	329	100.0	%
Mt. Airy, NC	12/27/12	4,492	2007	6/30/82	14,820	3,9742,936	1,038	292	100.0	%
Aiken, SC	12/21/12	5,926	2008	2/28/83	14,550	5,1483,867	1,281	384	100.0	%
Johnson City, TN	12/21/12	5,262	2007	9/30/82	14,550	4,4793,437	1,042	341	100.0	%
Palmview, TX	12/19/12	6,820	2012	8/31/87	14,820	5,9214,553	1,368	437	100.0	%
Ooltewah, TN	12/18/12	5,703	2008	1/31/83	14,550	4,8633,813	1,050	365	100.0	%
Abingdon, VA	12/18/12	4,688	2006	6/30/81	15,371	4,2813,061	1,220	300	100.0	%

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Location	Acquisition date	Acquisition price/basis	Year built/reno.	Lease expiration (1)	Approx. square footage	Carrying value of asset	Mortgage loan outstanding (2)	Asset net of mortgage loan outstanding	Annual rental income (3)	Ownership Percentage (4)
Wichita, KS North	12/14/12	7,200	2012	10/15/62	73,322	5,847	4,771	1,076	536	100.0 %
Dartmouth, MA	09/21/12	29,965	1989	7/31/57	103,680	22,906	18,899	4,007	2,212	100.0 %
Vineland, NJ	09/21/12	22,507	2003	7/31/57	115,368	17,570	13,878	3,692	1,662	100.0 %
Saratoga Springs, NY	09/21/12	20,222	1994	7/31/57	116,620	15,608	12,470	3,138	1,493	100.0 %
Waldorf, MD	09/21/12	18,803	1999	7/31/57	115,660	15,550	11,595	3,955	1,388	100.0 %
Mooresville, NC	09/21/12	17,644	2000	7/31/57	108,528	13,481	10,880	2,601	1,303	100.0 %
Sennett, NY	09/21/12	7,476	1996	7/31/57	68,160	5,639	4,715	924	628	100.0 %
DeLeon Springs, FL	08/13/12	1,242	2011	1/31/27	9,100	952	816	136	98	100.0 %
Orange City, FL	05/23/12	1,317	2011	3/31/27	9,026	1,012	798	214	103	100.0 %
Satsuma, FL	04/19/12	1,092	2011	11/30/26	9,026	797	718	79	86	100.0 %
Greenwood, AR	04/12/12	5,147	2009	7/31/84	13,650	4,342	3,402	940	332	100.0 %
Snellville, GA	04/04/12	8,000	2011	4/30/32	67,375	6,373	5,310	1,063	626	100.0 %
Columbia, SC	04/04/12	7,800	2001	4/30/32	71,744	6,426	5,165	1,261	610	100.0 %
Millbrook, AL	03/28/12	6,941	2008	1/31/83	14,820	5,764	4,586	1,178	448	100.0 %
Pittsfield, MA	02/17/12	14,700	2011	10/31/61	85,188	11,913	11,096	817	1,118	100.0 %
Spartanburg, SC	01/14/11	3,870	2007	8/31/82	14,820	3,311	2,625	686	291	100.0 %
Tupelo, MS	08/13/10	5,128	2007	11/30/92	14,691	4,132	3,090	1,042	400	100.0 %
Lilburn, GA	08/12/10	5,791	2007	4/30/82	14,752	4,640	3,474	1,166	443	100.0 %
Douglasville, GA	08/12/10	5,409	2008	10/31/83	13,434	4,501	3,264	1,237	417	100.0 %
Elkton, MD	07/27/10	4,872	2008	9/30/82	13,706	3,910	2,925	985	380	100.0 %
Lexington, SC	06/28/10	4,732	2009	9/30/83	14,820	3,911	2,901	1,010	362	100.0 %
Total Net Leased		730,360			5,135,139	677,481	500,776	176,705	48,950	
Diversified										
Isla Vista, CA	05/01/18	83,723	2005	7/2/19(5)	117,324	83,931	68,636	15,295	6,396	75.0 %
Lithia Springs, GA	03/08/18	24,466	2005	(6)	617,969	24,622	16,934	7,688	—	70.6 %

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Crum Lynne, PA	09/29/17	9,196	1999	9/30/32	56,320	10,357	6,033	4,324	675	100.0%
Miami, FL	08/31/17	38,145	1987	9/30/18(8)	166,176	36,238	—	36,238	3,409	80.0 %
Peoria, IL	10/21/16	2,760	1926	7/31/30	252,940	3,149	—	3,149	1,633	100.0%
Ewing, NJ	08/04/16	30,640	2009	7/31/30	110,765	28,833	21,799	7,034	1,959	100.0%
Carmel, NY	10/14/15	6,706	1985	1/31/39	50,121	6,412	—	6,412	472	100.0%
Wayne, NJ	06/24/15	9,700	1980	7/31/27	56,387	8,433	6,651	1,782	1,156	100.0%
Grand Rapids, MI	06/18/15	9,731	1963	6/30/24	97,167	8,572	7,219	1,353	858	97.0 %
Grand Rapids, MI	06/18/15	6,300	1992	6/30/24	160,000	5,283	4,914	369	560	97.0 %
St. Paul, MN	09/22/14	62,540	1900	10/1/21	760,318	48,366	47,189	1,177	12,878	97.0 %
Richmond, VA	08/14/14	19,850	1986	4/30/21	195,881	15,901	15,792	109	2,774	77.5 %
Richmond, VA	06/07/13	118,405	1984	4/30/21	994,040	78,943	74,937	4,006	11,339	77.5 %
Oakland County, MI	02/01/13	18,000	1989	12/31/21	240,900	11,207	—	11,207	4,182	90.0 %
Total Diversified Condominium		440,162			3,876,308	370,247	270,104	100,143	48,291	
Miami, FL	11/21/13	80,000	2010		(10)	9,863	—	9,863	772	100.0%
Las Vegas, NV	12/20/12	119,000	2006		(12)	2,652	—	2,652	—	98.8 %
Total Condominium		199,000			—	12,515	—	12,515	772	
Total		\$1,369,522			9,011,447	\$1,060,243	\$770,880	\$289,363	\$98,013	

(1) Lease expirations reflect the earliest date the lease is cancellable without penalty, although actual terms may be longer.

(2) Non-recourse.

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- Annual rental income represents twelve months of contractual rental income, excluding concessions, due under (3) leases outstanding for the year ended December 31, 2018. Operating lease income on the consolidated statements of income represents rental income earned and recorded on a straight line basis over the term of the lease.
- (4) Properties were consolidated as of acquisition date.
- (5) 40 property student housing portfolio with 73 leaseable units with short term rentals that are renewed regularly. Represents longest term lease expiration date.
- (6) No lease in place.
- (7) See Note 13 to our consolidated financial statements for further information regarding noncontrolling interests.
- (8) This is an apartment complex with short term rentals that are renewed regularly. Represents longest term lease expiration date.
- (9) Includes real estate acquired for parking purposes on April 21, 2016 with an acquisition price of \$0.2 million and a carrying value of \$0.4 million as of June 30, 2018.
- (10) 36 remaining condominium units. As of June 30, 2018, three condominium units were under contract for sale with a book value of \$0.8 million.
- We own a portfolio of residential condominium units, some of which are subject to residential leases. We intend (11) to sell these units. The residential leases are generally short term in nature and are not included in the table above given our intention to sell the units.
- (12) Seven remaining condominium units. There were no condominium units under contract for sale as of June 30, 2018.
- (13) We own, through a majority-owned joint venture with an operating partner, a portfolio of residential condominium units, some of which are subject to residential leases. The joint venture intends to sell these units. The residential leases are generally short term in nature and are not included in the table above given the joint venture's intention to sell the units.

Other Investments

Unconsolidated Joint Venture. In connection with the origination of a loan in April 2012, we received a 25% equity kicker with the right to convert upon a capital event. On March 22, 2013, we refinanced the loan, and we converted our equity kicker interest into a 19% limited liability company membership interest in Grace Lake JV, LLC ("Grace Lake LLC"). As of June 30, 2018, Grace Lake LLC owned an office building campus with a carrying value of \$59.3 million, which is net of accumulated depreciation of \$24.6 million, that is financed by \$67.9 million of long-term debt. Debt of Grace Lake LLC is non-recourse to the limited liability company members, except for customary non-recourse carve-outs for certain actions and environmental liability. As of June 30, 2018, the book value of our investment in Grace Lake LLC was \$4.2 million. During the six months ended June 30, 2018, we received a \$1.3 million distribution from our investment in Grace Lake JV, LLC.

Unconsolidated Joint Venture. On August 7, 2015, the Company entered into a joint venture, 24 Second Avenue Holdings LLC ("24 Second Avenue"), with an operating partner to invest in a ground-up condominium construction and development project located at 24 Second Avenue, New York, NY. The Company contributed \$31.1 million for a 73.8% interest, with the operating partner holding the remaining 26.2% interest. The Company is entitled to income allocations and distributions based upon its membership interest of 73.8% until the Company achieves a 1.70x profit multiple, after which, income is allocated and distributed 50% to the Company and 50% to the operating partner. As of December 31, 2016, the previously existing building had been demolished and the site was cleared with all supportive excavation work completed, and we are anticipating completion of the new construction in 2018. 24 Second Avenue consists of 31 residential condominium units and one commercial condominium unit. As of June 30, 2018, 15 residential condominium units were under contract for sale for \$38.3 million in sales proceeds. As of June 30, 2018, the Company is holding a 10.0% deposit on each sales contract. Our operating partner entered into a construction loan with The Bank of the Ozarks in the amount of \$50.5 million to fund the completion of the project. As of June 30, 2018, draws of \$43.7 million have been taken against the construction loan. The Company has no

remaining capital commitment to our operating partner. As of June 30, 2018, the book value of our investment in 24 Second Avenue was \$31.1 million.

FHLB Stock. Tuebor Captive Insurance Company LLC (“Tuebor”) is a member of the FHLB. Each member of the FHLB must purchase and hold FHLB stock as a condition of initial and continuing membership, in proportion to their borrowings from the FHLB and levels of certain assets. Members may need to purchase additional stock to comply with these capital requirements from time to time. FHLB stock is redeemable by Tuebor upon five years’ prior written notice, subject to certain restrictions and limitations. Under certain conditions, the FHLB may also, at its sole discretion, repurchase FHLB stock from its members. As of June 30, 2018, the book value of our investment in FHLB Stock was \$77.9 million.

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Our Financing Strategies

Our financing strategies are critical to the success and growth of our business. We manage our financing to complement our asset composition and to diversify our exposure across multiple capital markets and counterparties.

We fund our investments in commercial real estate loans and securities through multiple sources, including the \$611.6 million of gross cash proceeds we raised in our initial equity private placement beginning in October 2008, the \$257.4 million of gross cash proceeds we raised in our follow-on equity private placement in the third quarter of 2011, proceeds from the issuance of \$325.0 million of 2017 Notes in 2012, the \$238.5 million of net proceeds from the issuance of Class A common stock in 2014, proceeds from the issuance of \$300.0 million of 2021 Notes in 2014, proceeds from the issuance of \$500.0 million of 2022 Notes and \$400.0 million of 2025 Notes in 2017, current and future earnings and cash flow from operations, existing debt facilities, and other borrowing programs in which we participate.

We finance our portfolio of commercial real estate loans using committed term facilities provided by multiple financial institutions, with total commitments of \$1.7 billion at June 30, 2018, a \$241.4 million Revolving Credit Facility, CLO transactions and through our FHLB membership. As of June 30, 2018, there was \$599.7 million outstanding under the committed term facilities. We finance our securities portfolio, including CMBS and U.S. Agency Securities, through our FHLB membership, a \$400.0 million committed term master repurchase agreement from a leading domestic financial institution and uncommitted master repurchase agreements with numerous counterparties. As of June 30, 2018, we had total outstanding balances of \$220.3 million under all securities master repurchase agreements. We finance our real estate investments with non-recourse first mortgage loans. As of June 30, 2018, we had outstanding balances of \$770.9 million on these non-recourse mortgage loans.

In addition to the amounts outstanding on our other facilities, we had \$1.3 billion of borrowings from the FHLB outstanding at June 30, 2018. As of June 30, 2018, we also had a \$241.4 million Revolving Credit Facility, with no borrowings outstanding, and \$1.2 billion of Notes issued and outstanding. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources” and Note 8, Debt Obligations, Net in our consolidated financial statements included elsewhere in this Quarterly Report for more information about our financing arrangements.

We enter into interest rate and credit spread derivative contracts to mitigate our exposure to changes in interest rates and credit spreads. We generally seek to hedge the interest rate risk on the financing of assets that have a duration longer than five years, including newly-originated conduit first mortgage loans, securities in our CMBS portfolio if long enough in duration, and most of our U.S. Agency Securities portfolio. We monitor our asset profile and our hedge positions to manage our interest rate and credit spread exposures, and we seek to match fund our assets according to the liquidity characteristics and expected holding periods of our assets.

We generally seek to maintain a debt-to-equity ratio of approximately 3.0:1.0 or below. We expect this ratio to fluctuate during the course of a fiscal year due to the normal course of business in our conduit lending operations, in which we generally securitize our inventory of conduit loans at intervals, and also because of changes in our asset mix, due in part to such securitizations. As of June 30, 2018, our debt-to-equity ratio was 3.1:1.0. Our adjusted leverage, a non-GAAP financial measure, was 2.7:1.0 as of June 30, 2018. See “—Reconciliation of Non-GAAP Financial Measures” for our definition of adjusted leverage and a reconciliation to debt obligations, net. We believe that our predominantly senior secured assets and our moderate leverage provide financial flexibility to be able to capitalize on attractive market opportunities as they arise.

From time to time, we may add financing counterparties that we believe will complement our business, although the agreements governing our indebtedness may limit our ability and the ability of our present and future subsidiaries to

incur additional indebtedness. Our amended and restated charter and by-laws do not impose any threshold limits on our ability to use leverage.

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Business Outlook

We believe the commercial real estate finance market is currently characterized by strong demand for fixed and floating rate mortgage financing supported by stable property values in most parts of the U.S. The demand is driven by acquisitions and refinancings of existing properties, the need to fund expenditures to renovate or otherwise improve buildings, and new real estate development. After an extended period of low and stable interest rates in the U.S., recent interest rate increases and concerns regarding the potential for additional future interest rate increases has also contributed to demand for long term fixed rate mortgage financing. More than \$1.9 trillion of commercial real estate debt is scheduled to mature over the next five years (according to Trepp), providing a substantial foundation of demand for mortgage financing services going forward. Somewhat offsetting these positive macro market factors is the yield curve's flattening trend which may reflect a market anticipating slower economic growth in the future. From our perspective as a commercial mortgage lender that finances its customers' real estate investments nationwide, the trends observed in the commercial mortgage backed securities market are often informative and somewhat predictive. In 2017, new U.S. CMBS issuance volume increased 27.1% to \$87.8 billion in comparison to 2016, a year in which swings in credit spreads created uncertainty for lenders and borrowers thereby suppressing transaction activity. The return to positive annual growth in U.S. CMBS issuance volume in 2017 was, at least in part, due to more stable credit spread environment that was also favorable. The tightening of CMBS credit spreads that generally prevailed during 2017 is seen as reflective of the potential for the healthy and stable conditions to continue to prevail in the commercial real estate lending market in 2018. The U.S. CMBS new issuance market has gotten off to a positive start in 2018, with issuance for the first six months of 2018 totaling \$40.5 billion, a 13.4% increase over the same period in 2017. During this six month time frame, CMBS credit spreads initially tightened further but have since re-widened to near the same levels prevailing at the end of 2017.

We believe the CMBS market will continue to play an important role in the financing of commercial real estate that is expected to produce substantial streams of stabilized income over multiple years and we expect to continue to participate in this market as a loan originator and a contributor of loans to securitization transactions in which CMBS are issued. We also expect to continue to be active as a lender to owners of properties that are in transition and are expected to start generating substantial streams of stabilized income after the financed property's transition plan has been executed. Our ability to offer borrowers mortgage loan financing on transitional properties enables us to remain an active lender even when the CMBS market experiences disruptions or periods of slower activity that impair the origination of new loans for securitization.

Reflected in all of these lending and financing capabilities that Ladder applies in its daily operations is its ability to apply superior credit skills in the underwriting of commercial real estate debt and equity investments while maintaining the ability to efficiently shift capital among mortgage loans, securities, and real estate investments. Underwriting commercial real estate credit risk is Ladder's core strength—and Ladder expresses its view of the commercial real estate market and of specific investment opportunities within it by making loans, investing in debt securities, and acquiring real estate—constantly fine-tuning that mix of investments in an ongoing effort to optimize risk adjusted returns on equity.

Factors impacting operating results

There are a number of factors that influence our operating results in a meaningful way. The most significant factors include: (1) our competition; (2) market and economic conditions; (3) loan origination volume; (4) profitability of securitizations; (5) avoidance of credit losses; (6) availability of debt and equity funding and the costs of that funding; (7) the net interest margin on our investments; (8) effectiveness of our hedging and other risk management practices; (9) real estate transactions volumes; (10) occupancy rates; and (11) expense management.

Results of Operations

Three months ended June 30, 2018 compared to the three months ended June 30, 2017

Investment overview

Investment activity in the three months ended June 30, 2018 focused on loan, security and real estate activities. We originated and funded \$711.9 million in principal value of commercial mortgage loans in the three months ended June 30, 2018. We acquired \$108.9 million of new securities, which was offset by \$39.2 million of sales and \$53.8 million of amortization in the portfolio, which partially contributed to a net increase in our securities portfolio of \$6.3 million during the three months ended June 30, 2018. We also invested \$89.7 million in real estate and received proceeds from the sale of real estate of \$3.7 million.

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Investment activity in the three months ended June 30, 2017 focused on loan, security and real estate activities. We originated and funded \$598.2 million in principal value of commercial mortgage loans in the three months ended June 30, 2017. We acquired \$105.8 million of new securities, which was offset by \$308.5 million of sales and \$7.5 million of amortization in the portfolio, which partially contributed to a net decrease in our securities portfolio of \$219.6 million during the three months ended June 30, 2017. We also invested \$178.1 million in real estate and received proceeds from the sale of real estate of \$6.3 million.

Operating overview

Net income (loss) attributable to Class A common shareholders totaled \$38.4 million for the three months ended June 30, 2018, compared to \$22.1 million for the three months ended June 30, 2017. The most significant drivers of the \$16.3 million increase are as follows:

an increase in net interest income of \$6.5 million, primarily as a result of higher average loan balances and higher interest expense primarily attributable to the increase in LIBOR rates throughout 2017 and 2018, partially offset by the decrease in the average yield on the securities portfolio year-over-year;

- a decrease in total costs and expenses of \$1.4 million compared to the prior year, primarily as a result of a \$0.8 million decrease in fee expense, a \$0.6 million decrease in salaries and employee benefits, a \$0.2 million decrease in operating expenses and a \$0.3 million decrease in real estate operating expenses, partially offset by a \$0.6 million increase in depreciation and amortization;

- a decrease in income tax expense (benefit) of \$6.0 million compared to the prior year, primarily as a result of decreased income in our TRSs, the recently enacted Tax Cuts and Jobs Act and certain other one-time adjustments;

an increase in net income of \$12.5 million, offset by a decrease in net income attributable to noncontrolling interest in operating partnership of \$3.6 million due to exchanges of Class B common stock for Class A common stock during the year.

- a decrease in total other income of \$1.1 million, primarily as a result of a decrease of \$19.8 million in sale of loans, net and a \$8.3 million decrease in realized gain (loss) on securities, partially offset by a \$23.1 million increase in net results from derivative transactions, a \$2.1 million increase in operating lease income and a \$1.9 million increase in fee and other income;

Core earnings, a non-GAAP financial measure, totaled \$50.4 million for the three months ended June 30, 2018, compared to \$51.2 million for the three months ended June 30, 2017. The significant components of the \$0.8 million decrease in core earnings are a decrease in profits on sales of loans, net of \$23.5 million and a decrease of \$8.4 million in gain (loss) on securities, partially offset by an increase in net results from derivative transactions of \$18.8 million, an increase in net interest income of \$6.2 million, a \$2.1 million increase in operating lease income and a decrease of total costs and expenses of \$1.8 million. See “—Reconciliation of Non-GAAP Financial Measures” for our definition of core earnings and a reconciliation to income (loss) before taxes.

Net interest income

Interest income totaled \$85.2 million for the three months ended June 30, 2018, compared to \$66.0 million for the three months ended June 30, 2017. For the three months ended June 30, 2018, securities investments averaged \$1.1 billion and loan investments averaged \$3.9 billion. For the three months ended June 30, 2017, securities investments averaged \$1.6 billion and loan investments averaged \$3.0 billion. There was a \$0.9 billion increase in loan investments, partially offset by a \$521.8 million decrease in securities investments, resulting in higher interest income

due to both higher combined investment balance and investment mix composition with higher yields on loans versus yields on securities investments.

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Interest expense totaled \$48.4 million for the three months ended June 30, 2018, compared to \$35.7 million for the three months ended June 30, 2017. The \$12.7 million increase in interest expense was primarily attributable to an increase in average debt obligations, the increase in LIBOR rates throughout 2017 and 2018, a decreased reliance on FHLB financing and securities repurchase financing, and an increase in higher cost CLO debt and senior unsecured notes. Our interest expense also includes interest expense related to mortgage loan financing against our real estate investments. Our investment in real estate and related lease intangibles, net has continued to increase during 2018 and 2017 and our mortgage loan financing secured by such investments has also similarly increased. Our interest expense related to mortgage loan financing increased by \$4.8 million from \$4.5 million for the three months ended June 30, 2017 to \$9.3 million for the three months ended June 30, 2018, primarily as a result of our increase in average outstanding mortgage loan financing of \$732.8 million for the three months ended June 30, 2018 compared to \$601.9 million for the three months ended June 30, 2017 and the increase in the average cost of financing.

Net interest income after provision for loan losses totaled \$36.5 million for the three months ended June 30, 2018, compared to \$30.3 million for the three months ended June 30, 2017. The \$6.2 million increase in net interest income after provision for loan losses was primarily attributable to the increase in net interest income and increase in interest expense discussed above, partially offset by the increase in our provision for loan losses discussed below.

Cost of funds, a non-GAAP financial measure, totaled \$50.0 million for the three months ended June 30, 2018, compared to \$41.1 million for the three months ended June 30, 2017. The \$8.9 million increase in cost of funds was primarily attributable to the increase in LIBOR rates throughout 2017 and 2018 and a shift away from borrowings from the FHLB and securities repurchase financing, a lower cost source of funding, to higher cost, loan repurchase financing and senior unsecured notes.

We present cost of funds, which is a non-GAAP financial measure, as a supplemental measure of the Company's cost of debt financing. We define cost of funds as interest expense as reported on our consolidated statements of income adjusted to exclude interest expense related to liabilities for transfers not considered sales and include the net interest expense component resulting from our hedging activities, which is currently included in net results from derivative transactions on our consolidated statements of income. See "—Reconciliation of Non-GAAP Financial Measures" for our definition of cost of funds and a reconciliation to interest expense.

Interest spreads

As of June 30, 2018, the weighted average yield on our mortgage loan receivables was 7.6%, compared to 6.8% as of June 30, 2017 as the weighted average yield on new loans originated was higher than the weighted average yield on loans that were securitized or paid off. As of June 30, 2018, the weighted average interest rate on borrowings against our mortgage loan receivables was 3.6%, compared to 2.8% as of June 30, 2017. The increase in the rate on borrowings against our mortgage loan receivables from June 30, 2017 to June 30, 2018 was primarily due to higher prevailing market borrowing rates. As of June 30, 2018, we had outstanding borrowings secured by our mortgage loan receivables equal to 48.9% of the carrying value of our mortgage loan receivables, compared to 45.3% as of June 30, 2017.

As of June 30, 2018, the weighted average yield on our real estate securities was 3.0%, compared to 2.9% as of June 30, 2017. As of June 30, 2018, the weighted average interest rate on borrowings against our real estate securities was 2.2%, compared to 1.6% as of June 30, 2017. The increase in the rate on borrowings against our real estate securities from June 30, 2017 to June 30, 2018 was primarily due to higher prevailing market borrowing rates. As of June 30, 2018, we had outstanding borrowings secured by our real estate securities equal to 80.2% of the carrying value of our real estate securities, compared to 80.9% as of June 30, 2017.

Our real estate is comprised of non-interest bearing assets; however, interest incurred on mortgage financing collateralized by such real estate is included in interest expense. As of June 30, 2018, the weighted average interest rate on mortgage borrowings against our real estate was 5.0%, compared to 4.9% as of June 30, 2017. As of June 30, 2018, we had outstanding borrowings secured by our real estate equal to 72.7% of the carrying value of our real estate, compared to 66.3% as of June 30, 2017.

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Provision for loan losses

We had a \$0.3 million provision for loan loss expense for the three months ended June 30, 2018 and no provision for loan loss expense for the three months ended June 30, 2017. We originate and invest primarily in loans with high credit quality, and we sell our conduit loans in the ordinary course of business. We estimate our loan loss provision based on our historical loss experience and our expectation of losses inherent in the investment portfolio but not yet realized. To ensure that the risk exposures are properly measured and the appropriate reserves are taken, the Company assesses a loan loss provision balance that will grow over time with its portfolio and the related risk as the assets approach maturity and ultimate refinancing where applicable. As a result, we determined that an increase in our provision expense for loan losses of \$0.3 million was required for the three months ended June 30, 2018.

Operating lease income and tenant recoveries

Operating lease income totaled \$24.3 million for the three months ended June 30, 2018, compared to \$22.2 million for the three months ended June 30, 2017. The increase of \$2.1 million was attributable to acquisitions, which increased real estate assets to \$1.1 billion at June 30, 2018 versus \$1.0 billion at June 30, 2017, as well as a full period of operations of properties acquired in 2017.

Tenant recoveries totaled \$1.9 million for the three months ended June 30, 2018, compared to \$1.2 million for the three months ended June 30, 2017. The increase of \$0.7 million primarily reflects additional recoveries on properties acquired in 2018 and a full period of recoveries on properties acquired in 2017.

Sales of loans, net

We recorded \$6.1 million income (loss) from sales of loans, net, which includes all loan sales, whether by securitization, whole loan sales or other means, for the three months ended June 30, 2018, compared to \$25.9 million for the three months ended June 30, 2017, a decrease of \$19.8 million. Income from sales of loans, net also includes realized losses on loans related to lower of cost or market adjustments. In the three months ended June 30, 2018, we participated in three securitization transactions, transferring 39 loans with an aggregate outstanding principal balance of \$400.8 million. In the three months ended June 30, 2017, we executed a Ladder-only multi-borrower securitization from Ladder's CMBS shelf, selling 57 loans with an aggregate outstanding principal balance of \$625.7 million. In addition, in the three months ended June 30, 2017, we recorded \$1.0 million of realized losses on loans related to lower of cost or market adjustments. Income from sales of loans, net is subject to market conditions impacting timing, size and pricing and as such may vary significantly quarter to quarter. There was \$8.5 million income (loss) from sales of securitized loans, net of hedging for the three months ended June 30, 2018, compared to \$17.0 million income from sales of securitized loans, net of hedging for the three months ended June 30, 2017. The \$8.5 million decrease was due to a decrease in the aggregate outstanding principal balance of loans sold, period over period, as well as increasing competition in the market and lower prevailing lending credit spreads for conduit loans.

Income (loss) from sale of loans, net, represents gross proceeds received from the sale of loans, less the book value of those loans at the time they were sold, less any costs, such as legal and closing costs, associated with the sale. Income from sales of securitized loans, net, a non-GAAP financial measure, represents the portion of income from sales of loans, net related to the sale of loans into securitization trusts. See “—Reconciliation of Non-GAAP Financial Measures” for our definition of income from sale of securitized loans, net of hedging and a reconciliation to income (loss) from sale of loans, net.

Realized gain (loss) on securities

Realized gain (loss) on securities totaled \$(1.2) million for the three months ended June 30, 2018, compared to \$7.1 million for the three months ended June 30, 2017, a \$8.3 million decrease. For the three months ended June 30, 2018, we sold \$39.2 million of securities, comprised of \$38.6 million of CMBS and \$0.6 million of U.S. Agency Securities. For the three months ended June 30, 2017, we sold \$308.5 million of securities, comprised of \$308.5 million of CMBS and no U.S. Agency Securities. The decrease reflects lower margin on sale of securities in 2018 as compared to 2017 and due to the increase in interest rates throughout 2017 and 2018.

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Unrealized gain (loss) on Agency interest-only securities

Unrealized gain (loss) on Agency interest-only securities represented a gain of \$0.1 million for the three months ended June 30, 2018, compared to a gain of \$0.3 million for the three months ended June 30, 2017. The negative change of \$0.2 million in unrealized gain (loss) on Agency interest-only securities was due to the increase in interest rates throughout 2017 and 2018, partially offset by sales and amortization of the portfolio. Agency interest-only securities are recorded at fair value with changes in fair value recorded in current period earnings.

Realized gain on sale of real estate, net

For the three months ended June 30, 2018, income from sales of real estate, net totaled \$1.6 million compared to \$2.2 million for the three months ended June 30, 2017. The decrease of \$0.6 million was a result of the commercial real estate and residential condominium sales discussed below.

During the three months ended June 30, 2018 and 2017, we sold no single-tenant net leased properties and no diversified commercial real estate properties.

During the three months ended June 30, 2018, income from sales of residential condominiums totaled \$1.7 million. We sold four residential condominium units from Veer Towers in Las Vegas, NV, resulting in a net gain on sale of \$1.5 million, and four residential condominium units from Terrazas River Park Village in Miami, FL, resulting in a net gain on sale of \$0.2 million. During the three months ended June 30, 2017, income from sales of residential condominiums totaled \$2.2 million. We sold nine residential condominium units from Veer Towers in Las Vegas, NV, resulting in a net gain on sale of \$1.7 million, and 10 residential condominium units from Terrazas River Park Village in Miami, FL, resulting in a net gain on sale of \$0.5 million.

Fee and other income

Fee and other income totaled \$6.5 million for the three months ended June 30, 2018, compared to \$4.6 million for the three months ended June 30, 2017. We generate fee and other income from origination fees, exit fees and other fees on the loans we originate and in which we invest, HOA fees, unrealized gains (losses) on our investment in mutual fund and dividend income on our investment in FHLB stock. The \$1.9 million increase in fee and other income year-over-year was primarily due to an increase in exit fees, partially offset by a decrease in HOA fee income.

Net result from derivative transactions

Net result from derivative transactions represented a gain of \$7.1 million for the three months ended June 30, 2018, which was comprised of an unrealized gain of \$0.6 million and a realized gain of \$6.5 million, compared to a loss of \$16.0 million which was comprised of an unrealized gain of \$4.3 million and a realized loss of \$20.3 million, for the three months ended June 30, 2017, a positive change of \$23.1 million. The derivative positions that generated these results were a combination of futures, interest rate swaps, and credit derivatives that we employed in an effort to hedge the interest rate risk on the financing of our fixed rate assets and the net interest income we earn against the impact of changes in interest rates. The gain in 2018 was primarily related to the movement in interest rates during the three months ended June 30, 2018. The total net result from derivative transactions is composed of hedging interest expense, realized gains/losses related to hedge terminations and unrealized gains/losses related to changes in the fair value of asset hedges. The hedge positions were related to fixed rate conduit loans and securities investments.

Earnings (loss) from investment in unconsolidated joint ventures

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Total earnings (loss) from investment in unconsolidated joint ventures totaled \$13,051 for the three months ended June 30, 2018, compared to \$10,416 for the three months ended June 30, 2017. Earnings from our investment in Grace Lake JV totaled \$0.3 million for the three months ended June 30, 2018 and 2017. Earnings (loss) from our investment in 24 Second Avenue totaled \$(0.3) million for the three months ended June 30, 2018 and 2017. The loss is due to a negative return related to upfront sales costs on the investment. As of June 30, 2018, 15 residential condominium units were under contract for sale for \$38.3 million in sales proceeds. We expect to start closing on the existing sales contracts during the quarter ended December 31, 2018.

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Salaries and employee benefits

Salaries and employee benefits totaled \$13.9 million for the three months ended June 30, 2018, compared to \$14.5 million for the three months ended June 30, 2017. Salaries and employee benefits are comprised primarily of salaries, bonuses, equity based compensation and other employee benefits. The decrease of \$0.6 million in compensation expense was primarily attributable to a decrease in bonus expense, partially offset by an increase in equity based compensation expense.

Operating expenses

Operating expenses totaled \$5.6 million for the three months ended June 30, 2018, compared to \$5.8 million for the three months ended June 30, 2017. Operating expenses are primarily comprised of professional fees, lease expense, and technology expenses. The decrease of \$0.2 million was primarily related to a decrease in administrative expenses and insurance expense, partially offset by an increase in occupancy costs.

Real estate operating expenses

Real estate operating expenses totaled \$7.8 million for the three months ended June 30, 2018, compared to \$8.1 million for the three months ended June 30, 2017. The decrease of \$0.3 million in real estate operating expenses primarily relates to the smaller inventory of condominium properties.

Fee expense

Fee expense totaled \$0.8 million for the three months ended June 30, 2018, compared to \$1.6 million for the three months ended June 30, 2017. Fee expense is comprised primarily of custodian fees, financing costs and servicing fees related to loans. The decrease of \$0.8 million in fee expense was primarily attributable to a decrease in financing fees due to reduced cost of capital, partially offset by an increase in servicing fees related to the increase in the balance of our mortgage loan receivables held for investment, net, at amortized cost at June 30, 2018, as compared to June 30, 2017.

Depreciation and amortization

Depreciation and amortization totaled \$10.7 million for the three months ended June 30, 2018, compared to \$10.1 million for the three months ended June 30, 2017. The \$0.6 million increase in depreciation and amortization is primarily attributable to acquisitions, which increased real estate assets to \$1.1 billion at June 30, 2018 versus \$1.0 billion at June 30, 2017, as well as a full period of depreciation and amortization related to properties acquired in 2017.

Income tax (benefit) expense

Most of our consolidated income tax provision related to the business units held in our TRSs. Income tax expense (benefit) totaled \$0.6 million for the three months ended June 30, 2018, compared to \$6.6 million for the three months ended June 30, 2017. The decrease of \$6.0 million is primarily attributable to the decreased income in our TRSs, the recently enacted Tax Cuts and Jobs Act and certain other one-time adjustments.

Results of Operations

Six months ended June 30, 2018 compared to the six months ended June 30, 2017

Investment overview

Investment activity in the six months ended June 30, 2018 focused on loan, security and real estate activities. We originated and funded \$1.7 billion in principal value of commercial mortgage loans, which was offset by \$842.7 million of sales and \$497.4 million of principal repayments in the six months ended June 30, 2018. We acquired \$243.9 million of new securities, which was offset by \$161.5 million of sales and \$56.7 million of amortization in the portfolio, which partially contributed to a net decrease in our securities portfolio of \$0.2 million during the six months ended June 30, 2018. We also invested \$114.2 million in real estate and received proceeds from the sale of real estate of \$101.2 million.

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Investment activity in the six months ended June 30, 2017 focused on loan, security and real estate activities. We originated and funded \$1.1 billion in principal value of commercial mortgage loans, which was offset by \$563.9 million of sales and \$156.5 million of principal repayments in the six months ended June 30, 2017. We acquired \$151.5 million of new securities, which was offset by \$669.8 million of sales and \$81.7 million of amortization in the portfolio, which partially contributed to a net decrease in our securities portfolio of \$618.6 million during the six months ended June 30, 2017. We also invested \$182.0 million in real estate and received proceeds from the sale of real estate of \$12.6 million.

Operating overview

Net income (loss) attributable to Class A common shareholders totaled \$89.3 million for the six months ended June 30, 2018, compared to \$35.6 million for the six months ended June 30, 2017. The most significant drivers of the \$53.7 million increase are as follows:

- an increase in total other income (loss) of \$52.8 million, primarily as a result of a \$40.0 million increase in net results from derivative transactions, a \$28.0 million increase in profits on sale of real estate and a \$7.0 million increase in operating lease income, partially offset by a decrease of \$14.8 million in realized gains on securities and a decrease of \$13.9 million in sales of loans, net;

- an increase in net interest income of \$13.9 million, primarily as a result of higher average loan balances and higher interest expense primarily attributable to the increase in LIBOR rates throughout 2017 and 2018, partially offset by the decrease in the average yield on the securities portfolio year-over-year;

- an increase in total costs and expenses of \$3.5 million compared to the prior year, primarily as a result of a \$0.5 million increase in salaries and employee benefits and a \$1.2 million increase in real estate operating expenses;

- a decrease in income tax expense (benefit) of \$0.7 million compared to the prior year, primarily as a result of decreased income in our TRSs, the recently enacted Tax Cuts and Jobs Act and certain other one-time adjustments.

Core earnings, a non-GAAP financial measure, totaled \$114.2 million for the six months ended June 30, 2018, compared to \$82.7 million for the six months ended June 30, 2017. The significant components of the \$31.5 million increase in core earnings are an increase in total other income (loss) of \$38.6 million, primarily as a result of an increase of \$29.5 million in net results from derivative transactions, an increase of \$28.1 million in sale of real estate, net and an increase of \$7.0 million in operating lease income, partially offset by a decrease of \$17.7 million in sale of loans, net, and a decrease of \$14.8 million in gain (loss) on securities and an increase in total costs and expenses discussed in the preceding paragraph. See “—Reconciliation of Non-GAAP Financial Measures” for our definition of core earnings and a reconciliation to income (loss) before taxes.

Net interest income

Interest income totaled \$163.4 million for the six months ended June 30, 2018, compared to \$123.5 million for the six months ended June 30, 2017. For the six months ended June 30, 2018, securities investments averaged \$1.1 billion and loan investments averaged \$3.8 billion. For the six months ended June 30, 2017, securities investments averaged \$1.7 billion and loan investments averaged \$2.7 billion. There was a \$1.1 billion increase in loan investments, offset by a \$641.3 million decrease in securities investments, resulting in higher interest income due to both higher combined investment balance and investment mix composition with higher yields on loans versus yields on securities investments.

Interest expense totaled \$93.1 million for the six months ended June 30, 2018, compared to \$67.1 million for the six months ended June 30, 2017. The \$26.0 million increase in interest expense was primarily attributable to an increase in average debt obligations, the increase in LIBOR rates throughout 2017 and 2018, a decreased reliance on FHLB financing and securities repurchase financing, and an increase in higher cost CLO debt and senior unsecured notes. Our interest expense also includes interest expense related to mortgage loan financing against our real estate investments. Our investment in real estate and related lease intangibles, net has continued to increase during 2017 and 2018 and our mortgage loan financing secured by such investments has also similarly increased. Our interest expense related to mortgage loan financing increased by \$8.5 million from \$9.2 million for the six months ended June 30, 2017 to \$17.7 million for the six months ended June 30, 2018, primarily as a result of our increase in average outstanding mortgage loan financing of \$712.3 million for the six months ended June 30, 2018 compared to \$595.8 million for the six months ended June 30, 2017.

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Net interest income after provision for loan losses totaled \$67.0 million for the six months ended June 30, 2018, compared to \$56.4 million for the six months ended June 30, 2017. The \$10.6 million increase in net interest income after provision for loan losses was primarily attributable to the increase in net interest income, increase in interest expense discussed above and increase in debt obligations.

Cost of funds, a non-GAAP financial measure, totaled \$97.6 million for the six months ended June 30, 2018, compared to \$76.2 million for the six months ended June 30, 2017. The \$21.4 million increase in cost of funds was primarily attributable to the increase in LIBOR rates throughout 2016 and 2017 and a shift away from borrowings from the FHLB and securities repurchase financing, a lower cost source of funding, to higher cost loan repurchase financing and senior unsecured notes.

We present cost of funds, which is a non-GAAP financial measure, as a supplemental measure of the Company's cost of debt financing. We define cost of funds as interest expense as reported on our consolidated statements of income adjusted to exclude interest expense related to liabilities for transfers not considered sales and include the net interest expense component resulting from our hedging activities, which is currently included in net results from derivative transactions on our consolidated statements of income. See "—Reconciliation of Non-GAAP Financial Measures" for our definition of cost of funds and a reconciliation to interest expense.

Interest spreads

As of June 30, 2018, the weighted average yield on our mortgage loan receivables was 7.6%, compared to 6.8% as of June 30, 2017 as the weighted average yield on new loans originated was higher than the weighted average yield on loans that were securitized or paid off. As of June 30, 2018, the weighted average interest rate on borrowings against our mortgage loan receivables was 3.6%, compared to 2.8% as of June 30, 2017. The increase in the rate on borrowings against our mortgage loan receivables from June 30, 2017 to June 30, 2018 was primarily due to higher prevailing market borrowing rates as of June 30, 2018 compared to June 30, 2017. As of June 30, 2018, we had outstanding borrowings secured by our mortgage loan receivables equal to 48.9% of the carrying value of our mortgage loan receivables, compared to 45.3% as of June 30, 2017.

As of June 30, 2018, the weighted average yield on our real estate securities was 3.0%, compared to 2.9% as of June 30, 2017. As of June 30, 2018, the weighted average interest rate on borrowings against our real estate securities was 2.2%, compared to 1.6% as of June 30, 2017. The increase in the rate on borrowings against our real estate securities from June 30, 2017 to June 30, 2018 was primarily due to higher prevailing market borrowing rates as of June 30, 2018 versus June 30, 2017. As of June 30, 2018, we had outstanding borrowings secured by our real estate securities equal to 80.2% of the carrying value of our real estate securities, compared to 80.9% as of June 30, 2017.

Our real estate is comprised of non-interest bearing assets; however, interest incurred on mortgage financing collateralized by such real estate is included in interest expense. As of June 30, 2018, the weighted average interest rate on mortgage borrowings against our real estate was 5.0%, compared to 4.9% as of June 30, 2017. As of June 30, 2018, we had outstanding borrowings secured by our real estate equal to 72.7% of the carrying value of our real estate, compared to 66.3% as of June 30, 2017.

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Provision for loan losses

We had \$3.3 million provision for loan loss expense for the six months ended June 30, 2018 compared to a no provision for loan losses for the six months ended June 30, 2017. We originate and invest primarily in loans with high credit quality, and we sell our conduit loans in the ordinary course of business. We estimate our loan loss provision based on our historical loss experience and our expectation of losses inherent in the investment portfolio but not yet realized. To ensure that the risk exposures are properly measured and the appropriate reserves are taken, the Company assesses a loan loss provision balance that will grow over time with its portfolio and the related risk as the assets approach maturity and ultimate refinancing where applicable. We determined that an increase in our provision expense for loan losses of \$3.3 million was required for the six months ended June 30, 2018. This provision consisted of a reserve of \$0.6 million based on a targeted percentage level which we seek to maintain over the life of the portfolio and a reserve of \$2.7 million relating to two of the Company's loans, discussed below.

As of June 30, 2018, two of the Company's loans, which were originated simultaneously as part of a single transaction and had a carrying value of \$26.9 million, were in default. These loans are directly and indirectly secured by the same property and are considered collateral dependent because repayment is expected to be provided solely by the underlying collateral. At the time of the initial loan funding in July 2015, the borrowers faced an uncertain situation as the parent company of the sole tenant of the underlying retail property had just filed for bankruptcy protection. The tenant subsequently vacated the property and the original lease was terminated by the tenant as part of the bankruptcy proceedings. In response to a default by the borrowers, the loans were accelerated in March 2016. Subsequently, in August 2016, the borrowers filed for bankruptcy protection, which imposed an automatic stay upon the lenders' ability to, among other things, collect payments due under the loans. In September 2017, the bankruptcy court approved a replacement lease with a new tenant as proposed by the mortgage borrower for the property. The new tenant commenced paying rent in September 2017, retroactive to August 2017 as ordered by the bankruptcy court.

The Company placed these loans on non-accrual status in July 2017. In assessing these collateral dependent loans for collectability, the most significant consideration is the fair value of the underlying real estate collateral, which includes an in-place long-dated retail lease. The value of such properties is most significantly affected by the contractual lease payments and the appropriate market capitalization rates, which are driven by the property's market strength, the general interest rate environment and the retail tenant's creditworthiness. In view of this, the Company uses a direct capitalization rate valuation methodology to calculate the fair value of the underlying real estate collateral. These non-recurring fair values are considered Level 3 measurements in the fair value hierarchy. Through December 31, 2017, the Company believed no loss provision was necessary as the estimated fair value of the property less the cost to foreclose and sell the property exceeded the combined carrying value of the loans. The Company utilized direct capitalization rates of 4.35% to 4.65% at December 31, 2017.

During the three months ended March 31, 2018, based on the status of the on-going bankruptcy proceedings, rising interest rates and the retail tenant's creditworthiness, the Company utilized direct capitalization rates of 4.70% to 5.00% which resulted in a decline in the estimated value of the collateral. Accordingly, the Company recorded a provision for loss on these loans of \$2.7 million to reduce the carrying value of these loans to the fair value of the property less the cost to foreclose and sell the property.

During the three months ended June 30, 2018, the Company believed no additional loss provision was necessary as the estimated fair value of the property less the cost to foreclose and sell the property exceeded the combined carrying value of the loans. The Company has continued to utilize direct capitalization rates of 4.70% to 5.00% as of June 30, 2018 based on the status of the on-going bankruptcy proceedings, interest rates and the retail tenant's creditworthiness. The Company continues to pursue all of its legal remedies on these loans.

Operating lease income and tenant recoveries

Operating lease income totaled \$48.8 million for the six months ended June 30, 2018, compared to \$41.8 million for the six months ended June 30, 2017. The increase of \$7.0 million was primarily attributable to acquisitions, which increased real estate assets to \$1.1 billion at June 30, 2018 versus \$1.0 billion at June 30, 2017, as well as a full period of operations of properties acquired in 2017.

Tenant recoveries totaled \$5.5 million for the six months ended June 30, 2018, compared to \$2.7 million for the six months ended June 30, 2017. The increase of \$2.8 million primarily reflects additional recoveries on properties acquired in 2018 and a full period of recoveries on properties acquired in 2017, partially offset by the decrease in recoveries on an existing office property due to a lease expiration.

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Sale of loans, net

Income (loss) from sale of loans, net, which includes all loan sales, whether by securitization, whole loan sales or other means, totaled \$11.0 million for the six months ended June 30, 2018, compared to \$24.9 million for the six months ended June 30, 2017, a decrease of \$13.9 million. Income from sales of loans, net also includes realized losses on loans related to lower of cost or market adjustments. During the six months ended June 30, 2018, we participated in five separate securitization transactions, selling/transferring 67 loans with an aggregate outstanding principal balance of \$837.3 million. During the six months ended June 30, 2017, we executed a Ladder-only multi-borrower securitization from Ladder's CMBS shelf, selling 57 loans with an aggregate outstanding principal balance of \$625.7 million. Income from sales of loans, net is subject to market conditions impacting timing, size and pricing and as such may vary significantly quarter to quarter. There was \$20.4 million income (loss) from sales of securitized loans, net of hedging for the six months ended June 30, 2018 compared to \$17.0 million for the six months ended June 30, 2017. The \$3.4 million increase was due to an increase in the aggregate outstanding principal balance of loans sold, period over period, partially offset by increasing competition in the market and lower prevailing lending credit spreads for conduit loans.

Income (loss) from sale of loans, net, represents gross proceeds received from the sale of loans, less the book value of those loans at the time they were sold, less any costs, such as legal and closing costs, associated with the sale. Income from sales of securitized loans, net of hedging, a non-GAAP financial measure, represents the portion of income (loss) from sale of loans, net related to the sale of loans into securitization trusts. See “—Reconciliation of Non-GAAP Financial Measures” for our definition of income from sales of securitized loans, net of hedging and a reconciliation to income (loss) from sale of loans, net.

Realized gain (loss) on securities

Realized gain (loss) on securities totaled \$(2.3) million for the six months ended June 30, 2018, compared to \$12.5 million for the six months ended June 30, 2017, a decrease of \$14.8 million. Other than temporary impairment on U.S. Agency Securities, which is included in realized gain (loss) on securities totaled \$(1.6) million for the six months ended June 30, 2018, compared to \$(1.0) million for the six months ended June 30, 2017, an increase of \$(0.6) million. For the six months ended June 30, 2018, we sold \$161.5 million of CMBS securities, comprised of \$161.0 million of CMBS and \$0.5 million of U.S. Agency Securities. For the six months ended June 30, 2017, we sold \$669.8 million of CMBS securities, comprised of \$669.8 million of CMBS and no U.S. Agency Securities. The decrease in sales of securities reflects lower transaction volume in 2018 as compared to 2017.

Unrealized gain (loss) on Agency interest-only securities

Unrealized gain (loss) on Agency interest-only securities represented a gain of \$0.3 million for the six months ended June 30, 2018, compared to a gain of \$0.5 million for the six months ended June 30, 2017. The negative change of \$0.2 million in unrealized gain (loss) on Agency interest-only securities was due to the increase in interest rates throughout 2017 and 2018, partially offset by sales and amortization of the portfolio during the six months ended June 30, 2018. Agency interest-only securities are recorded at fair value with changes in fair value recorded in current period earnings.

Realized gain on sale of real estate, net

For the six months ended June 30, 2018, realized gain on sale of real estate, net totaled \$32.6 million, compared to \$4.6 million for the six months ended June 30, 2017. The increase of \$28.0 million was a result of the commercial real estate and residential condominium sales discussed below.

During the six months ended June 30, 2018 and 2017, there were no sales of single-tenant net lease properties.

During the six months ended June 30, 2018, we sold two diversified commercial real estate properties, resulting in a net gain on sale of \$29.4 million. During the six months ended June 30, 2017, we sold no diversified commercial real estate properties.

During the six months ended June 30, 2018, income from sales of residential condominiums totaled \$3.2 million. We sold six residential condominium units from Veer Towers in Las Vegas, NV, resulting in a net gain on sale of \$2.6 million, and 12 residential condominium units from Terrazas River Park Village in Miami, FL, resulting in a net gain on sale of \$0.6 million. We expect to substantially complete the sale of the remaining Veer units in 2018 and the remaining Terrazas units in less than 18 months which would result in reduced profit on condominium sales in future periods. During the six months ended June 30, 2017, income from sales of residential condominiums totaled \$4.6 million. We sold 21 residential condominium units from Veer Towers in Las Vegas, NV, resulting in a net gain on sale of \$3.6 million, and 16 residential condominium units from Terrazas River Park Village in Miami, FL, resulting in a net gain on sale of \$1.0 million.

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Fee and other income

Fee and other income totaled \$12.7 million for the six months ended June 30, 2018, compared to \$9.0 million for the six months ended June 30, 2017. We generated fee income from origination fees, exit fees and other fees on the loans we originate and in which we invest, HOA fees and dividend income on our investment in FHLB stock. The \$3.7 million increase in fee and other income year-over-year was primarily due to an increase in exit fees, partially offset by a decrease in HOA fee income.

Net result from derivative transactions

Net result from derivative transactions represented a gain of \$22.0 million for the six months ended June 30, 2018, which was comprised of an unrealized gain of \$2.3 million and a realized gain of \$19.7 million, compared to a loss of \$18.0 million which was comprised of an unrealized loss of \$1.3 million and a realized loss of \$16.7 million, for the six months ended June 30, 2017, a positive change of \$40.0 million. The derivative positions that generated these results were a combination of interest rate swaps, and futures that we employed in an effort to hedge the interest rate risk on the financing of our fixed rate assets and the net interest income we earn against the impact of changes in interest rates. The gain in 2018 was primarily related to movement in interest rates during the six months ended June 30, 2018. The total net result from derivative transactions is comprised of hedging interest expense, realized gains/losses related to hedge terminations and unrealized gains/losses related to changes in the fair value of asset hedges. The hedge positions were related to fixed rate conduit loans and securities investments.

Earnings (loss) from investment in unconsolidated joint ventures

Total earnings (loss) from investment in unconsolidated joint ventures totaled \$0.1 million and \$(0.1) million for the six months ended June 30, 2018 and 2017, respectively. Earnings from our investment in Grace Lake LLC totaled \$0.5 million for the six months ended June 30, 2018 and 2017. Earnings (loss) from our investment in 24 Second Avenue totaled \$(0.5) million and \$(0.6) million for the six months ended June 30, 2018 and 2017, respectively. We made our investment in 24 Second Avenue on August 7, 2015 and incurred \$0.5 million and \$0.6 million in construction costs and pre-completion sales and marketing costs during the construction period for the six months ended June 30, 2018 and 2017, respectively. As of June 30, 2018, 15 residential condominium units were under contract for sale for \$38.3 million in sales proceeds. We expect to start closing on the existing sales contracts during the quarter ended December 31, 2018.

Gain (loss) on extinguishment of debt

Gain (loss) on extinguishment of debt totaled \$(0.1) million for the six months ended June 30, 2018 and 2017. During the six months ended June 30, 2018, the Company retired \$5.9 million of principal of the CLO Debt, via the purchase of related CLO securities, for a repurchase price of \$6.0 million, recognizing a \$0.1 million net loss on extinguishment of debt after recognizing \$69.3 thousand of unamortized debt issuance costs associated with the retired debt. During the six months ended June 30, 2017, the Company retired the remaining \$297.7 million of principal of the 2017 Notes for a repurchase price of \$297.7 million, recognizing a \$53.5 thousand net loss on extinguishment of debt after recognizing \$(22.8) thousand of unamortized debt issuance costs associated with the retired debt.

Salaries and employee benefits

Salaries and employee benefits totaled \$31.0 million for the six months ended June 30, 2018, compared to \$30.5 million for the six months ended June 30, 2017. Salaries and employee benefits are comprised primarily of salaries, bonuses, equity based compensation and other employee benefits. The increase of \$0.5 million in compensation

expense was attributable to the increase in bonus expense partially offset by a decrease in equity based compensation expense in the six months ended June 30, 2018 compared to the six months ended June 30, 2017.

Operating expenses

Operating expenses totaled \$11.1 million for the six months ended June 30, 2018, compared to \$11.3 million for the six months ended June 30, 2017. Operating expenses are primarily composed of professional fees, lease expense, and technology expenses. The decrease of \$0.2 million was primarily related to a decrease in administrative expenses and insurance expense, partially offset by an increase in occupancy costs.

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Real estate operating expenses

Real estate operating expenses totaled \$16.7 million for the six months ended June 30, 2018, compared to \$15.5 million for the six months ended June 30, 2017. The increase of \$1.2 million in real estate operating expense was in part due to the increase in real estate in 2017 and 2018, partially offset by a decrease in operating expenses for the condominiums.

Fee expense

Fee expense totaled \$1.6 million for the six months ended June 30, 2018, compared to \$2.3 million for the six months ended June 30, 2017. Fee expense is comprised primarily of custodian fees, financing costs and servicing fees related to loans. The decrease of \$0.7 million in fee expense was primarily attributable to a decrease in financing fees due to reduced cost of capital, partially offset by an increase in servicing fees related to the increase in the balance of our mortgage loan receivables held for investment, net, at amortized cost at June 30, 2018, as compared to June 30, 2017.

Depreciation and amortization

Depreciation and amortization totaled \$21.5 million for the six months ended June 30, 2018, compared to \$18.7 million for the six months ended June 30, 2017. The \$2.8 million increase in depreciation and amortization is primarily attributable to acquisitions, which increased real estate assets to \$1.1 billion at June 30, 2018 versus \$1.0 billion at June 30, 2017, as well as a full period of depreciation and amortization related to properties acquired in 2017, partially offset by an out-of-period adjustment recorded in the first quarter of 2017, reducing depreciation expense by \$0.8 million, relating to prior periods and certain intangible assets approaching the end of their useful lives in 2017.

Income tax (benefit) expense

Most of our consolidated income tax provision relates to the business units held in our TRSs. Income tax (benefit) expense totaled \$4.5 million for the six months ended June 30, 2018, compared to \$5.2 million for the six months ended June 30, 2017. The decrease of \$0.7 million is primarily attributable to decreased income in our TRSs, the recently enacted Tax Cuts and Jobs Act and certain other one-time adjustments.

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Liquidity and Capital Resources

Our financing strategies are critical to the success and growth of our business. We manage our financing to complement our asset composition and to diversify our exposure across multiple capital markets and counterparties.

We require substantial amounts of capital to support our business. The management team, in consultation with our board of directors, establishes our overall liquidity and capital allocation strategies. A key objective of those strategies is to support the execution of our business strategy while maintaining sufficient ongoing liquidity throughout the business cycle to service our financial obligations as they become due. When making funding and capital allocation decisions, members of our senior management consider business performance; the availability of, and costs and benefits associated with, different funding sources; current and expected capital markets and general economic conditions; our balance sheet and capital structure; and our targeted liquidity profile and risks relating to our funding needs.

To ensure that Ladder Capital can effectively address the funding needs of the Company on a timely basis, we maintain a diverse array of liquidity sources including (1) cash and cash equivalents; (2) cash generated from operations; (3) borrowings under repurchase agreements; (4) principal repayments on investments including mortgage loans and securities; (5) proceeds from the issuance of CLO Debt; (6) borrowings under our revolving credit facility; (7) proceeds from securitizations and sales of loans; (8) proceeds from the sale of securities; (9) proceeds from the sale of real estate; (10) proceeds from the issuance of the Notes; and (11) proceeds from the issuance of equity capital. We use these funding sources to meet our obligations on a timely basis.

Our primary uses of liquidity are for (1) the funding of loan and real estate-related investments; (2) the repayment of short-term and long-term borrowings and related interest; (3) the funding of our operating expenses; and (4) distributions to our equity investors to comply with the REIT distribution requirements and the terms of LCFH's LLLP Agreement. We require short-term liquidity to fund loans that we originate and hold on our consolidated balance sheet pending sale, including through whole loan sale, participation, or securitization. We generally require longer-term funding to finance the loans and real estate-related investments that we hold for investment. We have historically used the aforementioned funding sources to meet the operating and investment needs as they have arisen and have been able to do so by applying a rigorous approach to long and short-term cash and debt forecasting.

In addition, as a REIT, we are also required to make sufficient dividend payments to our shareholders (and equivalent distributions to the Continuing LCFH Limited Partners) in amounts at least sufficient to maintain our REIT status. Under IRS guidance, we may elect to pay a portion of our dividends in stock, subject to a cash/stock election by our shareholders, to optimize our level of capital retention. Accordingly, our cash requirement to pay dividends to maintain REIT status could be substantially reduced at the discretion of the board.

A summary of our financial obligations is provided below in our Contractual Obligations table. All our existing financial obligations due within the following year are either extendable for one or more additional years at our discretion or are incurred in the normal course of business (i.e., interest payments/loan funding obligations).

We generally seek to maintain an adjusted leverage ratio of approximately 3.0:1.0 or below. See “—Reconciliation of Non-GAAP Financial Measures” for our definition of adjusted leverage and a reconciliation to debt obligations, net. This ratio typically fluctuates during the course of a fiscal year due to the normal course of business in our conduit lending operations, in which we generally securitize our inventory of loans at intervals, and also because of changes in our asset mix, due in part to such securitizations. We generally seek to match fund our assets according to their liquidity characteristics and expected hold period. We believe that the defensive positioning of our predominantly senior secured assets and our financing strategy has allowed us to maintain financial flexibility to capitalize on an attractive range of market opportunities as they have arisen.

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We and our subsidiaries may incur substantial additional debt in the future. However, we are subject to certain restrictions on our ability to incur additional debt in the indentures governing the Notes (the “Indentures”) and our other debt agreements. Under the Indentures, we may not incur certain types of indebtedness unless our consolidated non-funding debt to equity ratio (as defined in the Indentures) is less than or equal to 1.75 to 1.00 or if the unencumbered assets of the Company and its subsidiaries is less than 120% of their unsecured indebtedness, although our subsidiaries are permitted to incur indebtedness where recourse is limited to the assets and/or the general credit of such subsidiary. Our borrowings under certain financing agreements and our committed loan facilities are subject to maximum consolidated leverage ratio limits (currently ranging from 3.50 to 1.00 to 4.00 to 1.00), including maximum consolidated leverage ratio limits weighted by asset composition that change based on our asset base at the time of determination, and, in the case of one provider, a minimum interest coverage ratio requirement of 1.50 to 1.00 if certain liquidity thresholds are not satisfied. These restrictions, which would permit us to incur substantial additional debt, are subject to significant qualifications and exceptions.

Our principal debt financing sources include: (1) committed secured funding provided by banks, (2) uncommitted secured funding sources, including asset repurchase agreements with a number of banks, (3) long term non-recourse mortgage financing, (4) long term senior unsecured notes in the form of corporate bonds and (5) borrowings on both a short- and long-term committed basis, made by Tuebor from the FHLB.

As of June 30, 2018, we had unrestricted cash and cash equivalents of \$51.9 million, unencumbered loans of \$1.1 billion, unencumbered securities of \$21.8 million, unencumbered real estate of \$72.1 million and \$263.5 million of other assets not secured by any portion of secured indebtedness.

To maintain our qualification as a REIT under the Code, we were required to distribute our accumulated earnings and profits attributable to taxable periods ending prior to January 1, 2015 and we must annually distribute at least 90% of our taxable income. Consistent with the terms of an IRS private letter ruling, we paid our fourth quarter 2016 and 2015 dividends in a combination of cash and stock and may pay future distributions in such a manner; however, the REIT distribution requirements limit our ability to retain earnings and thereby replenish or increase capital for operations. We believe that our significant capital resources and access to financing will provide us with financial flexibility at levels sufficient to meet current and anticipated capital requirements, including funding new investment opportunities, paying distributions to our shareholders and servicing our debt obligations.

Our captive insurance company subsidiary, Tuebor, is subject to state regulations which require that dividends may only be made with regulatory approval. Largely as a result of this restriction, \$1.3 billion of Tuebor’s member’s capital was restricted from transfer via dividend to Tuebor’s parent without prior approval of state insurance regulators at June 30, 2018. To facilitate intercompany cash funding of operations and investments, Tuebor and its parent maintain regulator-approved intercompany borrowing/lending agreements.

The Company established a broker-dealer subsidiary, Ladder Capital Securities LLC (“LCS”), which was initially licensed and capitalized to do business in July 2010. LCS is required to be compliant with Financial Industry Regulatory Authority (“FINRA”) and SEC regulations, which require that dividends may only be made with regulatory approval. Largely as a result of this restriction, \$4.4 million of LCS’s member’s capital was restricted from transfer to LCS’s parent without prior approval of regulators at June 30, 2018.

Cash, cash equivalents and restricted cash

We held unrestricted cash and cash equivalents of \$51.9 million and \$76.7 million at June 30, 2018 and December 31, 2017, respectively. We held restricted cash of \$42.8 million and \$106.0 million at June 30, 2018 and December 31, 2017, respectively. We elected to early adopt ASU 2016-18 effective January 1, 2017. ASU 2016-18 requires the inclusion of restricted cash with cash and cash equivalents when reconciling the beginning-of-the-period and

end-of-period total amounts show on the statement of cash flows. We held cash, cash equivalents and restricted cash of \$94.7 million and \$182.7 million at June 30, 2018 and December 31, 2017, respectively.

Cash generated from (used in) operations

Our operating activities were a net provider (user) of cash of \$173.6 million and \$(23.3) million during the six months ended June 30, 2018 and 2017, respectively. Cash from operations includes the origination of loans held for sale, net of the proceeds from sale of loans and gains from sales of loans, which was the predominant driver of the \$196.9 million increase in cash generated from operations for the six months ended June 30, 2018, compared to the six months ended June 30, 2017.

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Borrowings under various financing arrangements

Our financing strategies are critical to the success and growth of our business. We manage our leverage policies to complement our asset composition and to diversify our exposure across multiple counterparties. Our borrowings under various financing arrangements as of June 30, 2018 and December 31, 2017 are set forth in the table below (\$ in thousands):

	June 30, 2018	December 31, 2017
Committed loan repurchase facilities	\$599,653	\$ 398,653
Committed securities repurchase facility	99,889	—
Uncommitted securities repurchase facilities	120,421	74,757
Total repurchase facilities	819,963	473,410
Revolving credit facility	—	—
Mortgage loan financing(1)	770,880	692,696
CLO debt(2)	685,416	688,479
Participation financing - mortgage loan receivable	2,647	3,107
Borrowings from the FHLB	1,270,000	1,370,000
Senior unsecured notes(3)	1,153,543	1,152,134
Total debt obligations	\$4,702,449	\$ 4,379,826

(1) Presented net of unamortized debt issuance costs of \$1.0 million as of June 30, 2018.

(2) Presented net of unamortized debt issuance costs of \$4.5 million and \$6.0 million as of June 30, 2018 and December 31, 2017, respectively.

(3) Presented net of unamortized debt issuance costs of \$12.7 million and \$14.1 million at June 30, 2018 and December 31, 2017, respectively.

The Company's repurchase facilities include covenants covering minimum net worth requirements (ranging from \$300.0 million to \$780.0 million), maximum reductions in net worth over stated time periods, minimum liquidity levels (typically \$30.0 million of cash or a higher standard that often allows for the inclusion of different percentages of liquid securities in the determination of compliance with the requirement), maximum leverage ratios (calculated in various ways based on specified definitions of indebtedness and net worth) and a fixed charge coverage ratio of 1.25x, and, in the instance of one lender, an interest coverage ratio of 1.50x, in each case, if certain liquidity thresholds are not satisfied. We were in compliance with all covenants as of June 30, 2018 and December 31, 2017. Further, certain of our financing arrangements and loans on our real property are secured by the assets of the Company, including pledges of the equity of certain subsidiaries or the assets of certain subsidiaries. From time to time, certain of these financing arrangements and loans may prohibit certain of our subsidiaries from paying dividends to the Company, from making distributions on such subsidiary's capital stock, from repaying to the Company any loans or advances to such subsidiary from the Company or from transferring any of such subsidiary's property or other assets to the Company or other subsidiaries of the Company.

Committed loan facilities

We are parties to multiple committed loan repurchase agreement facilities, totaling \$1.7 billion of credit capacity. As of June 30, 2018, the Company had \$599.7 million of borrowings outstanding, with an additional \$1.1 billion of committed financing available. As of December 31, 2017, the Company had \$398.7 million of borrowings outstanding, with an additional \$1.3 billion of committed financing available. Assets pledged as collateral under these facilities are generally limited to whole mortgage loans collateralized by first liens on commercial real estate. Our

repurchase facilities include covenants covering net worth requirements, minimum liquidity levels, and maximum debt/equity ratios. We believe we were in compliance with all covenants as of June 30, 2018 and December 31, 2017.

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We have the option to extend some of our existing facilities subject to a number of customary conditions. The lenders have sole discretion with respect to the inclusion of collateral in these facilities, to determine the market value of the collateral on a daily basis, and, if the estimated market value of the included collateral declines, the lenders have the right to require additional collateral or a full and/or partial repayment of the facilities (margin call), sufficient to rebalance the facilities. Typically, the facilities are established with stated guidelines regarding the maximum percentage of the collateral asset's market value that can be borrowed. We often borrow at a lower percentage of the collateral asset's value than the maximum leaving us with excess borrowing capacity that can be drawn upon at a later date and/or applied against future margin calls so that they can be satisfied on a cashless basis.

Committed securities facility

We are a party to a term master repurchase agreement with a major U.S. banking institution for CMBS, totaling \$400.0 million of credit capacity. As we do in the case of borrowings under committed loan facilities, we often borrow at a lower percentage of the collateral asset's value than the maximum leaving us with excess borrowing capacity that can be drawn upon a later date and/or applied against future margin calls so that they can be satisfied on a cashless basis. As of June 30, 2018, the Company had \$99.9 million borrowings outstanding, with an additional \$300.1 million of committed financing available. As of December 31, 2017, the Company had no borrowings outstanding, with an additional \$400.0 million of committed financing available.

Uncommitted securities facilities

We are party to multiple master repurchase agreements with several counterparties to finance our investments in CMBS and U.S. Agency Securities. The securities that served as collateral for these borrowings are highly liquid and marketable assets that are typically of relatively short duration. As we do in the case of other secured borrowings, we often borrow at a lower percentage of the collateral asset's value than the maximum leaving us with excess borrowing capacity that can be drawn upon a later date and/or applied against future margin calls so that they can be satisfied on a cashless basis.

Collateralized borrowings under repurchase agreement

The following table presents the amount of collateralized borrowings outstanding as of the end of each quarter, the average amount of collateralized borrowings outstanding during the quarter and the monthly maximum amount of collateralized borrowings outstanding during the quarter (\$ in thousands):

Quarter Ended	Total		Collateralized Borrowings Under Repurchase Agreements (1)		Other Collateralized Borrowings (2)	
	Quarter-end balance	Average quarterly balance	Maximum balance of any month-end	Average quarterly balance	Maximum balance of any month-end	Average quarterly balance	Maximum balance of any month-end