NEW YORK MORTGAGE TRUST INC
Form 10-Q
August 07, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2017

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 001-32216

NEW YORK MORTGAGE TRUST, INC.
(Exact Name of Registrant as Specified in Its Charter)

Maryland	47-0934168
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

275 Madison Avenue, New York, New York 10016
(Address of Principal Executive Office) (Zip Code)

(212) 792-0107
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 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, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer	Accelerated Filer	Non-Accelerated Filer	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

The number of shares of the registrant's common stock, par value $0.01 per share, outstanding on August 7, 2017 was 111,891,130.

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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

NEW YORK MORTGAGE TRUST, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollar amounts in thousands, except share data)

	June 30, 2017 (unaudited)	December 31, 2016
ASSETS		
Investment securities, available for sale, at fair value (including $45,400 and $43,897 held in securitization trusts as of June 30, 2017 and December 31, 2016, respectively and pledged securities of $550,856 and $690,592, as of June 30, 2017 and December 31, 2016, respectively)	$740,903	$818,976
Residential mortgage loans held in securitization trusts, net	85,911	95,144
Distressed residential mortgage loans, net (including $152,621 and $195,347 held in securitization trusts as of June 30, 2017 and December 31, 2016, respectively)	429,792	503,094
Multi-family loans held in securitization trusts, at fair value	8,468,104	6,939,844
Derivative assets	172,642	150,296
Receivable for securities sold	5,976	—
Cash and cash equivalents	75,391	83,554
Investment in unconsolidated entities	72,817	79,259
Mezzanine loan and preferred equity investments	100,207	100,150
Operating real estate held in consolidated variable interest entities, net	28,907	—
Real estate held for sale in consolidated variable interest entities	34,806	—
Goodwill	25,222	25,222
Receivables and other assets	165,896	156,092
Total Assets [1]	$10,406,574	$8,951,631
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Financing arrangements, portfolio investments	$656,350	$773,142
Financing arrangements, residential mortgage loans	174,861	192,419
Residential collateralized debt obligations	82,313	91,663
Multi-family collateralized debt obligations, at fair value	8,069,938	6,624,896
Securitized debt	109,972	158,867
Mortgages and notes payable in consolidated variable interest entities	55,849	1,588
Derivative liabilities	310	498
Payable for securities purchased	172,557	148,015
Accrued expenses and other liabilities	68,182	64,381
Subordinated debentures	45,000	45,000
Convertible notes	127,799	—
Total liabilities [1]	9,563,131	8,100,469
Commitments and Contingencies		
Stockholders' Equity:		
Preferred stock, $0.01 par value, 7.75% Series B cumulative redeemable, $25 liquidation preference per share, 6,000,000 shares authorized, 3,000,000 shares issued and outstanding	72,397	72,397

Preferred stock, $0.01 par value, 7.875% Series C cumulative redeemable, $25 liquidation preference per share, 4,140,000 shares authorized, 3,600,000 shares issued and outstanding	86,862	86,862
Common stock, $0.01 par value, 400,000,000 shares authorized, 111,891,130 and 111,474,521 shares issued and outstanding as of June 30, and December 31, 2016, respectively	1,119	1,115
Additional paid-in capital	749,862	748,599
Accumulated other comprehensive income	8,358	1,639
Accumulated deficit	(80,217)	(62,537)
Company's stockholders' equity	838,381	848,075
Non-controlling interest in consolidated variable interest entities	5,062	3,087
Total equity	843,443	851,162
Total Liabilities and Stockholders' Equity	$10,406,574	$8,951,631

(1) Our condensed consolidated balance sheets include assets and liabilities of consolidated variable interest entities ("VIEs") as the Company is the primary beneficiary of these VIEs. As of June 30, 2017 and December 31, 2016, assets of consolidated VIEs totaled $8,880,785 and $7,330,872, respectively, and the liabilities of consolidated VIEs totaled $8,349,762 and $6,902,536, respectively. See Note 9 for further discussion.

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

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NEW YORK MORTGAGE TRUST, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands, except per share data)
(unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
INTEREST INCOME:				
Investment securities and other	$10,199	$8,591	$20,000	$17,025
Multi-family loans held in securitization trusts	75,752	61,769	137,056	125,301
Residential mortgage loans held in securitization trusts	1,365	921	2,607	1,757
Distressed residential mortgage loans	6,665	8,485	12,703	17,309
Total interest income	93,981	79,766	172,366	161,392
INTEREST EXPENSE:				
Investment securities and other	5,805	3,962	11,374	7,811
Convertible notes	2,615	—	4,590	—
Multi-family collateralized debt obligations	66,873	55,224	120,805	112,424
Residential collateralized debt obligations	239	312	575	615
Securitized debt	2,171	3,096	4,286	5,227
Subordinated debentures	570	508	1,110	1,009
Total interest expense	78,273	63,102	142,740	127,086
NET INTEREST INCOME	15,708	16,664	29,626	34,306
OTHER INCOME (LOSS):				
(Provision for) recovery of loan losses	(300)	42	(112)	688
Realized gain (loss) on investment securities and related hedges, net	1,114	1,761	(109)	3,027
Realized gain on distressed residential mortgage loans, net	2,364	26	14,335	5,574
Unrealized (loss) gain on investment securities and related hedges, net	(1,051)	(667)	495	(3,159)
Unrealized gain on multi-family loans and debt held in securitization trusts, net	1,447	784	2,831	1,602
Income from operating real estate and real estate held for sale in consolidated variable interest entities	2,316	—	2,316	—
Other income	2,282	8,125	5,121	11,198
Total other income	8,172	10,071	24,877	18,930
Base management and incentive fees	(109)	2,979	2,969	6,504
Expenses related to distressed residential mortgage loans	2,218	2,740	4,457	5,934
Expenses related to operating real estate and real estate held for sale in consolidated variable interest entities	4,415	—	4,415	—
Other general and administrative expenses	5,065	4,217	9,952	6,857
Total general, administrative and operating expenses	11,589	9,936	21,793	19,295
INCOME FROM OPERATIONS BEFORE INCOME TAXES	12,291	16,799	32,710	33,941
Income tax expense	442	2,366	1,680	2,557

NET INCOME	11,849	14,433	31,030	31,384
Net loss attributable to non-controlling interest in consolidated variable interest entities	2,487	2	2,487	2
NET INCOME ATTRIBUTABLE TO COMPANY	14,336	14,435	33,517	31,386
Preferred stock dividends	(3,225)	(3,225)	(6,450)	(6,450)
NET INCOME ATTRIBUTABLE TO COMPANY'S COMMON STOCKHOLDERS	$11,111	$11,210	$27,067	$24,936
Basic earnings per common share	$0.10	$0.10	$0.24	$0.23
Diluted earnings per common share	$0.10	$0.10	$0.24	$0.23
Weighted average shares outstanding-basic	111,863	109,489	111,792	109,445
Weighted average shares outstanding-diluted	111,863	109,489	111,792	109,445

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

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NEW YORK MORTGAGE TRUST, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Dollar amounts in thousands)
(unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
NET INCOME ATTRIBUTABLE TO COMPANY'S COMMON STOCKHOLDERS	$11,111	$11,210	$27,067	$24,936
OTHER COMPREHENSIVE INCOME				
Increase in fair value of available for sale securities	4,108	3,713	7,386	11,575
Reclassification adjustment for net gain included in net income	(238)	—	(759)	—
(Decrease) increase in in fair value of derivative instruments utilized for cash flow hedges	(72)	(225)	92	(1,127)
OTHER COMPREHENSIVE INCOME	3,798	3,488	6,719	10,448
COMPREHENSIVE INCOME ATTRIBUTABLE TO COMPANY'S COMMON STOCKHOLDERS	$14,909	$14,698	$33,786	$35,384

The accompanying notes are an integral part of the condensed consolidated financial statements.
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NEW YORK MORTGAGE TRUST, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(Dollar amounts in thousands)
(unaudited)

	Common Stock	Preferred Stock	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive (Loss) Income	Total Company Stockholders' Equity	Non-Controlling Interest in Consolidated Variable Interest Entities	Total
Balance, December 31, 2016	$ 1,115	$ 159,259	$ 748,599	$ (62,537)	$ 1,639	$ 848,075	$ 3,087	$ 851,162
Net income (loss)	—	—	—	33,517	—	33,517	(2,487)	31,030
Common Stock issuance, net	4	—	1,263	—	—	1,267	—	1,267
Dividends declared on common stock	—	—	—	(44,747)	—	(44,747)	—	(44,747)
Dividends declared on preferred stock	—	—	—	(6,450)	—	(6,450)		(6,450)
Reclassification adjustment for net gain included in net income	—	—	—	—	(759)	(759)	—	(759)
Increase in fair value on available for sale securities	—	—	—	—	7,386	7,386	—	7,386
Increase in fair value of derivative instruments utilized for cash flow hedges	—	—	—	—	92	92	—	92
Increase in non-controlling interest related to initial consolidation of variable interest entities						—	4,462	4,462
Balance, June 30, 2017	$ 1,119	$ 159,259	$ 749,862	$ (80,217)	$ 8,358	$ 838,381	$ 5,062	$ 843,443

The accompanying notes are an integral part of the condensed consolidated financial statements.
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NEW YORK MORTGAGE TRUST, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollar amounts in thousands)
(unaudited)

	For the Six Months Ended June 30,	
	2017	2016
Cash Flows from Operating Activities:		
Net income	$31,030	$31,384
Adjustments to reconcile net income to net cash provided by operating activities:		
Net amortization	1,323	3,745
Realized loss (gain) on investment securities and related hedges, net	109	(3,027)
Realized gain on distressed residential mortgage loans	(14,335)	(5,574)
Unrealized (gain) loss on investment securities and related hedges, net	(495)	3,159
Gain on remeasurement of existing membership interest in businesses acquired	—	(5,045)
Gain on bargain purchase on businesses acquired	—	(65)
Unrealized gain on loans and debt held in multi-family securitization trusts	(2,831)	(1,602)
Net decrease in loans held for sale	17	432
Provision for (recovery of) loan losses	112	(688)
Income from unconsolidated entity, mezzanine loan and preferred equity investments	(11,112)	(8,794)
Distributions of income from unconsolidated entity, mezzanine loan and preferred equity investments	6,554	9,602
Amortization of stock based compensation, net	694	514
Changes in operating assets and liabilities:		
Receivables and other assets	(6,910)	(1,060)
Accrued expenses and other liabilities	6,652	1,035
Net cash provided by operating activities	10,808	24,016
Cash Flows from Investing Activities:		
Acquisition of businesses, net of cash and restricted cash acquired	—	(28,434)
Cash received from initial consolidation of variable interest entities	112	—
Proceeds from sales of investment securities	46,740	177,874
Purchases of investment securities	(111,023)	(274,623)
Redemption of FHLBI stock	—	5,423
Purchases of other assets	(23)	(81)
Capital expenditures on operating real estate and real estate held for sale in consolidated variable interest entities	(105)	—
Funding of mezzanine loans, equity and preferred equity investments	(11,122)	(8,430)
Principal repayments received on mezzanine loans	6,500	—
Return of capital from unconsolidated entity and preferred equity investments	3,083	—
Net proceeds on other derivative instruments settled during the period	2,850	2,996
Principal repayments received on residential mortgage loans held in securitization trusts	8,857	13,245
Principal repayments and proceeds from sales and refinancing of distressed residential mortgage loans	99,402	57,562
Principal repayments received on multi-family loans held in securitization trusts	66,148	58,994
Principal paydowns on investment securities - available for sale	132,826	58,602
Proceeds from sale of real estate owned	4,045	1,000

Purchases of residential mortgage loans and distressed residential mortgage loans	(33,533)	(46,595)
Purchases of investments held in multi-family securitization trusts	(65,453)	—
Net cash provided by investing activities	149,304	17,533
Cash Flows from Financing Activities:		
(Payments made on) net proceeds from financing arrangements, including FHLBI advances and payments	(134,350)	3,280
Proceeds from issuance of convertible notes, net	126,995	—
Proceeds from issuance of securitized debt	—	167,724
Common stock issuance, net	574	98
Dividends paid on common stock	(49,123)	(52,515)
Dividends paid on preferred stock	(6,450)	(6,450)
Payments made on mortgages and notes payable in consolidated variable interest entities	(116)	—
Proceeds from mortgages and notes payable in consolidated variable interest entities	2,795	—
Payments made on residential collateralized debt obligations	(9,387)	(14,171)
Payments made on multi-family collateralized debt obligations	(66,144)	(58,987)
Payments made on securitized debt	(50,075)	(41,336)
Redemption of preferred debt	—	(16,255)
Net cash used in financing activities	(185,281)	(18,612)

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

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NEW YORK MORTGAGE TRUST, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(Dollar amounts in thousands)
(unaudited)

Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	(25,169)	22,937
Cash, Cash Equivalents and Restricted Cash - Beginning of Period	139,530	82,742
Cash, Cash Equivalents and Restricted Cash - End of Period	$114,361	$105,679
Supplemental Disclosure:		
Cash paid for interest	$153,121	$150,569
Cash paid for income taxes	$1,681	$1,555
Non-Cash Investment Activities:		
Sales of investment securities not yet settled	$5,976	$—
Purchase of investment securities not yet settled	$172,557	$286,452
Consolidation of multi-family loans held in securitization trusts	$1,537,526	$—
Consolidation of multi-family collateralized debt obligations	$1,472,073	$—
Non-Cash Financing Activities:		
Dividends declared on common stock to be paid in subsequent period	$22,378	$26,296
Dividends declared on preferred stock to be paid in subsequent period	$3,225	$3,225

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

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NEW YORK MORTGAGE TRUST, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2017
(unaudited)

1. Organization

New York Mortgage Trust, Inc., together with its consolidated subsidiaries ("NYMT," "we," "our," or the “Company"), is a real estate investment trust, or REIT, in the business of acquiring, investing in, financing and managing mortgage-related and residential housing-related assets and financial assets. Our objective is to deliver stable distributions to our stockholders over diverse economic conditions through a combination of income generated by net interest margin and net realized capital gains from our diversified investment portfolio. Our portfolio includes residential mortgage loans, including second mortgage loans sourced from distressed markets, multi-family CMBS, preferred equity and joint venture equity investments in, and mezzanine loans to, owners of multi-family properties, equity and debt securities issued by entities that invest in residential and commercial real estate, non-Agency RMBS, Agency RMBS consisting of fixed-rate, adjustable-rate and hybrid adjustable-rate RMBS and Agency IOs consisting of interest only and inverse interest-only RMBS that represent the right to the interest component of the cash flow from a pool of mortgage loans and certain other investments in mortgage-related and residential housing-related assets and financial assets.

The Company conducts its business through the parent company, New York Mortgage Trust, Inc., and several subsidiaries, including special purpose subsidiaries established for residential loan, distressed residential loan and CMBS securitization purposes, taxable REIT subsidiaries ("TRSs") and qualified REIT subsidiaries ("QRSs"). The Company consolidates all of its subsidiaries under generally accepted accounting principles in the United States of America (“GAAP”).

The Company is organized and conducts its operations to qualify as a REIT for federal income tax purposes. As such, the Company will generally not be subject to federal income tax on that portion of its income that is distributed to stockholders if it distributes at least 90% of its REIT taxable income to its stockholders by the due date of its federal income tax return and complies with various other requirements.

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2.Summary of Significant Accounting Policies

Definitions – The following defines certain of the commonly used terms in these financial statements:

“RMBS” refers to residential adjustable-rate, hybrid adjustable-rate, fixed-rate, interest only and inverse interest only and principal only mortgage-backed securities;
“Agency RMBS” refers to RMBS representing interests in or obligations backed by pools of mortgage loans issued or guaranteed by a federally chartered corporation (“GSE”), such as the Federal National Mortgage Association (“Fannie Mae”) or the Federal Home Loan Mortgage Corporation (“Freddie Mac”), or an agency of the U.S. government, such as the Government National Mortgage Association (“Ginnie Mae”);
“Non-Agency RMBS” refers to RMBS backed by prime jumbo mortgage loans, including re-performing and non-performing loans;
“IOs” refers collectively to interest only and inverse interest only mortgage-backed securities that represent the right to the interest component of the cash flow from a pool of mortgage loans;
“POs” refers to mortgage-backed securities that represent the right to the principal component of the cash flow from a pool of mortgage loans;
“Agency IOs” refers to an IO that represents the right to the interest component of the cash flows from a pool of residential mortgage loans issued or guaranteed by a GSE or an agency of the U.S. government;
“ARMs” refers to adjustable-rate residential mortgage loans;
“Prime ARM loans” and “residential securitized loans” each refer to prime credit quality residential ARM loans held in securitization trusts formed in 2005;
“Agency ARMs” refers to Agency RMBS comprised of adjustable-rate and hybrid adjustable-rate RMBS;
"Agency fixed-rate RMBS" refers to Agency RMBS comprised of fixed-rate RMBS;
“CMBS” refers to commercial mortgage-backed securities comprised of commercial mortgage pass-through securities, as well as IO or PO securities that represent the right to a specific component of the cash flow from a pool of commercial mortgage loans;
“Multi-family CMBS” refers to CMBS backed by commercial mortgage loans on multi-family properties;
“CDOs” refers to collateralized debt obligations; and
“CLO” refers to collateralized loan obligations.

Basis of Presentation – The accompanying condensed consolidated balance sheet as of December 31, 2016 has been derived from audited financial statements. The accompanying condensed consolidated balance sheet as of June 30, 2017, the accompanying condensed consolidated statements of operations for the three and six months ended June 30, 2017 and 2016, the accompanying condensed consolidated statements of comprehensive income for the three and six months ended June 30, 2017 and 2016, the accompanying condensed consolidated statement of changes in stockholders’ equity for the six months ended June 30, 2017 and the accompanying condensed consolidated statements of cash flows for the six months ended June 30, 2017 and 2016 are unaudited. In our opinion, all adjustments (which include only normal recurring adjustments) necessary to present fairly the Company’s financial position, results of operations and cash flows have been made. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted in accordance with Article 10 of Regulation S-X and the instructions to Form 10-Q. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2016, as filed with the U.S. Securities and Exchange Commission (“SEC”). The results of operations for the three and six months ended June 30, 2017 are not necessarily indicative of the operating results for the full year.

The accompanying condensed consolidated financial statements have been prepared on the accrual basis of accounting in accordance with GAAP. The preparation of financial statements in conformity with GAAP 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 date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management has made significant estimates in several areas, including valuation of its CMBS investments, multi-family loans held in securitization trusts and multi-family CDOs, as well as, income recognition on distressed residential mortgage loans purchased at a discount. Although the Company's estimates contemplate current conditions and how it expects them to change in the future, it is reasonably possible that actual conditions could be different than anticipated in those estimates, which could materially impact the Company's results of operations and its financial condition.

Reclassifications – Certain prior period amounts have been reclassified in the condensed consolidated financial statements to conform to current period presentation.

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Principles of Consolidation and Variable Interest Entities – The accompanying condensed consolidated financial statements of the Company include the accounts of all its subsidiaries which are majority-owned, controlled by the Company or a variable interest entity ("VIE") where the Company is the primary beneficiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

A VIE is an entity that lacks one or more of the characteristics of a voting interest entity. A VIE is defined as an entity in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The Company consolidates a VIE when it is the primary beneficiary of such VIE, herein referred to as a "Consolidated VIE". As primary beneficiary, the Company has both the power to direct the activities that most significantly impact the economic performance of the VIE and a right to receive benefits or absorb losses of the entity that could be potentially significant to the VIE. The Company is required to reconsider its evaluation of whether to consolidate a VIE each reporting period, based upon changes in the facts and circumstances pertaining to the VIE.

Business Combinations – The Company evaluates each purchase transaction to determine whether the acquired assets meet the definition of a business. The Company accounts for business combinations by applying the acquisition method in accordance with Accounting Standards Codification (“ASC”) 805, Business Combinations ("ASC 805"). Transaction costs related to acquisition of a business are expensed as incurred and excluded from the fair value of consideration transferred. The identifiable assets acquired, liabilities assumed and non-controlling interests, if any, in an acquired entity are recognized and measured at their estimated fair values. The excess of the fair value of consideration transferred over the fair values of identifiable assets acquired, liabilities assumed and non-controlling interests, if any, in an acquired entity, net of fair value of any previously held interest in the acquired entity, is recorded as goodwill. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets and liabilities.

Contingent consideration is classified as a liability or equity, as applicable. Contingent consideration in connection with the acquisition of a business is measured at fair value on acquisition date, and unless classified as equity, is remeasured at fair value each reporting period thereafter until the consideration is settled, with changes in fair value included in net income.

Net cash paid to acquire a business is classified as investing activities on the accompanying condensed consolidated statements of cash flows.

On May 16, 2016, the Company acquired the outstanding membership interests in RiverBanc LLC ("RiverBanc"), RB Multifamily Investors LLC ("RBMI"), and RB Development Holding Company, LLC ("RBDHC") that were not previously owned by the Company through the consummation of separate membership interest purchase agreements, thereby increasing the Company's ownership of each of these entities to 100% (see Note 22). These transactions were accounted for by applying the acquisition method for business combinations under ASC 805.

On March 31, 2017, the Company determined that it became the primary beneficiary of 200 RHC Hoover, LLC ("Riverchase Landing") and The Clusters, LLC ("The Clusters"), two variable interest entities that each own a multi-family apartment community and in which the Company holds preferred equity investments. Accordingly, on this date, the Company consolidated both Riverchase Landing and The Clusters into its condensed consolidated financial statements in accordance with ASC 810, Consolidation ("ASC 810"). These transactions were accounted for by applying the acquisition method for business combinations under ASC 805 (see Note 9).

Investment Securities Available for Sale – The Company's investment securities, where the fair value option has not been elected and which are reported at fair value with unrealized gains and losses reported in Other Comprehensive

Income ("OCI"), include Agency RMBS, non-Agency RMBS and CMBS. The Company has elected the fair value option for its Agency IOs, U.S. Treasury securities, and certain Agency ARMs and Agency fixed-rate RMBS within the Agency IO portfolio, which measures unrealized gains and losses through earnings in the accompanying condensed consolidated statements of operations. The fair value option was elected for these investment securities to better match the accounting for these investment securities with the related derivative instruments within the Agency IO portfolio, which are not designated as hedging instruments for accounting purposes.

The Company generally intends to hold its investment securities until maturity; however, from time to time, it may sell any of its securities as part of the overall management of its business. As a result, our investment securities are classified as available for sale securities. Realized gains and losses recorded on the sale of investment securities available for sale are based on the specific identification method and included in realized gain (loss) on investment securities and related hedges in the accompanying condensed consolidated statements of operations.

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Interest income on our investment securities available for sale is accrued based on the outstanding principal balance and their contractual terms. Purchase premiums or discounts on investment securities are amortized or accreted to interest income over the estimated life of the investment securities using the effective yield method. Adjustments to amortization are made for actual prepayment activity.

Interest income on certain of our credit sensitive securities, such as our CMBS that were purchased at a discount to par value, is recognized based on the security's effective interest rate. The effective interest rate on these securities is based on management's estimate of the projected cash flows from each security, which are estimated based on assumptions related to fluctuations in interest rates, prepayment speeds and the timing and amount of credit losses. On at least a quarterly basis, management reviews and, if appropriate, adjusts its cash flow projections based on input and analysis received from external sources, internal models, and its judgment about interest rates, prepayment rates, the timing and amount of credit losses, and other factors. Changes in cash flows from those originally projected, or from those estimated at the last evaluation, may result in a prospective change in the yield/interest income recognized on these securities.

A portion of the purchase discount on the Company's first loss tranche PO multi-family CMBS is designated as non-accretable purchase discount or credit reserve, which partially mitigates the Company's risk of loss on the mortgages collateralizing such multi-family CMBS, and is not expected to be accreted into interest income. The amount designated as a credit reserve may be adjusted over time, based on the actual performance of the security, its underlying collateral, actual and projected cash flow from such collateral, economic conditions and other factors. If the performance of a security with a credit reserve is more favorable than forecasted, a portion of the amount designated as credit reserve may be accreted into interest income over time. Conversely, if the performance of a security with a credit reserve is less favorable than forecasted, the amount designated as credit reserve may be increased, or impairment charges and writedowns of such securities to a new cost basis could be required.

The Company accounts for debt securities that are of high credit quality (generally those rated AA or better by a Nationally Recognized Statistical Rating Organization, or NRSRO) at date of acquisition in accordance with ASC 320-10, Investments - Debt and Equity Securities ("ASC 320-10"). The Company accounts for debt securities that are not of high credit quality (i.e., those whose risk of loss is less than remote) or securities that can be contractually prepaid such that we would not recover our initial investment at the date of acquisition in accordance with ASC 325-40, Investments - Beneficial Interests in Securitized Financial Assets ("ASC 325-40"). The Company considers credit ratings, the underlying credit risk and other market factors in determining whether the debt securities are of high credit quality; however, securities rated lower than AA or an equivalent rating are not considered of high credit quality and are accounted for in accordance with ASC 325-40. If ratings are inconsistent among NRSROs, the Company uses the lower rating in determining whether the securities are of high credit quality.

The Company assesses its impaired securities on at least a quarterly basis and designates such impairments as either "temporary" or "other-than-temporary" by applying the guidance prescribed in ASC 320-10. When the fair value of an investment security is less than its amortized cost as of the reporting balance sheet date, the security is considered impaired. If the Company intends to sell an impaired security, or it is more likely than not that it will be required to sell the impaired security before its anticipated recovery, then it must recognize an other-than-temporary impairment through earnings equal to the entire difference between the investment's amortized cost and its fair value as of the balance sheet date. If the Company does not expect to sell an other-than-temporarily impaired security, only the portion of the other-than-temporary impairment related to credit losses is recognized through earnings with the remainder recognized as a component of other comprehensive income (loss) on the accompanying condensed consolidated balance sheets. Impairments recognized through other comprehensive income (loss) do not impact earnings. Following the recognition of an other-than-temporary impairment through earnings, a new cost basis is established for the security, which may not be adjusted for subsequent recoveries in fair value through earnings.

However, other-than-temporary impairments recognized through earnings may be accreted back to the amortized cost basis of the security on a prospective basis through interest income. The determination as to whether an other-than-temporary impairment exists and, if so, the amount considered other-than-temporarily impaired is subjective, as such determinations are based on both factual and subjective information available at the time of assessment as well the Company's estimates of the future performance and cash flow projections. As a result, the timing and amount of other-than-temporary impairments constitute material estimates that are susceptible to significant change.

In determining the other-than temporary impairment related to credit losses for securities that are not of high credit quality, the Company compares the present value of the remaining cash flows expected to be collected at the prior reporting date or purchase date, whichever is most recent, against the present value of the cash flows expected to be collected at the current financial reporting date. The Company considers information available about the past and expected future performance of underlying mortgage loans, including timing of expected future cash flows, prepayment rates, default rates, loss severities and delinquency rates.

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Residential Mortgage Loans Held in Securitization Trusts – Residential mortgage loans held in securitization trusts are comprised of certain ARM loans transferred to Consolidated VIEs that have been securitized into sequentially rated classes of beneficial interests. The Company accounted for these securitization trusts as financings which are consolidated into the Company's financial statements. Residential mortgage loans held in securitization trusts are carried at their unpaid principal balances, net of unamortized premium or discount, unamortized loan origination costs and allowance for loan losses. Interest income is accrued and recognized as revenue when earned according to the terms of the mortgage loans and when, in the opinion of management, it is collectible. The accrual of interest on loans is discontinued when, in management's opinion, the interest is not collectible in the normal course of business, but in all cases when payment becomes greater than 90 days delinquent. Loans return to accrual status when principal and interest become current and are anticipated to be fully collectible.

We establish an allowance for loan losses based on management's judgment and estimate of credit losses inherent in our portfolio of residential mortgage loans held in securitization trusts. Estimation involves the consideration of various credit-related factors, including but not limited to, macro-economic conditions, current housing market conditions, loan-to-value ratios, delinquency status, historical credit loss severity rates, purchased mortgage insurance, the borrower's current economic condition and other factors deemed to warrant consideration. Additionally, we look at the balance of any delinquent loan and compare that to the current value of the collateralizing property. We utilize various home valuation methodologies including appraisals, broker pricing opinions, internet-based property data services to review comparable properties in the same area or consult with a broker in the property's area.

Acquired Distressed Residential Mortgage Loans – Distressed residential mortgage loans are comprised of pools of fixed and adjustable rate residential mortgage loans acquired by the Company at a discount, with evidence of credit deterioration since their origination and where it is possible that the Company will not collect all contractually required principal payments. Distressed residential mortgage loans held in securitization trusts are distressed residential mortgage loans transferred to Consolidated VIEs that have been securitized into beneficial interests. The Company accounted for these securitization trusts as financings which are consolidated into the Company's financial statements.

Acquired distressed residential mortgage loans that have evidence of deteriorated credit quality at acquisition are accounted for under ASC 310-30, Loans and Debt Securities Acquired with Deteriorated Credit Quality ("ASC 310-30"). Management evaluates whether there is evidence of credit quality deterioration as of the acquisition date using indicators such as past due or modified status, risk ratings, recent borrower credit scores and recent loan-to-value percentages. Acquired distressed residential mortgage loans are recorded at fair value at the date of acquisition, with no allowance for loan losses. Under ASC 310-30, the acquired loans may be accounted for individually or aggregated and accounted for as a pool of loans if the loans being aggregated have common risk characteristics. A pool is accounted for as a single asset with a single composite interest rate and an expectation of aggregate cash flows. Once a pool is assembled, it is treated as if it was one loan for purposes of applying the accounting guidance.

Under ASC 310-30, the excess of cash flows expected to be collected over the carrying amount of the loans, referred to as the "accretable yield," is accreted into interest income over the life of the loans in each pool or individually using a level yield methodology. Accordingly, our acquired distressed residential mortgage loans accounted for under ASC 310-30 are not subject to classification as nonaccrual classification in the same manner as our residential mortgage loans that were not distressed when acquired by us. Rather, interest income on acquired distressed residential mortgage loans relates to the accretable yield recognized at the pool level or on an individual loan basis, and not to contractual interest payments received at the loan level. The difference between contractually required principal and interest payments and the cash flows expected to be collected, referred to as the "nonaccretable difference," includes estimates of both the impact of prepayments and expected credit losses over the life of the individual loan, or the pool

(for loans grouped into a pool).

Management monitors actual cash collections against its expectations, and revised cash flow estimates are prepared as necessary. A decrease in expected cash flows in subsequent periods may indicate that the loan pool or individual loan, as applicable, is impaired, thus requiring the establishment of an allowance for loan losses by a charge to the provision for loan losses. An increase in expected cash flows in subsequent periods initially reduces any previously established allowance for loan losses by the increase in the present value of cash flows expected to be collected, and results in a recalculation of the amount of accretable yield for the loan pool. The adjustment of accretable yield due to an increase in expected cash flows is accounted for prospectively as a change in estimate. The additional cash flows expected to be collected are reclassified from the nonaccretable difference to the accretable yield, and the amount of periodic accretion is adjusted accordingly over the remaining life of the loans in the pool or individual loan, as applicable. The impacts of (i) prepayments, (ii) changes in variable interest rates, and (iii) any other changes in the timing of expected cash flows are recognized prospectively as adjustments to interest income.

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A distressed residential mortgage loan disposal, which may include a loan sale, receipt of payment in full from the borrower or foreclosure, results in removal of the loan from the loan pool at its allocated carrying amount. In the event of a sale of the loan and receipt of payment (in full or partial) from the borrower, a gain or loss on sale is recognized and reported based on the difference between the sales proceeds or payment from the borrower and the allocated carrying amount of the acquired distressed residential mortgage loan. In the case of a foreclosure, an individual loan is removed from the pool and a loss on sale is recognized if the carrying value exceeds the fair value of the collateral less costs to sell. A gain is not recognized if the fair value of collateral less costs to sell exceeds the carrying value.

The Company uses the specific allocation method for the removal of loans as the estimated cash flows and related carrying amount for each individual loan are known. In these cases, the remaining accretable yield is unaffected and any material change in remaining effective yield caused by the removal of the loan from the pool is addressed by the re-assessment of the estimate of cash flows for the pool prospectively.

Acquired distressed residential mortgage loans subject to modification are not removed from the pool even if those loans would otherwise be considered troubled debt restructurings because the pool, and not the individual loan, represents the unit of account.

For individual loans not accounted for in pools that are sold or satisfied by payment in full, a gain or loss on sale is recognized and reported based on the difference between the sales proceeds and the carrying amount of the acquired distressed residential mortgage loan. In the case of a foreclosure, a loss is recognized if the carrying value exceeds the fair value of the underlying collateral less costs to sell. A gain is not recognized if the fair value of the underlying collateral less costs to sell exceeds the carrying value.

Multi-Family Loans Held in Securitization Trusts – Multi-family loans held in securitization trusts are comprised of multi-family mortgage loans held in Freddie Mac-sponsored multi-family K-Series securitizations (the “Consolidated K-Series”). Based on a number of factors, we determined that we were the primary beneficiary of each VIE within the Consolidated K-Series, met the criteria for consolidation and, accordingly, have consolidated these Freddie Mac-sponsored multi-family K-Series securitizations, including their assets, liabilities, income and expenses in our condensed consolidated financial statements. The Company has elected the fair value option on each of the assets and liabilities held within the Consolidated K-Series, which requires that changes in valuations be reflected in the Company's accompanying condensed consolidated statement of operations. The Company adopted Accounting Standards Update ("ASU") 2014-13 Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity, effective January 1, 2016. As a result, the Company measures both the financial assets and financial liabilities of a qualifying collateralized financing entity ("CFE") using the fair value of either the CFE’s financial assets or financial liabilities, whichever is more observable. As the Company’s securitization trusts are considered qualifying CFEs, the Company determines the fair value of multi-family loans held in securitization trusts based on the fair value of its multi-family collateralized debt obligations and its retained interests from these securitizations (eliminated in consolidation in accordance with GAAP), as the fair value of these instruments is more observable.

Interest income is accrued and recognized as revenue when earned according to the terms of the multi-family loans and when, in the opinion of management, it is collectible. The accrual of interest on multi-family loans is discontinued when, in management’s opinion, the interest is not collectible in the normal course of business, but in all cases when payment becomes greater than 90 days delinquent. The multi-family loans return to accrual status when principal and interest become current and are anticipated to be fully collectible.

Mezzanine Loan and Preferred Equity Investments – The Company invests in mezzanine loans and preferred equity of entities that have significant real estate assets. The mezzanine loan is secured by a pledge of the borrower’s equity

ownership in the property. Unlike a mortgage, this loan does not represent a lien on the property. Therefore, it is always junior and subordinate to any first-lien as well as second liens, if applicable, on the property. These loans are senior to any preferred equity or common equity interests.

A preferred equity investment is an equity investment in the entity that owns the underlying property. Preferred equity is not secured by the underlying property, but holders have priority relative to common equity holders on cash flow distributions and proceeds from capital events. In addition, preferred equity holders may be able to enhance their position and protect their equity position with covenants that limit the entity's activities and grant the holder the exclusive right to control the property after an event of default.

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Mezzanine loans and preferred equity investments, where the risks and payment characteristics are equivalent to mezzanine loans, are accounted for as loans and are stated at unpaid principal balance, adjusted for any unamortized premium or discount, deferred fees or expenses, net of valuation allowances. The Company has evaluated its mezzanine loan and preferred equity investments for accounting treatment as loans versus equity investment utilizing the guidance provided by the ADC Arrangements Subsection of ASC 310, Receivables.

For mezzanine loan and preferred equity investments where the characteristics, facts and circumstances indicate that loan accounting treatment is appropriate, the Company accretes or amortizes any discounts or premiums and deferred fees and expenses over the life of the related asset utilizing the effective interest method or straight line-method, if the result is not materially different.

Management evaluates the collectibility of both interest and principal of each of these loans, if circumstances warrant, to determine whether they are impaired. A loan is impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due according to the existing contractual terms. When a loan is impaired, the amount of the loss accrual is calculated by comparing the carrying amount of the investment to the estimated fair value of the loan or, as a practical expedient, to the value of the collateral if the loan is collateral dependent. Interest income is accrued and recognized as revenue when earned according to the terms of the loans and when, in the opinion of management, it is collectible. The accrual of interest on loans is discontinued when, in management's opinion, the interest is not collectible in the normal course of business, but in all cases when payment becomes greater than 90 days delinquent. Loans return to accrual status when principal and interest become current and are anticipated to be fully collectible.

Mezzanine loans and preferred equity investments where the risks and payment characteristics are equivalent to an equity investment are accounted for using the equity method of accounting. See "Investment in Unconsolidated Entities."

Mortgage Loans Held for Investment – Mortgage loans held for investment are stated at unpaid principal balance, adjusted for any unamortized premium or discount, deferred fees or expenses, net of valuation allowances, and are included in receivables and other assets. Interest income is accrued on the principal amount of the loan based on the loan's contractual interest rate. Amortization of premiums and discounts is recorded using the effective yield method. Interest income, amortization of premiums and discounts and prepayment fees are reported in interest income. A loan is considered to be impaired when it is probable that based upon current information and events, the Company will be unable to collect all amounts due under the contractual terms of the loan agreement. Based on the facts and circumstances of the individual loans being impaired, loan specific valuation allowances are established for the excess carrying value of the loan over either: (i) the present value of expected future cash flows discounted at the loan's original effective interest rate, (ii) the estimated fair value of the loan's underlying collateral if the loan is in the process of foreclosure or otherwise collateral dependent, or (iii) the loan's observable market price.

Investment in Unconsolidated Entities – Non-controlling, unconsolidated ownership interests in an entity may be accounted for using the equity method or the cost method. In circumstances where the Company has a non-controlling interest but either owns a significant interest or is able to exert influence over the affairs of the enterprise, the Company utilizes the equity method of accounting. Under the equity method of accounting, the initial investment is increased each period for additional capital contributions and a proportionate share of the entity's earnings or preferred return and decreased for cash distributions and a proportionate share of the entity's losses. Management periodically reviews its investments for impairment based on projected cash flows from the entity over the holding period. When any impairment is identified, the investments are written down to recoverable amounts.

The Company may elect the fair value option for an investment in an unconsolidated entity that is accounted for using the equity method. The Company elected the fair value option for certain investments in unconsolidated entities that own interests (directly or indirectly) in commercial and residential real estate assets because the Company determined that such presentation represents the underlying economics of the respective investment. The Company records the change in fair value of its investment in other income in the condensed consolidated statements of operations (see Note 7).

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Operating Real Estate Held in Consolidated Variable Interest Entities, Net – The Company records its initial investments in income-producing real estate at fair value at the acquisition date in accordance with ASC 805. The purchase price of acquired properties is apportioned to the tangible and identified intangible assets and liabilities acquired at their respective estimated fair values. In making estimates of fair values for purposes of allocating purchase price, the Company utilizes a number of sources, including independent appraisals that may be obtained in connection with the acquisition or financing of the respective real estate, its own analysis of recently-acquired and existing comparable properties, property financial results, and other market data. The Company also considers information obtained about the real estate as a result of its due diligence, including marketing and leasing activities, in estimating the fair value of the tangible and intangible assets acquired. The Company considers the value of acquired in-place leases and utilizes an amortization period that is the average remaining term of the acquired leases. The average term for in-place residential leases at acquisition for our income-producing real estate ranged from six to seven months. Acquired in-place lease intangible assets as of June 30, 2017 of $1.4 million are included in receivables and other assets on the condensed consolidated balance sheets. Acquired in-place lease intangible asset balances are provisional as of June 30, 2017 (see Note 9) and the related estimated amortization for the year ending December 31, 2017 is $3.6 million.

Depreciation of Real Estate – The Company depreciates the building component of its real estate over a 30-year estimated useful life, building and improvements over a 10-year to 30-year estimated useful life, and furniture, fixtures and equipment over a 5-year estimated useful life, all of which are judgmental determinations. Betterments and certain costs directly related to the improvement of real estate are capitalized. Expenditures for ordinary maintenance and repairs are expensed to operations as incurred.

Real Estate Held for Sale in Consolidated Variable Interest Entities - The Company classifies its long-lived assets as held for sale in accordance with ASC 360, Property, Plant, and Equipment. When real estate assets are identified as held for sale, the Company discontinues depreciating (amortizing) the assets and estimates the fair value, net of selling costs, of such assets. Real estate held for sale in consolidated variable interest entities is recorded at the lower of the net carrying amount of the assets or the estimated net fair value. If the estimated net fair value of the real estate held for sale is less than the net carrying amount of the assets, an impairment charge is recorded in the condensed consolidated statements of operations with an allocation to non-controlling interests in the respective VIEs, if any.

The Company assesses the net fair value of real estate held for sale each reporting period the assets remain classified as held for sale. Subsequent changes, if any, in the net fair value of the real estate assets held for sale that require an adjustment to the carrying amount are recorded in the condensed consolidated statements of operations with an allocation to non-controlling interests in the respective VIEs, if any, unless the adjustment causes the carrying amount of the assets to exceed the net carrying amount upon initial classification as held for sale.

If circumstances arise that the Company previously considered unlikely and, as a result, the Company decides not to sell real estate assets previously classified as held for sale, the real estate assets are reclassified to another real estate classification. Real estate assets that are reclassified are measured at the lower of (a) their carrying amount before they were classified as held for sale, adjusted for any depreciation (amortization) expense that would have been recognized had the assets remained in their previous classification, or (b) their fair value at the date of the subsequent decision not to sell.

Real Estate - Under Development – The Company's expenditures which directly relate to the acquisition, development, construction and improvement of properties are capitalized, at cost. During the development period, which culminates once a property is substantially complete and ready for intended use, operating and carrying costs such as interest expense, real estate taxes, insurance and other direct costs are capitalized. Advertising and general administrative costs that do not relate to the development of a property are expensed as incurred. Real estate under development as of

June 30, 2017 and December 31, 2016 of $20.0 million and $17.5 million, respectively, is included in receivables and other assets on the condensed consolidated balance sheets.

Real Estate - Impairment – The Company periodically evaluates its long-lived assets for indicators of impairment. The judgments regarding the existence of impairment indicators are based on factors such as operational performance, market conditions and legal and environmental concerns, as well as the Company's ability to hold and its intent with regard to each asset. Future events could occur which would cause the Company to conclude that impairment indicators exist and an impairment is warranted. If impairment indicators exist for long-lived assets to be held and used, and the expected future undiscounted cash flows are less than the carrying amount of the asset, then the Company will record an impairment loss for the difference between the fair value of the asset and its carrying amount. If the asset is to be disposed of, then an impairment loss is recognized for the difference between the estimated fair value of the asset, net of selling costs, and its carrying amount.

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Cash and Cash Equivalents – Cash and cash equivalents include cash on hand, amounts due from banks and overnight deposits. The Company maintains its cash and cash equivalents in highly rated financial institutions, and at times these balances exceed insurable amounts.

Goodwill – Goodwill represents the excess of the fair value of consideration transferred in a business combination over the fair values of identifiable assets acquired, liabilities assumed and non-controlling interests, if any, in an acquired entity, net of fair value of any previously held interest in the acquired entity. Goodwill is not amortized but tested for impairment annually or more frequently if events or circumstances indicate that goodwill may be impaired. Goodwill of $25.2 million as of June 30, 2017 and December 31, 2016 relates to the Company's multi-family investment reporting unit.

Goodwill is evaluated for impairment on an annual basis, or more frequently if the Company believes indicators of impairment exist, by initially performing a qualitative screen and, if necessary, then comparing fair value of the reporting unit to its carrying value, including goodwill. If the fair value of the reporting unit is less than the carrying value, an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value (in an amount not to exceed the total amount of goodwill allocated to the reporting unit) is recognized. The Company evaluated goodwill as of October 1, 2016 and no impairment was indicated.

Intangible Assets – Intangible assets consisting of acquired trade name, acquired technology, employment/non-compete agreements, and acquired in-place leases with useful lives ranging from 6 months to 10 years are included in receivables and other assets on the condensed consolidated balance sheets. Intangible assets with estimable useful lives are amortized on a straight-line basis over their respective estimated useful lives and reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The useful lives of intangible assets are evaluated on an annual basis to determine whether events and circumstances warrant a revision to the remaining useful life. See "Operating Real Estate Held in Consolidated Variable Interest Entities, Net" for further discussion of acquired in-place lease intangible assets.

Receivables and Other Assets – Receivables and other assets as of June 30, 2017 and December 31, 2016 include restricted cash held by third parties of $39.0 million and $56.0 million, respectively. Included in restricted cash is $18.8 million and $35.6 million held in our Agency IO portfolio to be used for trading purposes and $9.0 million and $6.1 million held by counterparties as collateral for hedging instruments as of June 30, 2017 and December 31, 2016, respectively. Interest receivable on multi-family loans held in securitization trusts is also included in the amounts of $28.3 million and $24.1 million as of June 30, 2017 and December 31, 2016, respectively.

Financing Arrangements, Portfolio Investments – The Company finances the majority of its investment securities available for sale using repurchase agreements. Under a repurchase agreement, an asset is sold to a counterparty to be repurchased at a future date at a predetermined price, which represents the original sales price plus interest. The Company accounts for these repurchase agreements as financings and are carried at their contractual amounts, as specified in the respective agreements. Borrowings under repurchase agreements generally bear interest rates of a specified margin over one-month LIBOR.

Financing Arrangements, Residential Mortgage Loans – The Company finances a portion of its residential mortgage loans, including its distressed residential mortgage loans, through a repurchase agreement expiring within 12 to 15 months. The borrowing under the repurchase agreement bears an interest rate of a specified margin over one-month LIBOR. The repurchase agreement is treated as a collateralized financing transaction and is carried at the contractual amounts, as specified in the respective agreement. Costs related to the establishment of the repurchase agreement which include underwriting, legal, accounting and other fees are reflected as deferred charges. Such costs are presented as a deduction from the corresponding debt liability on the Company’s accompanying condensed

consolidated balance sheets in the amount of $0.7 million as of June 30, 2017 and $1.3 million as of December 31, 2016. These deferred charges are amortized as an adjustment to interest expense using the effective interest method, or straight line-method, if the result is not materially different.

Residential Collateralized Debt Obligations ("Residential CDOs") – We use Residential CDOs to permanently finance our residential mortgage loans held in securitization trusts. For financial reporting purposes, the ARM loans held as collateral are recorded as assets of the Company and the Residential CDOs are recorded as the Company's debt. The Company completed four securitizations in 2005 and 2006. The first three were accounted for as a permanent financing while the fourth was accounted for as a sale and accordingly, is not included in the Company's accompanying condensed consolidated financial statements.

Multi-Family Collateralized Debt Obligations ("Multi-Family CDOs") – We consolidated the Consolidated K-Series including its debt, referred to as Multi-Family CDOs, in our condensed consolidated financial statements. The Multi-Family CDOs permanently finance the multi-family mortgage loans held in the Consolidated K-Series securitizations. For financial reporting purposes, the loans held as collateral are recorded as assets of the Company and the Multi-Family CDOs are recorded as the Company's debt. We refer to both the Residential CDOs and Multi-Family CDOs as CDOs in this report.

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Securitized Debt – Securitized Debt represents third-party liabilities of Consolidated VIEs and excludes liabilities of the VIEs acquired by the Company that are eliminated on consolidation. The Company has entered into several financing transactions that resulted in the Company consolidating as VIEs the special purpose entities (the "SPEs") that were created to facilitate the transactions and to which underlying assets in connection with the financing were transferred. The Company engaged in these transactions primarily to obtain permanent or longer term financing on a portion of its multi-family CMBS and acquired distressed residential mortgage loans.

Costs related to issuance of securitized debt which include underwriting, rating agency, legal, accounting and other fees are reflected as deferred charges. Such costs are presented as a deduction from the corresponding debt liability on the Company's accompanying condensed consolidated balance sheets in the amount of $1.0 million and $1.4 million as of June 30, 2017 and December 31, 2016, respectively. These deferred charges are amortized as an adjustment to interest expense using the effective interest method, or straight line-method, if the result is not materially different.

Convertible Notes – On January 23, 2017, the Company issued Convertible Notes to finance the acquisition of targeted assets and for general working capital purposes. The Company evaluated the conversion features of the Convertible Notes for embedded derivatives in accordance with ASC 815, Derivatives and Hedging ("ASC 815") and determined that the conversion features should not be bifurcated from the notes.

The Convertible Notes were issued at a 4% discount. Costs related to issuance of the convertible notes which include underwriting, legal, accounting and other fees are reflected as deferred charges. The discount and deferred charges are amortized as an adjustment to interest expense using the effective interest method. The discount and deferred issuance costs, net of amortization, are presented as a deduction from the corresponding debt liability on the Company's accompanying condensed consolidated balance sheets in the amount of $10.2 million as of June 30, 2017.

Derivative Financial Instruments – In accordance with ASC 815, the Company records derivative financial instruments on its consolidated balance sheet as assets or liabilities at fair value. Changes in fair value are accounted for depending on the use of the derivative instruments and whether they qualify for hedge accounting treatment.

In connection with our investment in Agency IOs, the Company uses several types of derivative instruments such as interest rate swaps, futures, put and call options on futures and TBAs to hedge the interest rate risk, as well as spread risk associated with these investments. The Company also purchases, or sells short, To-Be-Announced securities ("TBAs") through its Agency IO portfolio. TBAs are forward-settling purchases and sales of Agency RMBS where the underlying pools of mortgage loans are "To-Be-Announced." Pursuant to these TBA transactions, we agree to purchase or sell, for future settlement, Agency RMBS with certain principal and interest terms and certain types of underlying collateral, but the particular Agency RMBS to be delivered is not identified until shortly before the TBA settlement date. For TBA contracts that we have entered into, we have not asserted that physical settlement is probable, therefore we have not designated these forward commitments as hedging instruments. The use of TBAs, futures, options on futures and interest rate swaps in our Agency IO portfolio hedge the overall risk profile of investment securities in the portfolio. The derivative instruments in our Agency IO portfolio are not designated as hedging instruments, therefore realized and unrealized gains and losses associated with these derivative instruments are recognized through earnings and reported as part of the other income (loss) category in the Company's condensed consolidated statements of operations.

The Company also uses interest rate swaps to hedge the variable cash flows associated with borrowings made under our financing arrangements and Residential CDOs. We typically pay a fixed rate and receive a floating rate based on one month LIBOR, on the notional amount of the interest rate swaps. The floating rate we receive under our swap agreements has the effect of offsetting the repricing characteristics and cash flows of our financing arrangements. These interest rate swaps qualify as a cash flow hedge, where the effective portion of the gain or loss on the derivative

instrument is reported as a component of OCI and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The remaining gain or loss on the derivative instruments in excess of the cumulative change in the present value of future cash flows of the hedged item, if any, is recognized in current earnings during the period of change.

Termination of Hedging Relationships – The Company employs risk management monitoring procedures to ensure that the designated hedging relationships are demonstrating, and are expected to continue to demonstrate, a high level of effectiveness. Hedge accounting is discontinued on a prospective basis if it is determined that the hedging relationship is no longer highly effective or expected to be highly effective in offsetting changes in fair value of the hedged item.

Additionally, the Company may elect to un-designate a hedge relationship during an interim period and re-designate upon the rebalancing of a hedge profile and the corresponding hedge relationship. When hedge accounting is discontinued, the Company continues to carry the derivative instruments at fair value with changes recorded in current earnings.

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Manager Compensation – We are a party to separate investment management agreements with Headlands Asset Management LLC ("Headlands") and The Midway Group, LP ("Midway"), with Headlands providing investment management services with respect to our investments in certain distressed residential mortgage loans and Midway providing investment management services with respect to our investments in Agency IOs. These investment management agreements provide for the payment to our investment managers of a management fee, incentive fee and reimbursement of certain operating expenses, which are accrued and expensed during the period for which they are earned or incurred.

Other Comprehensive Income (Loss) – The Company's comprehensive income/(loss) attributable to the Company's common stockholders includes net income, the change in net unrealized gains/(losses) on its available for sale securities and its derivative hedging instruments, currently comprised of interest rate swaps, (to the extent that such changes are not recorded in earnings), adjusted by realized net gains/(losses) reclassified out of accumulated other comprehensive income/(loss) for available for sale securities, reduced by dividends declared on the Company's preferred stock and increased for net loss attributable to non-controlling interest.

Employee Benefits Plans – The Company sponsors a defined contribution plan (the "Plan") for all eligible domestic employees. The Plan qualifies as a deferred salary arrangement under Section 401(k) of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"). The Company made no contributions to the Plan for the three and six months ended June 30, 2017. The Company made $0.1 million in contributions to the Plan for the three and six months ended and June 30, 2016.

Stock Based Compensation – The Company has awarded restricted stock to eligible employees and officers as part of their compensation. Compensation expense for equity based awards and stock issued for services are recognized over the vesting period of such awards and services based upon the fair value of the award at the grant date.

In May 2015, the Company granted certain Performance Share Awards ("PSAs") which cliff vest after a three-year period, subject to the achievement of certain performance criteria based on a formula tied to the Company's achievement of three-year total stockholder return ("TSR") and the Company's TSR relative to the TSR of certain peer companies. The feature in this award constitutes a "market condition" which impacts the amount of compensation expense recognized for these awards. The grant date fair values of PSAs were determined through Monte-Carlo simulation analysis.

Income Taxes – The Company operates in such a manner so as to qualify as a REIT under the requirements of the Internal Revenue Code. Requirements for qualification as a REIT include various restrictions on ownership of the Company's stock, requirements concerning distribution of taxable income and certain restrictions on the nature of assets and sources of income. A REIT must distribute at least 90% of its taxable income to its stockholders, of which 85% plus any undistributed amounts from the prior year must be distributed within the taxable year in order to avoid the imposition of an excise tax. Distribution of the remaining balance may extend until timely filing of the Company's tax return in the subsequent taxable year. Qualifying distributions of taxable income are deductible by a REIT in computing taxable income.

Certain activities of the Company are conducted through TRSs and therefore are subject to federal and various state and local income taxes. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

ASC 740, Income Taxes ("ASC 740"), provides guidance for how uncertain tax positions should be recognized, measured, presented, and disclosed in the financial statements. ASC 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. In situations involving uncertain tax positions related to income tax matters, we do not recognize benefits unless it is more likely than not that they will be sustained. ASC 740 was applied to all open taxable years as of the effective date. Management's determinations regarding ASC 740 may be subject to review and adjustment at a later date based on factors including, but not limited to, an ongoing analysis of tax laws, regulations and interpretations thereof. The Company will recognize interest and penalties, if any, related to uncertain tax positions as income tax expense.

Earnings Per Share – Basic earnings per share excludes dilution and is computed by dividing net income attributable to the Company's common stockholders by the weighted-average number of shares of common stock outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company.

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Segment Reporting – ASC 280, Segment Reporting, is the authoritative guidance for the way public entities report information about operating segments in their annual financial statements. We are a REIT focused on the business of acquiring, investing in, financing and managing primarily mortgage-related and residential housing-related assets and financial assets, and currently operate in only one reportable segment.

Summary of Recent Accounting Pronouncements

Revenue Recognition (Topic 606)

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (“ASU 2014-09”). This guidance creates a new, principle-based revenue recognition framework that will affect nearly every revenue-generating entity. ASU 2014-09 also creates a new topic in the Codification, Topic 606 (“ASC 606”). In addition to superseding and replacing nearly all existing GAAP revenue recognition guidance, including industry-specific guidance, ASC 606 does the following: (1) establishes a new control-based revenue recognition model; (2) changes the basis for deciding when revenue is recognized over time or at a point in time; (3) provides new and more detailed guidance on specific aspects of revenue recognition; and (4) expands and improves disclosures about revenue. In August 2015, the FASB issued ASU 2015-14 that defers the effective date of ASU 2014-09 for public business entities for annual reporting periods beginning after December 15, 2017, including interim periods therein. Early application is permitted for public business entities only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period.

ASC 606 applies to all contracts with customers with exceptions for financial instruments and other contractual rights or obligations that are within the scope of other ASC Topics. Exclusions from the scope of ASC 606 include investment securities available for sale (subject to ASC 320, Investments - Debt and Equity Securities or ASC 325, Investments - Other); residential mortgage loans, distressed residential mortgage loans, multi-family loans, and mezzanine loan and preferred equity investments (subject to either ASC 310, Receivables or ASC 825, Financial Instruments); derivative assets and derivative liabilities (subject to ASC 815, Derivatives and Hedging); and investment in unconsolidated entities (subject to either ASC 323, Investments- Equity Method and Joint Ventures or ASC 825, Financial Instruments). The Company evaluated the applicability of this ASU with respect to its investment portfolio, considering the scope exceptions listed above, and has determined that the adoption of this ASU will not have a material impact on the Company's financial condition or results of operations as the majority of the Company's revenue is generated by financial instruments and other contractual rights and obligations that are not within the scope of ASC 606.

Financial Instruments —Credit Losses (Topic 326)

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 amendments require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The amendments are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption as of the fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018 is permitted. The Company is currently assessing the impact of this guidance as the ASU will have an effect on the Company's estimation of credit losses on distressed residential mortgage loans, residential mortgage loans held in securitization trusts, residential mortgage loans, and mezzanine loans and preferred equity investments that are accounted for as loans.

Statement of Cash Flows (Topic 230)

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash ("ASU 2016-18"). These amendments require that a statement of cash flows explain the change during the period in the total of cash,
cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments do not provide a definition of restricted cash or restricted cash equivalents. The amendments are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is permitted. The Company adopted the ASU effective January 1, 2017 and included restricted cash of $39.0 million and $55.7 million as of June 30, 2017 and 2016, respectively, with cash and cash equivalents as shown on the condensed consolidated statements of cash flows.

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Intangibles - Goodwill and Other (Topic 350)

In January 2017, the FASB issued ASU 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment ("ASU 2017-04"). The amendments simplify annual or interim goodwill impairment tests by eliminating a second step to compute the implied fair value of goodwill if the fair value of a reporting unit is less than its carrying amount. Instead, should the fair value of a reporting unit be less than its carrying amount, an entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value (in an amount not to exceed the total amount of goodwill allocated to that reporting unit). The amendments are effective for all entities for their annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates on or after January 1, 2017. The Company adopted the ASU effective January 1, 2017 and will apply the guidance to the performance of our annual impairment test of $25.2 million in goodwill for the year ended December 31, 2017.

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3. Investment Securities Available For Sale

Investment securities available for sale consisted of the following as of June 30, 2017 and December 31, 2016 (dollar amounts in thousands):

	June 30, 2017				December 31, 2016			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Agency RMBS [1]								
Agency ARMs								
Freddie Mac	$35,951	$23	$(471)	$35,503	$39,138	$24	$(528)	$38,634
Fannie Mae	61,704	48	(730)	61,022	69,031	71	(698)	68,404
Ginnie Mae	5,348	—	(216)	5,132	6,011	—	(204)	5,807
Total Agency ARMs	103,003	71	(1,417)	101,657	114,180	95	(1,430)	112,845
Agency Fixed Rate								
Freddie Mac	23,255	—	(660)	22,595	26,338	—	(644)	25,694
Fannie Mae	283,328	—	(10,248)	273,080	312,515	—	(10,035)	302,480
Ginnie Mae	401	—	(5)	396	457	—	(4)	453
Total Agency Fixed Rate	306,984	—	(10,913)	296,071	339,310	—	(10,683)	328,627
Agency IOs [1]								
Freddie Mac	13,551	42	(3,079)	10,514	19,768	559	(3,363)	16,964
Fannie Mae	16,555	175	(3,634)	13,096	27,597	478	(4,777)	23,298
Ginnie Mae	29,194	512	(4,413)	25,293	49,788	1,223	(6,382)	44,629
Total Agency IOs	59,300	729	(11,126)	48,903	97,153	2,260	(14,522)	84,891
Total Agency RMBS	469,287	800	(23,456)	446,631	550,643	2,355	(26,635)	526,363
Non-Agency RMBS	129,067	1,161	(310)	129,918	162,220	1,218	(154)	163,284
U.S. Treasury securities [1]	2,920	5	—	2,925	2,920	—	(33)	2,887
CMBS [2]	141,981	19,448	—	161,429	113,955	12,876	(389)	126,442
Total investment securities available for sale	$743,255	$21,414	$(23,766)	$740,903	$829,738	$16,449	$(27,211)	$818,976

(1) Included in investment securities available for sale are Agency IOs, Agency RMBS and U.S. Treasury securities managed by Midway that are measured at fair value through earnings.

(2) Included in CMBS is $45.4 million and $43.9 million of investment securities available for sale held in securitization trusts as of June 30, 2017 and December 31, 2016, respectively.

Realized Gain or Loss Activity

During the three and six months ended June 30, 2017, the Company received proceeds of approximately $15.4 million and $52.7 million on sales of investment securities available for sale realizing a loss of approximately $0.6 million and $2.3 million, respectively. During the three and six months ended June 30, 2016, the Company received proceeds of approximately $117.1 million and $177.9 million on sales of investment securities available for sale realizing a loss of approximately $0.5 million and $0.9 million, respectively.

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Weighted Average Life

Actual maturities of our available for sale securities are generally shorter than stated contractual maturities (with maturities up to 30 years), as they are affected by periodic payments and prepayments of principal on the underlying mortgages. As of June 30, 2017 and December 31, 2016, the weighted average life of the Company's available for sale securities portfolio was approximately 4.1 years and 4.3 years, respectively.

The following table sets forth the weighted average lives of our investment securities available for sale as of June 30, 2017 and December 31, 2016 (dollar amounts in thousands):

Weighted Average Life	June 30, 2017	December 31, 2016
0 to 5 years	$493,583	$ 606,079
Over 5 to 10 years	219,976	177,765
10+ years	27,344	35,132
Total	$740,903	$ 818,976

Portfolio Interest Reset Periods

The following tables set forth the stated reset periods of our investment securities available for sale and investment securities available for sale held in securitization trusts at June 30, 2017 and December 31, 2016 at carrying value (dollar amounts in thousands):

	June 30, 2017				December 31, 2016			
	Less than 6 months	6 to 24 months	More than 24 months	Total	Less than 6 months	6 to 24 months	More than 24 months	Total
Agency RMBS	$40,391	$31,286	$374,954	$446,631	$53,043	$27,272	$446,048	$526,363
Non-Agency RMBS	129,918	—	—	129,918	50,080	—	113,204	163,284
U.S. Treasury securities	—	—	2,925	2,925	—	—	2,887	2,887
CMBS	116,029	—	45,400	161,429	82,545	—	43,897	126,442
Total investment securities available for sale	$286,338	$31,286	$423,279	$740,903	$185,668	$27,272	$606,036	$818,976

Unrealized Losses in OCI

The following tables present the Company's investment securities available for sale in an unrealized loss position reported through OCI, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at June 30, 2017 and December 31, 2016 (dollar amounts in thousands):

June 30, 2017	Less than 12 Months		Greater than 12 months		Total	
	Carrying Value	Gross Unrealized Losses	Carrying Value	Gross Unrealized Losses	Carrying Value	Gross Unrealized Losses
Agency RMBS	$91,988	$ (1,283)	$297,954	$ (11,041)	$389,942	$ (12,324)
Non-Agency RMBS	—	—	512	(310)	512	(310)
CMBS	—	—	—	—	—	—
Total investment securities available for sale	$91,988	$ (1,283)	$298,466	$ (11,351)	$390,454	$ (12,634)

At June 30, 2017, the Company does not intend to sell any of its investments that were in an unrealized loss position, and it is “more likely than not” that the Company will not be required to sell these securities before recovery of their amortized cost basis, which may be at their maturity.

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Gross unrealized losses on the Company's Agency RMBS were $12.3 million at June 30, 2017. Agency RMBS are issued by Government Sponsored Entities ("GSEs") and enjoy either the implicit or explicit backing of the full faith and credit of the U.S. Government. While the Company's Agency RMBS are not rated by any rating agency, they are currently perceived by market participants to be of high credit quality, with risk of default limited to the unlikely event that the U.S. Government would not continue to support the GSEs. Given the credit quality inherent in Agency RMBS, the Company does not consider any of the current impairments on its Agency RMBS to be credit related. In assessing whether it is more likely than not that it will be required to sell any impaired security before its anticipated recovery, which may be at its maturity, the Company considers for each impaired security, the significance of each investment, the amount of impairment, the projected future performance of such impaired securities, as well as the Company's current and anticipated leverage capacity and liquidity position. Based on these analyses, the Company determined that at June 30, 2017 any unrealized losses on its Agency RMBS were temporary.

December 31, 2016	Less than 12 Months		Greater than 12 months		Total	
	Carrying Value	Gross Unrealized Losses	Carrying Value	Gross Unrealized Losses	Carrying Value	Gross Unrealized Losses
Agency RMBS	$96,357	$ (1,290)	$328,474	$(10,819)	$424,831	$(12,109)
Non-Agency RMBS	—	—	596	(154)	596	(154)
CMBS	16,523	(389)	—	—	16,523	(389)
Total investment securities available for sale	$112,880	$ (1,679)	$329,070	$(10,973)	$441,950	$(12,652)

Other than Temporary Impairment

For the three and six months ended June 30, 2017 and 2016, the Company recognized no other-than-temporary impairment through earnings.

4. Residential Mortgage Loans Held in Securitization Trusts (Net) and Real Estate Owned

Residential mortgage loans held in securitization trusts (net) consist of the following as of June 30, 2017 and December 31, 2016, respectively (dollar amounts in thousands):

	June 30, 2017	December 31, 2016
Unpaid principal balance	$89,329	$ 98,303
Deferred origination costs – net	565	623
Reserve for loan losses	(3,983)	(3,782)
Total	$85,911	$ 95,144

Allowance for Loan Losses - The following table presents the activity in the Company's allowance for loan losses on residential mortgage loans held in securitization trusts for the six months ended June 30, 2017 and 2016, respectively (dollar amounts in thousands):

	Six Months Ended June 30,	
	2017	2016
Balance at beginning of period	$3,782	$3,399
Provisions for loan losses	207	409
Transfer to real estate owned	(6)	—
Charge-offs	—	(76)

Balance at the end of period	$3,983	$3,732

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On an ongoing basis, the Company evaluates the adequacy of its allowance for loan losses. The Company's allowance for loan losses as of June 30, 2017 was $4.0 million, representing 446 basis points of the outstanding principal balance of residential loans held in securitization trusts, as compared to 385 basis points as of December 31, 2016. As part of the Company's allowance for loan loss adequacy analysis, management will assess an overall level of allowances while also assessing credit losses inherent in each non-performing residential mortgage loan held in securitization trusts. These estimates involve the consideration of various credit related factors, including but not limited to, current housing market conditions, current loan to value ratios, delinquency status, the borrower's current economic and credit status and other relevant factors.

Real Estate Owned – The following table presents the activity in the Company's real estate owned held in residential securitization trusts for the six months ended June 30, 2017 and 2016, respectively (dollar amounts in thousands):

	Six Months Ended June 30,	
	2017	2016
Balance at beginning of period	$150	$411
Write downs	—	—
Transfer from/(to) mortgage loans held in securitization trusts	111	—
Disposal	(150)	(339)
Balance at the end of period	$111	$72

Real estate owned held in residential securitization trusts are included in receivables and other assets on the accompanying condensed consolidated balance sheets and write downs are included in recovery of loan losses in the accompanying condensed consolidated statements of operations for reporting purposes.

All of the Company's mortgage loans and real estate owned held in residential securitization trusts are pledged as collateral for the Residential CDOs issued by the Company. The Company's net investment in the residential securitization trusts, which is the maximum amount of the Company's investment that is at risk to loss and represents the difference between (i) the carrying amount of the mortgage loans, real estate owned and receivables held in residential securitization trusts and (ii) the amount of Residential CDOs outstanding, was $4.5 million and $4.4 million as of June 30, 2017 and December 31, 2016, respectively.

Delinquency Status of Our Residential Mortgage Loans Held in Securitization Trusts

As of June 30, 2017, we had 29 delinquent loans with an aggregate principal amount outstanding of approximately $17.7 million categorized as Residential Mortgage Loans Held in Securitization trusts (net), of which $10.7 million, or 61%, are under some form of temporary modified payment plan. The table below shows delinquencies in our portfolio of residential mortgage loans held in securitization trusts, including REO through foreclosure, as of June 30, 2017 (dollar amounts in thousands):

June 30, 2017

Days Late	Number of Delinquent Loans	Total Unpaid Principal	% of Loan Portfolio
30 - 60	2	$430	0.48 %
61 - 90	1	$154	0.17 %
90 +	26	$17,118	19.14 %
Real estate owned through foreclosure	1	$118	0.13 %

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As of December 31, 2016, we had 31 delinquent loans with an aggregate principal amount outstanding of approximately $18.7 million categorized as Residential Mortgage Loans Held in Securitization Trusts (net), of which $11.2 million, or 60%, are under some form of modified payment plan. The table below shows delinquencies in our portfolio of residential mortgage loans held in securitization trusts, including real estate owned through foreclosure (REO), as of December 31, 2016 (dollar amounts in thousands):

December 31, 2016

Days Late	Number of Delinquent Loans	Total Unpaid Principal	% of Loan Portfolio
30 - 60	1	$ 247	0.25 %
61 - 90	—	$ —	—
90 +	30	$ 18,416	18.68 %
Real estate owned through foreclosure	1	$ 268	0.27 %

The geographic concentrations of credit risk exceeding 5% of the total loan balances in our residential mortgage loans held in securitization trusts and real estate owned held in residential securitization trusts as of June 30, 2017 and December 31, 2016 are as follows:

	June 30, 2017	December 31, 2016
New York	32.9 %	33.8 %
Massachusetts	19.8 %	19.9 %
New Jersey	10.9 %	10.8 %
Florida	9.6 %	8.9 %
Connecticut	8.0 %	7.4 %
Maryland	5.1 %	5.1 %

5. Distressed Residential Mortgage Loans

As of June 30, 2017 and December 31, 2016, the carrying value of the Company’s distressed residential mortgage loans, including distressed residential mortgage loans held in securitization trusts, amounts to approximately $429.8 million and $503.1 million, respectively.

The Company considers its purchase price for the distressed residential mortgage loans, including distressed residential mortgage loans held in securitization trusts, to be at fair value at the date of acquisition. The Company only establishes an allowance for loan losses subsequent to acquisition.

The following table presents information regarding the estimates of the contractually required payments, the cash flows expected to be collected, and the estimated fair value of the distressed residential mortgage loans acquired during the six months ended June 30, 2017 and 2016, respectively (dollar amounts in thousands):

	June 30, 2017	June 30, 2016
Contractually required principal and interest	$76,529	$88,907
Non-accretable yield	(6,467)	(7,470)
Expected cash flows to be collected	70,062	81,437
Accretable yield	(58,767)	(43,613)
Fair value at the date of acquisition	$11,295	$37,824

The following table details activity in accretable yield for the distressed residential mortgage loans, including distressed residential mortgage loans held in securitization trusts, for the six months ended June 30, 2017 and 2016, respectively (dollar amounts in thousands):

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	June 30, 2017	June 30, 2016
Balance at beginning of period	$530,511	$579,009
Additions	88,391	51,288
Disposals	(206,166)	(71,137)
Accretion	(12,711)	(17,301)
Balance at end of period [1]	$400,025	$541,859

(1) Accretable yield is the excess of the distressed residential mortgage loans' cash flows expected to be collected over the purchase price. The cash flows expected to be collected represents the Company's estimate of the amount and timing of undiscounted principal and interest cash flows. Additions include accretable yield estimates for purchases made during the period and reclassification to accretable yield from nonaccretable yield. Deletions include distressed residential mortgage loan dispositions, which include refinancing, sale and foreclosure of the underlying collateral and resulting removal of the distressed residential mortgage loans from the accretable yield, and reclassifications from accretable to nonaccretable yield. The reclassifications between accretable and nonaccretable yield and the accretion of interest income is based on various estimates regarding loan performance and the value of the underlying real estate securing the loans. As the Company continues to update its estimates regarding the loans and the underlying collateral, the accretable yield may change. Therefore, the amount of accretable income recorded in each of the six month periods ended June 30, 2017 and 2016 is not necessarily indicative of future results.

The geographic concentrations of credit risk exceeding 5% of the unpaid principal balance of our distressed residential mortgage loans, including distressed residential mortgage loans held in securitization trusts, as of June 30, 2017 and December 31, 2016, respectively, are as follows:

	June 30, 2017	December 31, 2016
Florida	11.1 %	12.2 %
North Carolina	8.0 %	7.7 %
California	7.1 %	8.8 %
Georgia	6.6 %	6.0 %
New York	5.7 %	5.4 %
Maryland	5.4 %	5.2 %

The Company's distressed residential mortgage loans held in securitization trusts with a carrying value of approximately $152.6 million and $195.3 million at June 30, 2017 and December 31, 2016, respectively, are pledged as collateral for certain of the Securitized Debt issued by the Company (see Note 9). In addition, distressed residential mortgage loans with a carrying value of approximately $241.7 million and $279.9 million at June 30, 2017 and December 31, 2016, respectively, are pledged as collateral for a Master Repurchase Agreement with Deutsche Bank AG, Cayman Islands Branch (see Note 13).

6. Consolidated K-Series

The Company has elected the fair value option on the assets and liabilities held within the Consolidated K-Series, which requires that changes in valuations in the assets and liabilities of the Consolidated K-Series be reflected in the Company's condensed consolidated statements of operations. Our investment in the Consolidated K-Series is limited to the multi-family CMBS comprised of first loss tranche PO, certain IOs and mezzanine securities issued by certain K-Series securitizations with an aggregate net carrying value of $398.2 million and $314.9 million at June 30, 2017 and December 31, 2016, respectively (see Note 9). The Consolidated K-Series is comprised of six and five K-Series

securitizations as of June 30, 2017 and December 31, 2016, respectively.

The condensed consolidated balance sheets of the Consolidated K-Series at June 30, 2017 and December 31, 2016, respectively, are as follows (dollar amounts in thousands):

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Balance Sheets	June 30, 2017	December 31, 2016
Assets		
Multi-family loans held in securitization trusts	$8,468,104	$6,939,844
Receivables	28,268	24,098
Total Assets	$8,496,372	$6,963,942
Liabilities and Equity		
Multi-family CDOs	$8,069,938	$6,624,896
Accrued expenses	27,947	24,003
Total Liabilities	8,097,885	6,648,899
Equity	398,487	315,043
Total Liabilities and Equity	$8,496,372	$6,963,942

The multi-family loans held in securitization trusts had an unpaid principal balance of approximately $8.1 billion and $6.7 billion at June 30, 2017 and December 31, 2016, respectively. The multi-family CDOs had an unpaid principal balance of approximately $8.1 billion and $6.7 billion at June 30, 2017 and December 31, 2016, respectively. As of June 30, 2017 and December 31, 2016, the current weighted average interest rate on these multi-family CDOs was 4.07% and 3.97%, respectively.

The Company does not have any claims to the assets or obligations for the liabilities of the Consolidated K-Series (other than those securities represented by our first loss and mezzanine tranche securities). We have elected the fair value option for the Consolidated K-Series. The net fair value of our investment in the Consolidated K-Series, which represents the difference between the carrying values of multi-family loans held in securitization trusts less the carrying value of multi-family CDOs, approximates the fair value of our underlying securities. The fair value of our underlying securities is determined using the same valuation methodology as our CMBS investments available for sale (see Note 17).

The condensed consolidated statements of operations of the Consolidated K-Series for the three and six months ended June 30, 2017 and 2016, respectively, are as follows (dollar amounts in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
Statements of Operations	2017	2016	2017	2016
Interest income	$75,752	$61,769	$137,056	$125,301
Interest expense	66,873	55,224	120,805	112,424
Net interest income	8,879	6,545	16,251	12,877
Unrealized gain on multi-family loans and debt held in securitization trusts, net	1,447	784	2,831	1,602
Net income	$10,326	$7,329	$19,082	$14,479

The geographic concentrations of credit risk exceeding 5% of the total loan balances related to our CMBS investments included in investment securities available for sale and multi-family loans held in securitization trusts as of June 30, 2017 and December 31, 2016, respectively, are as follows:

	June 30, 2017	December 31, 2016
California	11.8 %	13.8 %
Texas	10.6 %	12.4 %

New York	6.9 %	8.1 %
Maryland	4.5 %	5.3 %

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7. Investment in Unconsolidated Entities

The Company's investments in unconsolidated entities accounted for under the equity method consist of the following as of June 30, 2017 and December 31, 2016 (dollar amounts in thousands):

Investment Name	June 30, 2017		December 31, 2016	
	Ownership Interest	Carrying Amount	Ownership Interest	Carrying Amount
Autumnwood Investments LLC	—	$2,030	—	$2,092
200 RHC Hoover, LLC[1]	—	—	63%	8,886
BBA-EP320 II, L.L.C., BBA-Ten10 II, L.L.C., and Lexington on the Green Apartments, L.L.C. (collectively)	45%	8,125	45%	7,949
Total - Equity Method		$10,155		$18,927

(1) On March 31, 2017, the Company reconsidered its evaluation of its variable interest in 200 RHC Hoover, LLC ("Riverchase Landing") and determined that it became the primary beneficiary of Riverchase Landing. Accordingly, on this date, the Company consolidated Riverchase Landing into its condensed consolidated financial statements (see Note 9).

The Company's investments in unconsolidated entities accounted for at fair value option consist of the following as of June 30, 2017 and December 31, 2016 (dollar amounts in thousands):

Investment Name	June 30, 2017		December 31, 2016	
	Ownership Interest	Carrying Amount	Ownership Interest	Carrying Amount
Morrocroft Neighborhood Stabilization Fund II, LP	11%	$10,812	11%	$9,732
Evergreens JV Holdings, LLC	85%	4,010	85%	3,810
Bent Tree JV Holdings, LLC	78%	10,250	78%	9,890
Summerchase LR Partners LLC	80%	4,460	80%	4,410
Lake Mary Realty Partners, LLC	80%	7,730	80%	7,690
The Preserve at Port Royal Venture, LLC	77%	12,660	77%	12,280
WR Savannah Holdings, LLC	90%	12,740	90%	12,520
Total - Fair Value Option		$62,662		$60,332

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The following table presents income from investments in unconsolidated entities for the three and six months ended June 30, 2017 and June 30, 2016 (dollar amounts in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
Investment Name	2017	2016	2017	2016
Autumnwood Investments LLC	$73	$ 71	$73	$142
200 RHC Hoover, LLC	—	413	275	816
BBA-EP320 II, L.L.C., BBA-Ten10 II, L.L.C., and Lexington on the Green Apartments, L.L.C. (collectively)	247	—	488	—
RiverBanc LLC [1]	—	34	—	125
Kiawah River View Investors LLC ("KRVI") [1]	—	1,033	—	1,250
RB Development Holding Company, LLC [1]	—	—	—	107
RB Multifamily Investors LLC [1]	—	506	—	2,262
Morrocroft Neighborhood Stabilization Fund II, LP	332	129	980	458
Evergreens JV Holdings, LLC	139	10	303	10
Bent Tree JV Holdings, LLC	297	100	585	100
Summerchase LR Partners LLC	180	10	362	10
Lake Mary Realty Partners, LLC	222	20	433	20
The Preserve at Port Royal Venture, LLC	441	100	826	100
WR Savannah Holdings, LLC	295	60	625	60

(1) As of May 16, 2016, RiverBanc LLC, RB Development Holding Company, LLC, and RB Multifamily Investors LLC became wholly-owned subsidiaries of the Company as a result of the Company's acquisition of the remaining ownership interests in those entities held by other unaffiliated entities (see Note 22). Also as of May 16, 2016, the Company consolidated KRVI into its condensed consolidated financial statements (see Note 9).

8. Mezzanine Loan and Preferred Equity Investments

Mezzanine loan and preferred equity investments consist of the following as of June 30, 2017 and December 31, 2016 (dollar amounts in thousands):

	June 30, 2017	December 31, 2016
Investment amount	$101,321	$ 101,154
Deferred loan fees, net	(1,114)	(1,004)
Total	$100,207	$ 100,150

There were no delinquent mezzanine loan or preferred equity investments as of June 30, 2017 and December 31, 2016.

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The geographic concentrations of credit risk exceeding 5% of the total mezzanine loan and preferred equity investment amounts as of June 30, 2017 and December 31, 2016 are as follows:

	June 30, 2017		December 31, 2016	
Texas	39.2	%	43.3	%
Virginia	15.0	%	14.9	%
South Carolina	9.6	%	9.4	%
Kentucky	7.2	%	7.2	%
Massachusetts	6.9	%	6.9	%
Delaware	5.4	%	—	%
Florida	5.2	%	5.1	%
Georgia	4.6	%	6.3	%

9. Use of Special Purpose Entities and Variable Interest Entities

The Company uses SPEs to facilitate transactions that involve securitizing financial assets or re-securitizing previously securitized financial assets. The objective of such transactions may include obtaining non-recourse financing, obtaining liquidity or refinancing the underlying securitized financial assets on improved terms. Securitization involves transferring assets to an SPE to convert all or a portion of those assets into cash before they would have been realized in the normal course of business through the SPE's issuance of debt or equity instruments. Investors in an SPE usually have recourse only to the assets in the SPE and depending on the overall structure of the transaction, may benefit from various forms of credit enhancement, such as over-collateralization in the form of excess assets in the SPE, priority with respect to receipt of cash flows relative to holders of other debt or equity instruments issued by the SPE, or a line of credit or other form of liquidity agreement that is designed with the objective of ensuring that investors receive principal and/or interest cash flow on the investment in accordance with the terms of their investment agreement.

The Company has entered into resecuritization and financing transactions which required the Company to analyze and determine whether the SPEs that were created to facilitate the transactions are VIEs in accordance with ASC 810, and if so, whether the Company is the primary beneficiary requiring consolidation. The Company evaluated the following resecuritization or financing transactions: 1) its Residential CDOs; 2) its multi-family CMBS re-securitization transaction and 3) its distressed residential mortgage loan securitization transaction (each a "Financing VIE" and collectively, the "Financing VIEs") and concluded that the entities created to facilitate each of the transactions are VIEs and that the Company is the primary beneficiary of these VIEs. Accordingly, the Company continues to consolidate the Financing VIEs as of June 30, 2017.

The Company invests in multi-family CMBS consisting of PO securities that represent the first loss tranche of the securitizations from which they were issued, and certain IOs and mezzanine CMBS securities issued from Freddie Mac-sponsored multi-family K-Series securitization trusts. The Company has evaluated these CMBS investments in Freddie Mac-sponsored K-Series securitization trusts to determine whether they are VIEs and if so, whether the Company is the primary beneficiary requiring consolidation. The Company has determined that the Freddie Mac-sponsored multi-family K-Series securitization trusts are VIEs as of June 30, 2017 and December 31, 2016, respectively. The Company also determined that it is the primary beneficiary of each VIE within the Consolidated K-Series and, accordingly, has consolidated its assets, liabilities, income and expenses in the accompanying condensed consolidated financial statements (see Notes 2 and 6). Of the Company's multi-family CMBS investments included in the Consolidated K-Series, five and four of these investments are not deposited as collateral to any Financing VIE as of June 30, 2017 and December 31, 2016.

In analyzing whether the Company is the primary beneficiary of the Consolidated K-Series and the Financing VIEs, the Company considered its involvement in each of the VIEs, including the design and purpose of each VIE, and whether its involvement reflected a controlling financial interest that resulted in the Company being deemed the primary beneficiary of the VIEs. In determining whether the Company would be considered the primary beneficiary, the following factors were assessed:

- whether the Company has both the power to direct the activities that most significantly impact the economic performance of the VIE; and
- whether the Company has a right to receive benefits or absorb losses of the entity that could be potentially significant to the VIE.

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On May 16, 2016, the Company acquired the remaining outstanding membership interests in RBDHC, resulting in the Company's 100% ownership of RBDHC. RBDHC owns 50% of KRVI, a limited liability company that owns developed land and residential homes under development in Kiawah Island, SC, for which RiverBanc is the manager. The Company has evaluated KRVI to determine if it is a VIE and if so, whether the Company is the primary beneficiary requiring consolidation. The Company has determined that KRVI is a VIE for which RBDHC is the primary beneficiary as the Company, collectively through its wholly-owned subsidiaries RiverBanc and RBDHC, has both the power to direct the activities that most significantly impact the economic performance of KRVI and has a right to receive benefits or absorb losses of KRVI that could be potentially significant to KRVI. Accordingly, the Company has consolidated KRVI in its condensed consolidated financial statements with a non-controlling interest for the third-party ownership of KRVI membership interests.

On March 31, 2017, (the "Changeover Date"), the Company reconsidered its evaluation of its variable interests in Riverchase Landing and The Clusters, two variable interest entities that each own a multi-family apartment community and each in which the Company holds a preferred equity investment. The Company determined that it gained the power to direct the activities of, and became primary beneficiary of, Riverchase Landing and The Clusters on the Changeover Date. Prior to the Changeover Date, the Company accounted for Riverchase Landing as an investment in an unconsolidated entity and for The Clusters as a preferred equity investment. The Company does not have any claims to the assets or obligations for the liabilities of Riverchase Landing and The Clusters.

On the Changeover Date, the Company consolidated Riverchase Landing and The Clusters into its condensed consolidated financial statements. These transactions were accounted for by applying the acquisition method for business combinations.

The estimated Changeover Date fair value of the consideration transferred totaled $12.5 million, which consisted of the estimated fair value of the Company's preferred equity investments in both Riverchase Landing and The Clusters. The Company determined the estimated fair value of its preferred equity investments in Riverchase Landing and The Clusters using assumptions for the timing and amount of expected future cash flows from the underlying multi-family apartment communities and a discount rate.

The following table summarizes the estimated fair values of the assets and liabilities of Riverchase Landing and The Clusters at the Changeover Date (dollar amounts in thousands). The estimated fair values shown below are provisional measurements that are based upon preliminary financial information provided by Riverchase Landing and The Clusters and are subject to change.

Cash	$112
Operating real estate	62,322
Lease intangibles [1]	5,340
Receivables and other assets	2,260
Total assets	70,034
Mortgages payable	51,570
Accrued expenses and other liabilities	1,519
Total liabilities	53,089
Non-controlling interest [2]	4,462
Net assets consolidated	$12,483

[1] Included in receivables and other assets on the condensed consolidated balance sheets.

[2] Represents third party ownership of membership interests in Riverchase Landing and The Clusters. The fair value of the non-controlling interests in Riverchase Landing and The Clusters, both private companies, was estimated using assumptions for the timing and amount of expected future cash flows from the underlying multi-family

apartment communities and a discount rate.

The Consolidated K-Series, the Financing VIEs, KRVI, Riverchase Landing and The Clusters are collectively referred to in this footnote as "Consolidated VIEs".

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The following tables present a summary of the assets and liabilities of these Consolidated VIEs as of June 30, 2017 and December 31, 2016, respectively. Intercompany balances have been eliminated for purposes of this presentation.

Assets and Liabilities of Consolidated VIEs as of June 30, 2017 (dollar amounts in thousands):

	Financing VIEs			Other VIEs		
	Multi-family CMBS Re-securitization [1]	Distressed Residential Mortgage Loan Securitization [2]	Residential Mortgage Loan Securitization	Multi-family CMBS [3]	Other	Total
Cash and cash equivalents	$—	$ —	$ —	$—	$562	$562
Investment securities available for sale, at fair value held in securitization trusts	45,400	—	—	—	—	45,400
Residential mortgage loans held in securitization trusts (net)	—	—	85,911	—	—	85,911
Distressed residential mortgage loans held in securitization trust (net)	—	152,621	—	—	—	152,621
Multi-family loans held in securitization trusts, at fair value	1,186,825	—	—	7,281,279	—	8,468,104
Operating real estate held in consolidated variable interest entities, net	—	—	—	—	28,907	28,907
Real estate held for sale in consolidated variable interest entities	—	—	—	—	34,806	34,806
Receivables and other assets	4,238	11,320	882	24,103	23,931	64,474
Total assets	$1,236,463	$ 163,941	$ 86,793	$7,305,382	$88,206	$8,880,785
Residential collateralized debt obligations	$—	$ —	$ 82,313	$—	$—	$82,313
Multi-family collateralized debt obligations, at fair value	1,125,911	—	—	6,944,027	—	8,069,938
Securitized debt	28,735	81,237	—	—	—	109,972
Mortgages and notes payable in consolidated variable interest entities	—	—	—	—	55,849	55,849
Accrued expenses and other liabilities	4,220	1,811	24	23,877	1,758	31,690
Total liabilities	$1,158,866	$ 83,048	$ 82,337	$6,967,904	$57,607	$8,349,762

(1) The Company classified the multi-family CMBS issued by two K-Series securitizations and held by this Financing VIE as available for sale securities as the purpose is not to trade these securities. The Financing VIE consolidated one K-Series securitization that issued certain of the multi-family CMBS owned by the Company, including its assets, liabilities, income and expenses, in its financial statements, as based on a number of factors, the Company determined that it was the primary beneficiary and has a controlling financial interest in this particular K-Series securitization (see Note 6).

(2) The Company engaged in this transaction for the purpose of financing distressed residential mortgage loans acquired by the Company. The distressed residential mortgage loans serving as collateral for the financing are comprised of performing, re-performing and, to a lesser extent, non-performing, fixed and adjustable-rate, fully-amortizing, interest only and balloon, seasoned mortgage loans secured by first liens on one to four family properties. Balances as of June 30, 2017 were related to a securitization transaction that closed in April 2016 that

involved the issuance of $177.5 million of Class A Notes representing the beneficial ownership in a pool of performing and re-performing seasoned mortgage loans. The Company held 5% of the Class A Notes issued as part of the securitization transaction, which were eliminated in consolidation.

(3) Five of the Company's Freddie Mac-sponsored multi-family K-Series securitizations included in the Consolidated K-Series were not held in a Financing VIE as of June 30, 2017.

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Assets and Liabilities of Consolidated VIEs as of December 31, 2016 (dollar amounts in thousands):

	Financing VIEs			Other VIEs		
	Multi-family CMBS Re-securitization (1)	Distressed Residential Mortgage Loan Securitization (2)	Residential Mortgage Loan Securitization	Multi-family CMBS (3)	Other	Total
Cash and cash equivalents	$—	$ —	$ —	$—	$186	$186
Investment securities available for sale, at fair value held in securitization trusts	43,897	—	—	—	—	43,897
Residential mortgage loans held in securitization trusts (net)	—	—	95,144	—	—	95,144
Distressed residential mortgage loans held in securitization trust (net)	—	195,347	—	—	—	195,347
Multi-family loans held in securitization trusts, at fair value	1,196,835	—	—	5,743,009	—	6,939,844
Receivables and other assets	4,420	13,610	912	19,753	17,759	56,454
Total assets	$1,245,152	$ 208,957	$ 96,056	$5,762,762	$17,945	$7,330,872
Residential collateralized debt obligations	$—	$ —	$ 91,663	$—	$—	$91,663
Multi-family collateralized debt obligations, at fair value	1,137,002	—	—	5,487,894	—	6,624,896
Securitized debt	28,332	130,535	—	—	—	158,867
Mortgages and notes payable in consolidated variable interest entities	—	—	—	—	1,588	1,588
Accrued expenses and other liabilities	4,400	1,336	20	19,753	13	25,522
Total liabilities	$1,169,734	$ 131,871	$ 91,683	$5,507,647	$1,601	$6,902,536

(1) The Company classified the multi-family CMBS issued by two K-Series securitizations and held by this Financing VIE as available for sale securities as the purpose is not to trade these securities. The Financing VIE consolidated one K-Series securitization that issued certain of the multi-family CMBS owned by the Company, including its assets, liabilities, income and expenses, in its financial statements, as based on a number of factors, the Company determined that it was the primary beneficiary and has a controlling financial interest in this particular K-Series securitization (see Note 6).

(2) The Company engaged in this transaction for the purpose of financing distressed residential mortgage loans acquired by the Company. The distressed residential mortgage loans serving as collateral for the financing are comprised of performing, re-performing and, to a lesser extent, non-performing, fixed and adjustable-rate, fully-amortizing, interest only and balloon, seasoned mortgage loans secured by first liens on one to four family properties. Balances as of December 31, 2016 are related to a securitization transaction that closed in April 2016 that involved the issuance of $177.5 million of Class A Notes representing the beneficial ownership in a pool of performing and re-performing seasoned mortgage loans. The Company holds 5% of the Class A Notes issued as part of the securitization transaction, which have been eliminated in consolidation.

(3) Four of the Company's Freddie Mac-sponsored multi-family K-Series securitizations included in the Consolidated K-Series were not held in a Financing VIE as of December 31, 2016. In October 2016, the Company repaid $55.9 million of outstanding notes from its November 2013 collateralized recourse financing, which was comprised of securities issued from three separate Freddie Mac-sponsored multi-family K-Series securitizations. In connection with the repayment of the notes, the Company terminated and de-consolidated the Financing VIE that facilitated

this financing transaction and securities serving as collateral on the notes were transferred back to the Company.

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The following table summarizes the Company's securitized debt collateralized by multi-family CMBS and distressed residential mortgage loans (dollar amounts in thousands):

	Multi-family CMBS Re-securitization [1]	Distressed Residential Mortgage Loan Securitizations
Principal Amount at June 30, 2017	$ 33,450	$ 82,347
Principal Amount at December 31, 2016	$ 33,553	$ 132,319
Carrying Value at June 30, 2017 [2]	$ 28,735	$ 81,237
Carrying Value at December 31, 2016 [2]	$ 28,332	$ 130,535
Pass-through rate of Notes issued	5.35%	4.00%

(1) The Company engaged in the re-securitization transaction primarily for the purpose of obtaining non-recourse financing on a portion of its multi-family CMBS portfolio. As a result of engaging in this transaction, the Company remains economically exposed to the first loss position on the underlying multi-family CMBS transferred to the Consolidated VIE. The holders of the Note issued in this re-securitization transaction have no recourse to the general credit of the Company, but the Company does have the obligation, under certain circumstances, to repurchase assets upon the breach of certain representations and warranties. The Company will receive all remaining cash flow, if any, through its retained ownership.

(2) Classified as securitized debt in the liability section of the Company's accompanying condensed consolidated balance sheets, net of debt issuance costs.

The following table presents contractual maturity information about the Financing VIEs' securitized debt as of June 30, 2017 and December 31, 2016, respectively (dollar amounts in thousands):

Scheduled Maturity (principal amount)	June 30, 2017	December 31, 2016
Within 24 months	$82,347	$—
Over 24 months to 36 months	—	132,319
Over 36 months	33,450	33,553
Total outstanding principal	115,797	165,872
Discount	(4,868)	(5,589)
Debt Issuance Cost	(957)	(1,416)
Carrying value	$109,972	$158,867

There is no guarantee that the Company will receive any cash flows from these securitization trusts.

Residential Mortgage Loan Securitization Transaction

The Company has completed four residential mortgage loan securitizations (other than the distressed residential mortgage loan securitizations discussed above) since inception; the first three were accounted for as permanent financings and have been included in the Company's accompanying condensed consolidated financial statements. The fourth was accounted for as a sale and accordingly, is not included in the Company's accompanying condensed consolidated financial statements.

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Unconsolidated VIEs

The Company has evaluated its multi-family CMBS investments in two Freddie Mac-sponsored K-Series securitizations as of June 30, 2017 and December 31, 2016, respectively, and its mezzanine loan, preferred equity and other equity investments to determine whether they are VIEs and should be consolidated by the Company. Based on a number of factors, the Company determined that, except for Riverchase Landing and The Clusters, it does not have a controlling financial interest and is not the primary beneficiary of these VIEs. The following tables present the classification and carrying value of unconsolidated VIEs as of June 30, 2017 and December 31, 2016 (dollar amounts in thousands):

	June 30, 2017				
	Investment securities, available for sale, at fair value	Receivables and other assets	Mezzanine loan and preferred equity investments	Investment in unconsolidated entities	Total
Multi-family CMBS	$45,400	$ 74	$ —	$ —	$45,474
Mezzanine loan on multi-family properties	—	—	12,300	—	12,300
Preferred equity investment on multi-family properties	—	—	87,907	10,155	98,062
Equity investment in entities that invest in multi-family properties	—	—	—	23,552	23,552
Total assets	$45,400	$ 74	$ 100,207	$ 33,707	$179,388

	December 31, 2016				
	Investment securities, available for sale, at fair value	Receivables and other assets	Mezzanine loan and preferred equity investments	Investment in unconsolidated entities	Total
Multi-family CMBS	$43,897	$ 74	$ —	$ —	$43,971
Mezzanine loan on multi-family properties	—	—	18,881	—	18,881
Preferred equity investment on multi-family properties	—	—	81,269	18,928	100,197
Equity investment in entities that invest in multi-family properties	—	—	—	22,252	22,252
Total assets	$43,897	$ 74	$ 100,150	$ 41,180	$185,301

Our maximum loss exposure on the multi-family CMBS investments, mezzanine loan and equity investments is approximately $179.4 million and $185.3 million at June 30, 2017 and December 31, 2016, respectively. The Company’s maximum exposure does not exceed the carrying value of its investments.

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10. Operating Real Estate Held in Consolidated VIEs, Net and Real Estate Held for Sale in Consolidated VIEs

Operating Real Estate Held in Consolidated VIEs, Net

On March 31, 2017, the Company determined that it became the primary beneficiary of The Clusters, a variable interest entity that owns a multi-family apartment community and in which the Company holds a preferred equity investment. Accordingly, on this date, the Company consolidated The Clusters into its condensed consolidated financial statements (see Note 9).

The following is a provisional summary of the real estate investments in The Clusters as of June 30, 2017 (dollar amounts in thousands):

Land	$2,650
Building and improvements	25,712
Furniture, fixtures and equipment	795
Real estate	29,157
Accumulated depreciation [1]	(250)
Operating real estate held in consolidated variable interest entities, net	$28,907

[1] Depreciation expense for the three and six months ended June 30, 2017 totaled $0.3 million.

The real estate investment amounts are provisional as of June 30, 2017 (see Note 9) and the related estimated depreciation expense is as follows (dollar amounts in thousands):

Fiscal Year	
2017	$753
2018	$1,004
2019	$1,004
2020	$1,004
2021	$1,004
2022	$992

Real Estate Held for Sale in Consolidated VIEs

On March 31, 2017, the Company determined that it became the primary beneficiary of Riverchase Landing, a variable interest entity that owns a multi-family apartment community and in which the Company holds a preferred equity investment. Accordingly, on this date, the Company consolidated Riverchase Landing into its condensed consolidated financial statements (see Note 9). During the second quarter of 2017, Riverchase Landing decided to sell its multi-family apartment community and began to actively market the property for sale. The Company anticipates completing a sale to a third party buyer prior to December 31, 2017. Accordingly, the Company has classified the real estate assets in Riverchase Landing as held for sale as of June 30, 2017 in the accompanying condensed consolidated balance sheets. The Company also ceased depreciation of the operating real estate assets and amortization of the related lease intangible asset as of June 5, 2017.

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The following is a provisional summary of the real estate held for sale in Riverchase Landing as of June 30, 2017 (dollar amounts in thousands):

Land	$4,350
Building and improvements	27,691
Furniture, fixtures and equipment	1,229
Lease intangible	2,538
Real estate held for sale before accumulated depreciation and amortization	35,808
Accumulated depreciation [1]	(229)
Accumulated amortization of lease intangible [1]	(773)
Real estate held for sale in consolidated variable interest entities	$34,806

(1) Depreciation and amortization expense for the three and six months ended June 30, 2017 totaled $0.2 million and $0.8 million, respectively.

No gain or loss was recognized by the Company or allocated to non-controlling interests upon the reclassification of the real estate assets to held for sale.

11. Derivative Instruments and Hedging Activities

The Company enters into derivative instruments in connection with its risk management activities. These derivative instruments include interest rate swaps, swaptions and futures. The Company may also purchase or sell short TBAs, purchase put or call options on U.S. Treasury futures or invest in other types of mortgage derivative securities.

Derivatives Not Designated as Hedging Instruments

The following table presents the fair value of derivative instruments that were not designated as hedging instruments and their location in our condensed consolidated balance sheets at June 30, 2017 and December 31, 2016, respectively (dollar amounts in thousands):

Derivatives Not Designated as Hedging Instruments	Balance Sheet Location	June 30, 2017	December 31, 2016
Eurodollar futures	Derivative assets	$ 250	$ 1,175
TBA securities	Derivative assets	171,602	148,139
U.S. Treasury futures	Derivative assets	120	—
Interest rate swap futures	Derivative assets	409	444
Swaptions	Derivative assets	67	431
U.S. Treasury futures	Derivative liabilities	—	107
Interest rate swaps [1]	Derivative liabilities	310	384

(1) Includes interest rate swaps in our Agency IO portfolio. There was no netting of interest rate swaps at June 30, 2017 and December 31, 2016.

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The tables below summarize the activity of derivative instruments not designated as hedges for the six months ended June 30, 2017 and 2016, respectively (dollar amounts in thousands):

	Notional Amount For the Six Months Ended June 30, 2017			
Derivatives Not Designated as Hedging Instruments	December 31, 2016	Additions	Settlement, Expiration or Exercise	June 30, 2017
TBA securities	$149,000	$1,011,000	$(994,000)	$166,000
U.S. Treasury futures	17,100	108,000	(111,800)	13,300
Interest rate swap futures	(151,700)	315,200	(259,400)	(95,900)
Eurodollar futures	(2,575,000)	4,790,000	(4,001,000)	(1,786,000)
Swaptions	154,000	—	—	154,000
Interest rate swaps	15,000	—	—	15,000

	Notional Amount For the Six Months Ended June 30, 2016			
Derivatives Not Designated as Hedging Instruments	December 31, 2015	Additions	Settlement, Expiration or Exercise	June 30, 2016
TBA securities	$222,000	$1,952,000	$(1,893,000)	$281,000
U.S. Treasury futures	—	117,700	(78,000)	39,700
Interest rate swap futures	(137,200)	546,600	(477,300)	(67,900)
Eurodollar futures	(2,769,000)	1,640,000	(3,095,000)	(4,224,000)
Options on U.S. Treasury futures	28,000	66,000	(64,000)	30,000
Swaptions	159,000	—	(5,000)	154,000
Interest rate swaps	10,000	5,000	—	15,000

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The following tables present the components of realized and unrealized gains and losses related to our derivative instruments that were not designated as hedging instruments included in other income category in our condensed consolidated statements of operations for the three and six months ended June 30, 2017 and 2016 (dollar amounts in thousands):

	Three Months Ended June 30,			
	2017		2016	
	Realized Gains (Losses)	Unrealized Gains (Losses)	Realized Gains (Losses)	Unrealized Gains (Losses)
TBA securities	$2,030	$ (1,015)	$3,700	$ 1,454
Eurodollar futures [1]	232	(545)	(724)	(1,294)
Interest rate swaps	—	48	—	93
Swaptions	—	154	—	150
U.S. Treasury and interest rate swap futures and options	(573)	87	(724)	923
Total	$1,689	$ (1,271)	$2,252	$ 1,326

	Six Months Ended June 30,			
	2017		2016	
	Realized Gains (Losses)	Unrealized Gains (Losses)	Realized Gains (Losses)	Unrealized Gains (Losses)
TBA securities	$1,815	$ (815)	$8,508	$ 3,430
Eurodollar futures [1]	787	(925)	(1,506)	(3,330)
Interest rate swaps	—	74	—	(26)
Swaptions	—	68	—	22
U.S. Treasury and interest rate swap futures and options	(416)	193	(2,995)	(461)
Total	$2,186	$ (1,405)	$4,007	$ (365)

(1) At June 30, 2017, the Eurodollar futures consist of 1,786 contracts with expiration dates ranging between September 2017 and December 2018.

The use of TBAs exposes the Company to market value risk, as the market value of the securities that the Company is required to purchase pursuant to a TBA transaction may increase or decrease from the agreed-upon purchase price. At June 30, 2017 and December 31, 2016, our condensed consolidated balance sheets include TBA-related liabilities of $172.6 million and $148.0 million included in payable for securities purchased, respectively. Open TBA purchases and sales involving the same counterparty, same underlying deliverable and the same settlement date are reflected in our condensed consolidated financial statements on a net basis. TBA sales amounting to approximately $69.2 million were netted against TBA purchases amounting to approximately $241.8 million at June 30, 2017. There was $114.4 million netting of TBA sales against TBA purchases of $262.4 million at December 31, 2016.

Derivatives Designated as Hedging Instruments

The Company’s interest rate swaps, except interest swaps included in its Agency IO portfolio, are used to hedge the variable cash flows associated with borrowings made under our financing arrangements, including FHLBI advances until January 2016 when we repaid them, and are designated as cash flow hedges. There were no costs incurred at the inception of the Company's interest rate swaps, under which the Company agrees to pay a fixed rate of interest and receive a variable interest rate based on one month LIBOR, on the notional amount of the interest rate swaps.

The Company documents its risk-management policies, including objectives and strategies, as they relate to its hedging activities, and upon entering into hedging transactions, documents the relationship between the hedging instrument and the hedged liability contemporaneously. The Company assesses, both at inception of a hedge and on an on-going basis, whether or not the hedge is “highly effective” when using the matched term basis.

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The Company discontinues hedge accounting on a prospective basis and recognizes changes in the fair value through earnings when: (i) it is determined that the derivative is no longer effective in offsetting cash flows of a hedged item (including forecasted transactions); (ii) it is no longer probable that the forecasted transaction will occur; or (iii) it is determined that designating the derivative as a hedge is no longer appropriate. The Company's derivative instruments are carried on the Company's balance sheets at fair value, as assets, if their fair value is positive, or as liabilities, if their fair value is negative. For the Company's derivative instruments that are designated as "cash flow hedges," changes in their fair value are recorded in accumulated other comprehensive income (loss), provided that the hedges are effective. A change in fair value for any ineffective amount of the Company's derivative instruments would be recognized in earnings. The Company has not recognized any change in the value of its existing derivative instruments designated as cash flow hedges through earnings as a result of ineffectiveness of any of its hedges.

The following table presents the fair value of derivative instruments designated as hedging instruments and their location in the Company's condensed consolidated balance sheets at June 30, 2017 and December 31, 2016, respectively (dollar amounts in thousands):

Derivatives Designated as Hedging Instruments	Balance Sheet Location	Total Notional Amount	June 30, 2017	December 31, 2016
Interest rate swaps	Derivative asset	$215,000	$ 194	$ —
Interest rate swaps	Derivative asset	65,000	—	108
Interest rate swaps	Derivative liability	150,000	—	6

The Company has netting arrangements by counterparty with respect to its interest rate swaps. There was no netting of interest rate swaps designated as hedging instruments at June 30, 2017.

The following table presents the impact of the Company's derivative instruments on the Company's accumulated other comprehensive income for the six months ended June 30, 2017 and 2016, respectively (dollar amounts in thousands):

Derivatives Designated as Hedging Instruments	Six Months Ended June 30, 2017	2016
Accumulated other comprehensive income for derivative instruments:		
Balance at beginning of the period	$102	$304
Unrealized gain (loss) on interest rate swaps	92	(1,127)
Balance at end of the period	$194	$(823)

The Company estimates that over the next 12 months, approximately $0.2 million of the net unrealized gains on the interest rate swaps will be reclassified from accumulated other comprehensive income (loss) into earnings.

The following table details the impact of the Company's interest rate swaps designated as hedging instruments included in interest expense for the three and six months ended June 30, 2017 and 2016, respectively (dollar amounts in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Interest income-investment securities	$101	$ —	$ 74	$ —
Interest expense-investment securities	—	209	—	427

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The following table presents information about our interest rate swaps (includes interest rate swaps in our Agency IO portfolio) whereby we receive floating rate payments in exchange for fixed rate payments as of June 30, 2017 and December 31, 2016, respectively (dollar amounts in thousands):

	June 30, 2017			December 31, 2016		
Swap Maturities	Notional Amount	Weighted Average Fixed Interest Rate	Weighted Average Variable Interest Rate	Notional Amount	Weighted Average Fixed Interest Rate	Weighted Average Variable Interest Rate
2017	$215,000	0.83 %	1.19 %	$215,000	0.83 %	0.74 %
2019	10,000	2.25 %	1.25 %	10,000	2.25 %	0.97 %
Total	$225,000	0.90 %	1.20 %	$225,000	0.90 %	0.75 %

The following table presents information about our interest rate swaps in our Agency IO portfolio whereby we receive fixed rate payments in exchange for floating rate payments as of June 30, 2017 and December 31, 2016, respectively (dollar amounts in thousands):

	June 30, 2017			December 31, 2016		
Swap Maturities	Notional Amount	Weighted Average Fixed Interest Rate	Weighted Average Variable Interest Rate	Notional Amount	Weighted Average Fixed Interest Rate	Weighted Average Variable Interest Rate
2026	$5,000	1.80 %	1.29 %	$5,000	1.80 %	1.00 %
Total	$5,000	1.80 %	1.29 %	$5,000	1.80 %	1.00 %

The use of derivatives exposes the Company to counterparty credit risks in the event of a default by a counterparty. If a counterparty defaults under the applicable derivative agreement, the Company may be unable to collect payments to which it is entitled under its derivative agreements and may have difficulty collecting the assets it pledged as collateral against such derivatives. The Company currently has in place with all counterparties bi-lateral margin agreements requiring a party to post collateral to the Company for any valuation deficit. This arrangement is intended to limit the Company's exposure to losses in the event of a counterparty default.

The Company is required to pledge assets under a bi-lateral margin arrangement, including either cash or Agency RMBS, as collateral for its interest rate swaps, futures contracts and TBAs, whose collateral requirements vary by counterparty and change over time based on the market value, notional amount, and remaining term of the agreement. In the event the Company is unable to meet a margin call under one of its agreements, thereby causing an event of default or triggering an early termination event under one of its agreements, the counterparty to such agreement may have the option to terminate all of such counterparty's outstanding transactions with the Company. In addition, under this scenario, any close-out amount due to the counterparty upon termination of the counterparty's transactions would be immediately payable by the Company pursuant to the applicable agreement. The Company believes it was in compliance with all margin requirements under its agreements as of June 30, 2017 and December 31, 2016. The Company had $9.0 million and $6.1 million of restricted cash related to margin posted for its agreements as of June 30, 2017 and December 31, 2016, respectively. The restricted cash held by third parties is included in receivables and other assets in the accompanying condensed consolidated balance sheets.

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12. Financing Arrangements, Portfolio Investments

The Company has entered into repurchase agreements with third party financial institutions to finance its investment portfolio. These financing arrangements are short-term borrowings that bear interest rates typically based on a spread to LIBOR, and are secured by the securities which they finance. At June 30, 2017, the Company had repurchase agreements with an outstanding balance of $656.4 million and a weighted average interest rate of 2.29%. At December 31, 2016, the Company had repurchase agreements with an outstanding balance of $773.1 million and a weighted average interest rate of 1.92%.

The following table presents detailed information about the Company's borrowings under financing arrangements and associated assets pledged as collateral at June 30, 2017 and December 31, 2016 (dollar amounts in thousands):

	June 30, 2017			December 31, 2016		
	Outstanding Financing Arrangements	Fair Value of Collateral Pledged	Amortized Cost of Collateral Pledged	Outstanding Financing Arrangements	Fair Value of Collateral Pledged	Amortized Cost of Collateral Pledged
Agency ARMs	$82,726	$87,009	$88,160	$102,088	$109,552	$110,903
Agency Fixed Rate	263,592	276,360	286,643	289,619	308,411	318,544
Agency IOs/U.S. Treasury Securities	30,083	43,274	52,410	60,862	82,153	93,819
Non Agency	61,361	78,881	78,078	113,749	150,944	149,969
CMBS [1]	218,588	296,554	230,819	206,824	294,083	216,092
Balance at end of the period	$656,350	$782,078	$736,110	$773,142	$945,143	$889,327

(1) Includes first loss tranche PO and mezzanine CMBS securities with a fair value amounting to $231.2 million and $254.6 million included in the Consolidated K-Series as of June 30, 2017 and December 31, 2016, respectively.

As of June 30, 2017 and December 31, 2016, the average days to maturity for financing arrangements were 16 days and 12 days, respectively. The Company's accrued interest payable on outstanding financing arrangements at June 30, 2017 and December 31, 2016 amounts to $0.5 million and $1.1 million, respectively, and is included in accrued expenses and other liabilities on the Company's condensed consolidated balance sheets.

The following table presents contractual maturity information about the Company's outstanding financing arrangements, at June 30, 2017 and December 31, 2016 (dollar amounts in thousands):

Contractual Maturity	June 30, 2017	December 31, 2016
Within 30 days	$656,350	$729,134
Over 30 days to 90 days	—	44,008
Over 90 days	—	—
Total	$656,350	$773,142

As of June 30, 2017, the outstanding balance under our financing arrangements was funded at an advance rate of 85.9% that implies an average haircut of 14.1%. As of June 30, 2017, the weighted average "haircut" related to our repurchase agreement financing for our Agency RMBS (excluding Agency IOs), Non-Agency RMBS, CMBS and Agency IOs was approximately 5%, 23%, 25% and 25%, respectively.

In the event we are unable to obtain sufficient short-term financing through existing financings arrangements, or our lenders start to require additional collateral, we may have to liquidate our investment securities at a disadvantageous

time, which could result in losses. Any losses resulting from the disposition of our investment securities in this manner could have a material adverse effect on our operating results and net profitability. At June 30, 2017 and December 31, 2016, the Company had financing arrangements with eight and eight counterparties, respectively. As of June 30, 2017 and December 31, 2016, we had no counterparties where the amount at risk was in excess of 5% of the Company's stockholders’ equity. The amount at risk is defined as the fair value of securities pledged as collateral to the financing arrangement in excess of the financing arrangement liability.

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As of June 30, 2017, our available liquid assets included unrestricted cash and cash equivalents, overnight deposits and unencumbered securities that we believe may be posted as margin. The Company had $75.4 million in cash and cash equivalents, $18.8 million in overnight deposits in our Agency IO portfolio included in restricted cash and $250.8 million in unencumbered investment securities to meet additional haircuts or market valuation requirements. The unencumbered securities that we believe may be posted as margin as of June 30, 2017 included $42.9 million of Agency RMBS, $156.7 million of CMBS and $51.2 million of Non-Agency RMBS and other investment securities. The cash and unencumbered securities, which collectively represent 52.6% of our financing arrangements, are liquid and could be monetized to pay down or collateralize a liability immediately.

13. Financing Arrangements, Residential Mortgage Loans

The Company has a master repurchase agreement with Deutsche Bank AG, Cayman Islands Branch in an aggregate principal amount of $200 million and a maximum uncommitted principal amount of $50.0 million to fund its distressed residential mortgage loan portfolio, expiring on December 13, 2017. The outstanding balance on this master repurchase agreement as of June 30, 2017 and December 31, 2016 amounts to approximately $165.0 million and $193.8 million, respectively, bearing interest at one month LIBOR plus 2.50% (3.72% and 3.26% at June 30, 2017 and December 31, 2016, respectively).

In November 2015, the Company entered into a master repurchase agreement with Deutsche Bank AG, Cayman Islands Branch in an aggregate principal amount of up to $100.0 million to fund the future purchase of residential mortgage loans, expiring on May 25, 2017. On May 24, 2017, the Company entered into an amended master repurchase agreement that reduced the committed principal amount to $25.0 million and expires on November 24, 2018. The outstanding balance on this master repurchase agreement as of June 30, 2017 amounts to approximately $10.6 million, bearing interest at one-month LIBOR plus 3.5% (4.72% at June 30, 2017). There was no outstanding balance on this master repurchase agreement as of December 31, 2016.

During the term of the master repurchase agreements, proceeds from the residential mortgage loans, including the Company's distressed residential mortgage loans, will be applied to pay any price differential and to reduce the aggregate repurchase price of the collateral. The financings under the master repurchase agreements are subject to margin calls to the extent the market value of the residential mortgage loans falls below specified levels and repurchase may be accelerated upon an event of default under the master repurchase agreements. The master repurchase agreements contain various covenants, including among other things, the maintenance of certain amounts of net worth, liquidity and leverage ratios. The Company is in compliance with such covenants as of August 7, 2017.

14. Residential Collateralized Debt Obligations

The Company’s Residential CDOs, which are recorded as liabilities on the Company’s condensed consolidated balance sheets, are secured by ARM loans pledged as collateral, which are recorded as assets of the Company. As of June 30, 2017 and December 31, 2016, the Company had Residential CDOs outstanding of $82.3 million and $91.7 million, respectively. As of June 30, 2017 and December 31, 2016, the current weighted average interest rate on these Residential CDOs was 1.83% and 1.37%, respectively. The Residential CDOs are collateralized by ARM loans with a principal balance of $89.3 million and $98.3 million at June 30, 2017 and December 31, 2016, respectively. The Company retained the owner trust certificates, or residual interest, for three securitizations, and, as of June 30, 2017 and December 31, 2016, had a net investment in the residential securitization trusts of $4.5 million and $4.4 million, respectively.

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15. Debt

Convertible Notes

On January 23, 2017, the Company completed the issuance and sale to Nomura Securities International, Inc., as the underwriter, of $138.0 million aggregate principal amount of its 6.25% Senior Convertible Notes due 2022 (the "Convertible Notes"), including $18.0 million aggregate principal amount of the Convertible Notes issued upon exercise of Nomura's over-allotment option, in an underwritten public offering. The net proceeds to the Company from the sale of the Convertible Notes, after deducting the underwriter's discounts, commissions and offering expenses, were approximately $127.0 million.

The Convertible Notes were issued at 96% of the principal amount, bear interest at a rate equal to 6.25% per year, payable semi-annually in arrears on January 15 and July 15 of each year, commencing July 15, 2017, and are expected to mature on January 15, 2022, unless earlier converted or repurchased. The Company does not have the right to redeem the Convertible Notes prior to maturity and no sinking fund is provided for the Convertible Notes. Holders of the Convertible Notes will be permitted to convert their Convertible Notes into shares of the Company's common stock at any time prior to the close of business on the business day immediately proceeding January 15, 2022. The conversion rate for the Convertible Notes, which is subject to adjustment upon the occurrence of certain specified events, initially equals 142.7144 shares of the Company’s common stock per $1,000 principal amount of Convertible Notes, which is equivalent to a conversion price of approximately $7.01 per share of the Company’s common stock, based on a $1,000 principal amount of the Convertible Notes. The Convertible Notes are senior unsecured obligations of the Company that rank senior in right of payment to the Company's subordinated debentures and any of its other indebtedness that is expressly subordinated in right of payment to the Convertible Notes.

During the six months ended June 30, 2017, none of the Convertible Notes were converted. As of August 7, 2017, the Company has not been notified, and is not aware, of any event of default under the covenants for the Convertible Notes.

Subordinated Debentures

Subordinated debentures are trust preferred securities that are fully guaranteed by the Company with respect to distributions and amounts payable upon liquidation, redemption or repayment. The following table summarizes the key details of the Company’s subordinated debentures as of June 30, 2017 and December 31, 2016 (dollar amounts in thousands):

	NYM Preferred Trust I	NYM Preferred Trust II
Principal value of trust preferred securities	$ 25,000	$ 20,000
Interest Rate	Three month LIBOR plus 3.75%, resetting quarterly	Three month LIBOR plus 3.95%, resetting quarterly
Scheduled maturity	March 30, 2035	October 30, 2035

As of August 7, 2017, the Company has not been notified, and is not aware, of any event of default under the covenants for the subordinated debentures.

Mortgages and Notes Payable in Consolidated VIEs

On March 31, 2017, the Company determined that it became the primary beneficiary of Riverchase Landing and The Clusters, two variable interest entities that each own a multi-family apartment community and in which the Company holds preferred equity investments. Accordingly, on this date, the Company consolidated both Riverchase Landing and The Clusters into its condensed consolidated financial statements (see Note 9). Both Riverchase Landing's and The Clusters' real estate investments are subject to mortgages payable and the Company has no obligation for these liabilities as of June 30, 2017.

The Company also consolidates KRVI into its condensed consolidated financial statements (see Note 9). KRVI's real estate under development is subject to a note payable of $4.4 million that has an unused commitment of $2.3 million as of June 30, 2017. The Company has not been notified, and is not aware, of any event of default under the covenants of KRVI's note payable as of August 7, 2017.

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The mortgages and notes payable in the consolidated VIEs are described below (dollar amounts in thousands):

	Assumption/Origination Date	Mortgage Note Amount as of June 30, 2017	Maturity Date	Interest Rate	Net Deferred Finance Costs
Riverchase Landing	10/2/2015 [1]	$ 23,790	11/1/2022	3.88 %	$ 204
The Clusters	6/30/2014	$ 27,950	7/6/2024	4.49 %	$ 70
KRVI	12/16/2016	$ 4,383	12/16/2019	6.00 %	$ —

[1] Origination date of 10/26/2012

As of June 30, 2017, maturities for debt on the Company's condensed consolidated balance sheet are as follows (dollar amounts in thousands):

Fiscal Year	Total
2017	$—
2018	—
2019	4,383
2020	—
2021	—
2022	161,790
Thereafter	72,950
	$239,123

16. Commitments and Contingencies

Loans Sold to Third Parties – In the normal course of business, the Company is obligated to repurchase loans based on violations of representations and warranties in the loan sale agreements. The Company did not repurchase any loans during the six months ended June 30, 2017.

Outstanding Litigation – The Company is at times subject to various legal proceedings arising in the ordinary course of business. As of June 30, 2017, the Company does not believe that any of its current legal proceedings, individually or in the aggregate, will have a material adverse effect on the Company’s operations, financial condition or cash flows.

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17. Fair Value of Financial Instruments

The Company has established and documented processes for determining fair values. Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, then fair value is based upon internally developed models that primarily use inputs that are market-based or independently-sourced market parameters, including interest rate yield curves.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of valuation hierarchy are defined as follows:

Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following describes the valuation methodologies used for the Company's financial instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

a. Investment Securities Available for Sale – Fair value for the investment securities in our portfolio, except the CMBS held in securitization trusts, are valued using a third-party pricing service or are based on quoted prices provided by dealers who make markets in similar financial instruments. The dealers will incorporate common market pricing methods, including a spread measurement to the Treasury curve or interest rate swap curve as well as underlying characteristics of the particular security including coupon, periodic and life caps, collateral type, rate reset period and seasoning or age of the security. If quoted prices for a security are not reasonably available from a dealer, the security will be re-classified as a Level 3 security and, as a result, management will determine the fair value based on characteristics of the security that the Company receives from the issuer and available market information. Management reviews all prices used in determining fair value to ensure they represent current market conditions. This review includes surveying similar market transactions, comparisons to interest pricing models as well as offerings of like securities by dealers. The Company's investment securities, except the CMBS held in securitization trusts, are valued based upon readily observable market parameters and are classified as Level 1 or 2 fair values.

The Company's CMBS held in securitization trusts are comprised of securities for which there are not substantially similar securities that trade frequently. The Company classifies these securities as Level 3 fair values. Fair value of the Company's CMBS investments held in securitization trusts is based on an internal valuation model that considers expected cash flows from the underlying loans and yields required by market participants. The significant unobservable inputs used in the measurement of these investments are projected losses of certain identified loans within the pool of loans and a discount rate. The discount rate used in determining fair value incorporates default rate, loss severity and current market interest rates. The discount rate ranges from 4.5% to 10.8%. Significant increases or decreases in these inputs would result in a significantly lower or higher fair value measurement.

b. Multi-Family Loans Held in Securitization Trusts – Multi-family loans held in securitization trusts are carried at fair value as a result of a fair value election and classified as Level 3 fair values. The Company determines the fair value of multi-family loans held in securitization trusts based on the fair value of its Multi-Family CDOs and its retained interests from these securitizations (eliminated in consolidation in accordance with GAAP), as the fair value of these

instruments is more observable.

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c. Derivative Instruments – The fair value of interest rate swaps, swaptions, options and TBAs are based on dealer quotes. The fair value of future contracts are based on exchange-traded prices. The Company's derivatives are classified as Level 1 or Level 2 fair values.

d. Multi-Family CDOs – Multi-Family CDOs are recorded at fair value and classified as Level 3 fair values. The fair value of Multi-Family CDOs is determined using a third party pricing service or are based on quoted prices provided by dealers who make markets in similar financial instruments. The dealers will consider contractual cash payments and yields expected by market participants. Dealers also incorporate common market pricing methods, including a spread measurement to the Treasury curve or interest rate swap curve as well as underlying characteristics of the particular security including coupon, periodic and life caps, collateral type, rate reset period and seasoning or age of the security. The Company's Multi-Family CDOs are classified as Level 3 fair values.

e. Investment in Unconsolidated Entities – Fair value for investments in unconsolidated entities is determined based on a valuation model using assumptions for the timing and amount of expected future cash flow for income and realization events for the underlying assets in the unconsolidated entities and a discount rate. This fair value measurement is generally based on unobservable inputs and, as such, is classified as Level 3 in the fair value hierarchy.

Any changes to the valuation methodology are reviewed by management to ensure the changes are appropriate. As markets and products develop and the pricing for certain products becomes more transparent, the Company continues to refine its valuation methodologies. The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. The Company uses inputs that are current as of each reporting date, which may include periods of market dislocation, during which time price transparency may be reduced. This condition could cause the Company's financial instruments to be reclassified from Level 2 to Level 3 in future periods.

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The following table presents the Company's financial instruments measured at fair value on a recurring basis as of June 30, 2017 and December 31, 2016, respectively, on the Company's condensed consolidated balance sheets (dollar amounts in thousands):

	Measured at Fair Value on a Recurring Basis at							
	June 30, 2017				December 31, 2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets carried at fair value								
Investment securities available for sale:								
Agency RMBS	$—	$446,631	$—	$446,631	$—	$526,363	$—	$526,363
Non-Agency RMBS	—	129,918	—	129,918	—	163,284	—	163,284
U.S. Treasury Securities	2,925	—	—	2,925	2,887	—	—	2,887
CMBS	—	116,029	45,400	161,429	—	82,545	43,897	126,442
Multi-family loans held in securitization trusts	—	—	8,468,104	8,468,104	—	—	6,939,844	6,939,844
Derivative assets:								—
TBA Securities	—	171,602	—	171,602	—	148,139	—	148,139
U.S. Treasury futures	120	—	—	120	—	—	—	—
Interest rate swap futures	409	—	—	409	444	—	—	444
Interest rate swaps	—	194	—	194	—	108	—	108
Swaptions	—	67	—	67	—	431	—	431
Eurodollar futures	250	—	—	250	1,175	—	—	1,175
Investment in unconsolidated entities	—	—	62,662	62,662	—	—	60,332	60,332
Total	$3,704	$864,441	$8,576,166	$9,444,311	$4,506	$920,870	$7,044,073	$7,969,449
Liabilities carried at fair value								
Multi-family collateralized debt obligations	$—	$—	$8,069,938	$8,069,938	$—	$—	$6,624,896	$6,624,896
Derivative liabilities:								—
U.S. Treasury futures	—	—	—	—	107	—	—	107
Interest rate swaps	—	310	—	310	—	391	—	391
Total	$—	$310	$8,069,938	$8,070,248	$107	$391	$6,624,896	$6,625,394

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The following table details changes in valuation for the Level 3 assets for the six months ended June 30, 2017 and 2016, respectively (amounts in thousands):

Level 3 Assets:

	Six Months Ended June 30,	
	2017	2016
Balance at beginning of period	$7,044,073	$7,213,641
Total gains/(losses) (realized/unrealized)		
Included in earnings [1]	62,642	240,755
Included in other comprehensive income	(144)	124
Purchases	1,537,526	—
Transfers in [2]	—	52,176
Transfers out [3]	—	(56,756)
Contributions	1,300	1,500
Paydowns/Distributions	(69,231)	(63,969)
Balance at the end of period	$8,576,166	$7,387,471

(1) Amounts included in interest income from multi-family loans held in securitization trusts, unrealized gain on multi-family loans and debt held in securitization trusts, and other income.

(2) Transfers into Level 3 are investments in unconsolidated entities held by RiverBanc and RBMI for which the Company accounts under the equity method of accounting with a fair value election. These transfers in are a result of the Company's acquisition of the outstanding membership interests in RiverBanc and RBMI that were not previously owned by the Company on May 16, 2016, which resulted in consolidation of these entities into the Company's financial statements (see Note 22).

(3) Transfers out of Level 3 are the Company's previously held membership interests in RBMI and RBDHC that were accounted for under the equity method of accounting with a fair value election. These transfers out are a result of the Company's acquisition of the outstanding membership interests in RBMI and RBDHC that were not previously owned by the Company on May 16, 2016, which resulted in consolidation of these entities into the Company's financial statements (see Note 22).

The following table details changes in valuation for the Level 3 liabilities for the six months ended June 30, 2017 and 2016, respectively (amounts in thousands):

Level 3 Liabilities:

	Six Months Ended June 30,	
	2017	2016
Balance at beginning of period	$6,624,896	$6,818,901
Total gains/(losses) (realized/unrealized)		
Included in earnings [1]	39,113	221,899
Purchases	1,472,073	—
Paydowns	(66,144)	(58,987)
Balance at the end of period	$8,069,938	$6,981,813

(1) Amounts included in interest expense on Multi-Family CDOs and unrealized gain on multi-family loans and debt held in securitization trusts.

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The following table details the changes in unrealized gains (losses) included in earnings for our Level 3 multi-family loans and debt held in securitization trusts for the three and six months ended June 30, 2017 and 2016, respectively (dollar amounts in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Change in unrealized gains (losses) – assets	$66,642	$65,763	$76,762	$255,656
Change in unrealized (losses) gains – liabilities	(65,195)	(64,979)	(73,931)	(254,054)
Net change in unrealized gains included in earnings for assets and liabilities	$1,447	$784	$2,831	$1,602

The following table presents assets measured at fair value on a non-recurring basis as of June 30, 2017 and December 31, 2016, respectively, on the condensed consolidated balance sheets (dollar amounts in thousands):

	Assets Measured at Fair Value on a Non-Recurring Basis at June 30, 2017				December 31, 2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Residential mortgage loans held in securitization trusts – impaired loans (net)	$—	$—	$8,678	$8,678	$—	$—	$9,050	$9,050
Real estate owned held in residential securitization trusts	—	—	111	111	—	—	150	150

The following table presents losses (gains) incurred for assets measured at fair value on a non-recurring basis for the three and six months ended June 30, 2017 and 2016, respectively, on the Company's condensed consolidated statements of operations (dollar amounts in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Residential mortgage loans held in securitization trusts – impaired loans (net)	$189	$163	$205	$432
Real estate owned held in residential securitization trusts	6	—	6	(23)

Residential Mortgage Loans Held in Securitization Trusts – Impaired Loans (net) – Impaired residential mortgage loans held in securitization trusts are recorded at amortized cost less specific loan loss reserves. Impaired loan value is based on management's estimate of the net realizable value taking into consideration local market conditions of the property, updated appraisal values of the property and estimated expenses required to remediate the impaired loan.

Real Estate Owned Held in Residential Securitization Trusts – Real estate owned held in the residential securitization trusts are recorded at net realizable value. Any subsequent adjustment will result in the reduction in carrying value with the corresponding amount charged to earnings. Net realizable value is based on an estimate of disposal taking into consideration local market conditions of the property, updated appraisal values of the property and estimated expenses required to sell the property.

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The following table presents the carrying value and estimated fair value of the Company's financial instruments at June 30, 2017 and December 31, 2016, respectively (dollar amounts in thousands):

		June 30, 2017		December 31, 2016	
	Fair Value Hierarchy Level	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial Assets:					
Cash and cash equivalents	Level 1	$75,391	$ 75,391	$83,554	$ 83,554
Investment securities available for sale [1]	Level 1, 2 or 3	740,903	740,903	818,976	818,976
Residential mortgage loans held in securitization trusts (net)	Level 3	85,911	83,099	95,144	88,718
Distressed residential mortgage loans (net) [2]	Level 3	429,792	435,217	503,094	504,915
Multi-family loans held in securitization trusts	Level 3	8,468,104	8,468,104	6,939,844	6,939,844
Derivative assets	Level 1 or 2	172,642	172,642	150,296	150,296
Mortgage loans held for sale (net) [3]	Level 3	11,337	11,504	7,847	7,959
Mortgage loans held for investment [3]	Level 3	33,872	34,227	19,529	19,641
Mezzanine loan and preferred equity investments [4]	Level 3	100,207	101,918	100,150	101,408
Investment in unconsolidated entities [5]	Level 3	72,817	72,897	79,259	79,390
Financial Liabilities:					
Financing arrangements, portfolio investments	Level 2	656,350	656,350	773,142	773,142
Financing arrangements, residential mortgage loans	Level 2	174,861	174,861	192,419	192,419
Residential collateralized debt obligations	Level 3	82,313	78,671	91,663	85,568
Multi-family collateralized debt obligations	Level 3	8,069,938	8,069,938	6,624,896	6,624,896
Securitized debt	Level 3	109,972	115,865	158,867	163,884
Derivative liabilities	Level 1 or 2	310	310	498	498
Payable for securities purchased	Level 1	172,557	172,557	148,015	148,015
Subordinated debentures	Level 3	45,000	44,917	45,000	43,132
Convertible notes	Level 2	127,799	139,551	—	—

(1) Includes $45.4 million and $43.9 million of investment securities for sale held in securitization trusts as of June 30, 2017 and December 31, 2016, respectively.

(2) Includes distressed residential mortgage loans held in securitization trusts with a carrying value amounting to approximately $152.6 million and $195.3 million at June 30, 2017 and December 31, 2016, respectively, and distressed residential mortgage loans with a carrying value amounting to approximately $277.2 million and $307.7 million at June 30, 2017 and December 31, 2016, respectively.

(3) Included in receivables and other assets in the accompanying condensed consolidated balance sheets.

(4) Includes mezzanine loan and preferred equity investments accounted for as loans (see Note 8).

(5) Includes investments in unconsolidated entities accounted for under the fair value option with a carrying value of $62.7 million and $60.3 million at June 30, 2017 and December 31, 2016, respectively (see Note 7).

In addition to the methodology to determine the fair value of the Company's financial assets and liabilities reported at fair value on a recurring basis and non-recurring basis, as previously described, the following methods and assumptions were used by the Company in arriving at the fair value of the Company's other financial instruments in the table immediately above:

a. Cash and cash equivalents – Estimated fair value approximates the carrying value of such assets.

b.

Residential mortgage loans held in securitization trusts (net) – Residential mortgage loans held in the securitization trusts are recorded at amortized cost. Fair value is based on an internal valuation model that considers the aggregated characteristics of groups of loans such as, but not limited to, collateral type, index, interest rate, margin, length of fixed-rate period, life cap, periodic cap, underwriting standards, age and credit estimated using the estimated market prices for similar types of loans.

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c. Distressed residential mortgage loans (net) – Fair value is estimated using pricing models taking into consideration current interest rates, loan amount, payment status and property type, and forecasts of future interest rates, home prices and property values, prepayment speeds, default, loss severities, and actual purchases and sales of similar loans.

d. Receivable for securities sold – Estimated fair value approximates the carrying value of such assets.

e. Mortgage loans held for sale (net) – The fair value of mortgage loans held for sale (net) are estimated by the Company based on the price that would be received if the loans were sold as whole loans taking into consideration the aggregated characteristics of the loans such as, but not limited to, collateral type, index, interest rate, margin, length of fixed interest rate period, life time cap, periodic cap, underwriting standards, age and credit.

f. Mezzanine loan and preferred equity investments – Estimated fair value is determined by both market comparable pricing and discounted cash flows. The discounted cash flows are based on the underlying contractual cash flows and estimated changes in market yields. The fair value also reflects consideration of changes in credit risk since the origination or time of initial investment.

g. Financing arrangements – The fair value of these financing arrangements approximates cost as they are short term in nature.

h. Residential collateralized debt obligations – The fair value of these CDOs is based on discounted cash flows as well as market pricing on comparable obligations.

i. Securitized debt – The fair value of securitized debt is based on discounted cash flows using management’s estimate for market yields.

j. Payable for securities purchased – Estimated fair value approximates the carrying value of such liabilities.

k. Subordinated debentures – The fair value of these subordinated debentures is based on discounted cash flows using management’s estimate for market yields.

l. Convertible notes – The fair value is based on quoted prices provided by dealers who make markets in similar financial instruments.

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18. Stockholders' Equity

(a) Dividends on Preferred Stock

The Company had 200,000,000 authorized shares of preferred stock, par value $0.01 per share, with 6,600,000 shares issued and outstanding as of June 30, 2017 and December 31, 2016.

On June 4, 2013, the Company issued 3,000,000 shares of 7.75% Series B Cumulative Redeemable Preferred Stock ("Series B Preferred Stock"), with a par value of $0.01 per share and a liquidation preference of $25 per share, in an underwritten public offering, for net proceeds of approximately $72.4 million, after deducting underwriting discounts and offering expenses. As of June 30, 2017 and December 31, 2016, there were 6,000,000 shares of Series B Preferred Stock authorized. The Series B Preferred Stock is entitled to receive a dividend at a rate of 7.75% per year on the $25 liquidation preference and is senior to the common stock with respect to dividends and distribution of assets upon liquidation, dissolution or winding up.

On April 22, 2015, the Company issued 3,600,000 shares of 7.875% Series C Cumulative Redeemable Preferred Stock ("Series C Preferred Stock"), with a par value of $0.01 per share and a liquidation preference of $25 per share, in an underwritten public offering, for net proceeds of approximately $86.9 million, after deducting underwriting discounts and offering expenses. As of June 30, 2017 and December 31, 2016, there were 4,140,000 shares of Series C Preferred Stock authorized. The Series C Preferred Stock is entitled to receive a dividend at a rate of 7.875% per year on the $25 liquidation preference and is senior to the common stock with respect to dividends and distribution of assets upon liquidation, dissolution or winding up.

The Series B Preferred Stock and Series C Preferred Stock generally do not have any voting rights, subject to an exception in the event the Company fails to pay dividends on such stock for six or more quarterly periods (whether or not consecutive). Under such circumstances, holders of the Series B Preferred Stock and Series C Preferred Stock, voting together as a single class with the holders of all other classes or series of our preferred stock upon which like voting rights have been conferred and are exercisable and which are entitled to vote as a class with the Series B Preferred Stock and Series C Preferred Stock, will be entitled to vote to elect two additional directors to the Company's Board of Directors (the "Board") until all unpaid dividends have been paid or declared and set apart for payment. In addition, certain material and adverse changes to the terms of the Series B Preferred Stock and Series C Preferred Stock cannot be made without the affirmative vote of holders of at least two-thirds of the outstanding shares of Series B Preferred Stock and Series C Preferred Stock.

Neither the Series B Preferred Stock and Series C Preferred Stock are redeemable by the Company prior to June 4, 2018, in the case of the Series B Preferred Stock, and April 22, 2020, in the case of the Series C Preferred Stock, except under circumstances intended to preserve the Company's qualification as a REIT and except upon the occurrence of a Change of Control (as defined in the Articles Supplementary designating the Series B Preferred Stock and Series C Preferred Stock, respectively). On and after June 4, 2018 and April 22, 2020, the Company may, at its option, redeem the Series B Preferred Stock and Series C Preferred Stock, respectively, in whole or in part, at any time or from time to time, for cash at a redemption price equal to $25.00 per share, plus any accumulated and unpaid dividends.

In addition, upon the occurrence of a Change of Control, the Company may, at its option, redeem the Series B Preferred Stock and Series C Preferred Stock, in whole or in part, within 120 days after the first date, on which such Change of Control occurred, for cash at a redemption price of $25.00 per share, plus any accumulated and unpaid dividends.

Each of the Series B Preferred Stock and Series C Preferred Stock has no stated maturity, is not subject to any sinking fund or mandatory redemption and will remain outstanding indefinitely unless repurchased or redeemed by the Company or converted into the Company's common stock in connection with a Change of Control.

Upon the occurrence of a Change of Control, each holder of Series B Preferred Stock and Series C Preferred Stock will have the right (unless the Company has exercised its right to redeem the Series B Preferred Stock or Series C Preferred Stock, respectively) to convert some or all of the Series B Preferred Stock or Series C Preferred Stock held by such holder into a number of shares of our common stock per share of Series B Preferred Stock or Series C Preferred Stock determined by a formula, in each case, on the terms and subject to the conditions described in the applicable Articles Supplementary for such series.

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From the time of original issuance of each of the Series B Preferred Stock and the Series C Preferred Stock through June 30, 2017, the Company has declared and paid all required quarterly dividends on such series of stock. The following table presents the relevant dates with respect to quarterly cash dividends on the Series B Preferred Stock and Series C Preferred Stock from January 1, 2016 through June 30, 2017 :

Series B Preferred Stock				Series C Preferred Stock			
Declaration Date	Record Date	Payment Date	Cash Dividend Per Share	Declaration Date	Record Date	Payment Date	Cash Dividend Per Share
June 14, 2017	July 1, 2017	July 15, 2017	$0.484375	June 14, 2017	July 1, 2017	July 15, 2017	$0.4921875
March 16, 2017	April 1, 2017	April 15, 2017	0.484375	March 16, 2017	April 1, 2017	April 15, 2017	0.4921875
December 15, 2016	January 1, 2017	January 15, 2017	0.484375	December 15, 2016	January 1, 2017	January 15, 2017	0.4921875
September 15, 2016	October 1, 2016	October 15, 2016	0.484375	September 15, 2016	October 1, 2016	October 15, 2016	0.4921875
June 16, 2016	July 1, 2016	July 15, 2016	0.484375	June 16, 2016	July 1, 2016	July 15, 2016	0.4921875
March 18, 2016	April 1, 2016	April 15, 2016	0.484375	March 18, 2016	April 1, 2016	April 15, 2016	0.4921875

(b) Dividends on Common Stock

The following table presents cash dividends declared by the Company on its common stock with respect to each of the quarterly periods commencing January 1, 2016 and ended June 30, 2017:

Period	Declaration Date	Record Date	Payment Date	Cash Dividend Per Share
Second Quarter 2017	June 14, 2017	June 26, 2017	July 25, 2017	$ 0.20
First Quarter 2017	March 16, 2017	March 27, 2017	April 25, 2017	0.20
Fourth Quarter 2016	December 15, 2016	December 27, 2016	January 26, 2017	0.24
Third Quarter 2016	September 15, 2016	September 26, 2016	October 28, 2016	0.24
Second Quarter 2016	June 16, 2016	June 27, 2016	July 25, 2016	0.24
First Quarter 2016	March 18, 2016	March 28, 2016	April 25, 2016	0.24

(c) Public Offering of Common Stock

There were no underwritten public offerings of common stock during the three and six months ended June 30, 2017.

(d) Equity Distribution Agreements

On March 20, 2015, the Company entered into separate equity distribution agreements with each of JMP Securities LLC (“JMP”) and MLV & Co. LLC (“MLV”), pursuant to which the Company may sell up to $75,000,000 of aggregate value of (i) shares of the Company’s common stock, par value $0.01 per and (ii) shares of the Company’s Series B Preferred Stock (the “Series B Preferred Stock” and, together with the Common Stock, the “Offered Securities”), from time to time. On August 25, 2016, the Company entered into an amendment to the equity distribution agreement with JMP (as amended, the “JMP Agreement”) and a separate equity distribution agreement (the “Ladenburg Equity Distribution Agreement” and, together with the JMP Agreement, the “Equity Distribution Agreements”) with Ladenburg Thalmann & Co. Inc. (“Ladenburg” and, together with JMP, the “Agents”), pursuant to which the Company may sell the

Offered Securities remaining under the existing ATM Program through the Agents. The Company has no obligation to sell any of the shares under the Equity Distribution Agreements and may at any time suspend solicitations and offers under the Equity Distribution Agreements.

On August 19, 2016, in anticipation of the Company's execution of the Equity Distribution Agreements described above, the Company delivered to MLV notice of termination of the equity distribution agreement, dated as of March 20, 2015, by and between the Company and MLV, which termination became effective August 22, 2016.

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There were no shares of common stock issued under the Equity Distribution Agreements during the three months ended June 30, 2017. During the six months ended June 30, 2017, the Company issued 87,737 shares of its common stock under the Equity Distribution agreements, at an average sales price of $6.68 per share, resulting in total net proceeds to the Company of $0.6 million after deducting the placement fees. During the three and six months ended June 30, 2016, the Company issued no shares under the Equity Distribution Agreements. As of June 30, 2017, approximately $39.3 million of securities remains available for issuance under the Equity Distribution Agreements.

19. Earnings Per Share

The Company calculates basic earnings per common share by dividing net income attributable to the Company's common stockholders for the period by weighted-average shares of common stock outstanding for that period. Diluted earnings per common share takes into account the effect of dilutive instruments, such as convertible notes and performance share awards, and the number of incremental shares that are to be added to the weighted-average number of shares outstanding.

During the three and six months ended June 30, 2017, the Company's Convertible Notes were determined to be anti-dilutive and were not included in the calculation of diluted earnings per common share under the "if-converted" method. Under this method, the periodic interest expense (net of applicable taxes) for dilutive notes is added back to the numerator and the number of shares that the notes are entitled to (if converted, regardless of whether they are in or out of the money) are included in the denominator. There were no dilutive instruments for the three and six months ended June 30, 2017 and 2016.

The following table presents the computation of basic and diluted earnings per common share for the periods indicated (dollar and share amounts in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Numerator:				
Net income attributable to Company	$14,336	$14,435	$33,517	$31,386
Less: Preferred stock dividends	(3,225)	(3,225)	(6,450)	(6,450)
Net income attributable to Company's common stockholders- Basic	$11,111	$11,210	$27,067	$24,936
Net income attributable to Company's common stockholders- Diluted	$11,111	$11,210	$27,067	$24,936
Denominator:				
Weighted average basic and diluted common shares outstanding	111,863	109,489	111,792	109,445
EPS:				
Basic Earnings per Common Share	$0.10	$0.10	$0.24	$0.23
Diluted Earnings per Common Share	$0.10	$0.10	$0.24	$0.23

20. Stock Based Compensation

In May 2017, the Company’s stockholders approved the Company’s 2017 Equity Incentive Plan (the “2017 Plan”), with such stockholder action resulting in the termination of the Company’s 2010 Stock Incentive Plan (the “2010 Plan”). The terms of the 2017 Plan are substantially the same as the 2010 Plan. However, any outstanding awards under the 2010 Plan will continue in accordance with the terms of the 2010 Plan and any award agreement executed in connection with such outstanding awards. At June 30, 2017, there are 94,043 common shares reserved for issuance under the 2010 Plan in connection with an outstanding performance share award.

Pursuant to the 2017 Plan, eligible employees, officers and directors of the Company are offered the opportunity to acquire the Company's common stock through the award of restricted stock and other equity awards under the 2017 Plan. The maximum number of shares that may be issued under the 2017 Plan is 5,570,000. The Company’s non-employee directors have been issued 58,920 shares under the 2017 Plan as of June 30, 2017. The Company’s employees have been issued 6,258 shares under the 2017 Plan as of June 30, 2017. At June 30, 2017, there were 6,258 shares of non-vested restricted stock outstanding under the 2017 Plan.

Of the common stock authorized at December 31, 2016, 326,663 shares were reserved for issuance under the 2010 Plan. The Company's non-employee directors have been issued 265,934 shares under the 2010 and 2017 Plans as of June 30, 2017 and December 31, 2016, respectively. The Company's employees have been issued 895,201 and 562,280 restricted shares under the 2010 and 2017 Plans as of June 30, 2017 and December 31, 2016, respectively. At June 30, 2017 and December 31, 2016, there were 501,770 and 319,058 shares of non-vested restricted stock outstanding under the 2010 and 2017 Plans.

(a) Restricted Common Stock Awards

During the three and six months ended June 30, 2017, the Company recognized non-cash compensation expense on its restricted common stock awards of $0.4 million and $0.7 million, respectively. During the three and six months ended June 30, 2016, the Company recognized non-cash compensation expense on its restricted common stock awards of $0.2 million and $0.5 million, respectively. Dividends are paid on all restricted common stock issued, whether those shares have vested or not. In general, non-vested restricted stock is forfeited upon the recipient's termination of employment. There were no forfeitures during the six months ended June 30, 2017 and 2016.

A summary of the activity of the Company's non-vested restricted stock for the six months ended June 30, 2017 and 2016, respectively, is presented below:

	2017		2016	
	Number of Non-vested Restricted Shares	Weighted Average Per Share Grant Date Fair Value [1]	Number of Non-vested Restricted Shares	Weighted Average Per Share Grant Date Fair Value [1]
Non-vested shares at January 1	319,058	$ 6.40	280,457	$ 7.63
Granted	332,921	6.54	160,453	5.11
Vested	(150,209)	6.74	(121,852)	7.54
Non-vested shares as of June 30	501,770	6.39	319,058	6.40
Weighted-average fair value of restricted stock granted during the period	332,921	$ 6.54	160,453	$ 5.11

(1) The grant date fair value of restricted stock awards is based on the closing market price of the Company's common stock at the grant date.

At June 30, 2017 and 2016, the Company had unrecognized compensation expense of $2.7 million and $1.7 million, respectively, related to the non-vested shares of restricted common stock under the 2010 Plan. The unrecognized compensation expense at June 30, 2017 is expected to be recognized over a weighted average period of 2.3 years. The total fair value of restricted shares vested during the six months ended June 30, 2017 and 2016 was approximately $1.0 million and $0.6 million, respectively. The requisite service period for restricted shares at issuance is three years.

(b) Performance Share Awards

In May 2015, the Compensation Committee of the Board of Directors approved a performance share award ("PSA") under the 2010 Plan to the Company's Chairman and Chief Executive Officer. At the time of grant, the target number of shares pursuant to the PSA consisted of 89,629 shares of common stock. The PSA had a grant date fair value of approximately $0.4 million. The PSA award under which the number of underlying shares of Company common stock that can be earned will generally range from 0% to 200% of the target number of shares, with the target number of shares increased to reflect the value of the reinvestment of any dividends declared on Company common stock during

the vesting period. Vesting of the PSA will occur at the end of three years based on three-year TSR, as follows:

- If three-year TSR is less than 33%, then 0% of the PSA will vest;
- If three-year TSR is greater than or equal to 33% and the TSR is not in the bottom quartile of an identified peer group, then 100% of the PSA will vest;
- If three-year TSR is greater than or equal to 33% and the TSR is in the top quartile of an identified peer group, then 200% of the PSA will vest;

- If three-year TSR is greater than or equal to 33% and the TSR is in the bottom quartile of an identified peer group, then 50% of the PSA will vest.

TSR is defined, with respect to the Company and each member of the identified peer group, as applicable, as the average annual total shareholder return based on common stock price appreciation/depreciation during the applicable measurement period or until the date of a change of control, whichever first occurs, plus the value on the last day of the applicable measurement period or the date of a change of control of common shares if all cash dividends declared on a common share during such period were reinvested in additional common shares.

Under the terms of the agreement pursuant to which the PSA was granted (the "PSA Agreement"), the PSA is subject to the terms and conditions of the 2010 Plan and in the event of any conflict between the terms of the 2010 Plan and the PSA Agreement, the terms of the 2010 Plan govern. The 2010 Plan provides that the Compensation Committee may determine that the amount payable when an award of performance shares is earned may be settled in cash, by the issuance of shares, or a combination thereof. The maximum number of shares which may be issued under the PSA is limited to 94,043 shares. In the event the PSA is earned at a level that would cause the Company to issue more than 94,043 shares, the dollar value of the PSA earned in excess of 94,043 shares will be paid in cash, subject to the terms of the 2010 Plan.

The grant date fair value of the PSA was determined through a Monte-Carlo simulation of the Company’s common stock total shareholder return and the common stock total shareholder return of its peer companies to determine the TSR of the Company’s common stock relative to its peer companies over a future period of three years. For the PSA granted in 2015, the inputs used by the model to determine the fair value are (i) historical stock return volatilities of the Company and its peer companies over the most recent three year period, (ii) a risk free rate based on the three year U.S. Treasury rate on grant date, and (iii) historical pairwise stock return correlations between the Company and its peer companies over the most recent three year period.

Compensation expense related to the PSA was $31.7 thousand and $63.0 thousand for the three and six months ended June 30, 2017. As of June 30, 2017, there was $0.1 million of unrecognized compensation cost related to the non-vested portion of the PSA.

The 2010 Plan also provides that the maximum number of shares of common stock for which awards may be granted to any participant in any calendar year is 250,000 shares (the “Annual Share Limit”). In the event that PSA is earned at a level that would cause the grants to a participant exceed the Annual Share Limit, the dollar value of the PSA earned in excess of the limit will be paid in cash, subject to the terms of the 2010 Plan.

21. Income Taxes

For the three and six months ended June 30, 2017 and June 30, 2016, the Company qualified to be taxed as a REIT under the Code for U.S. federal income tax purposes. As long as the Company qualifies as a REIT, the Company generally will not be subject to U.S. federal income taxes on its taxable income to the extent it annually distributes at least 100% of its taxable income to stockholders and does not engage in prohibited transactions. Certain activities the Company performs may produce income that will not be qualifying income for REIT purposes. The Company has designated its TRSs to engage in these activities. The tables below reflect the taxes accrued at the TRS level and the tax attributes included in the consolidated financial statements.

The income tax provision for the three and six months ended June 30, 2017 and June 30, 2016 is comprised of the following components (dollar amounts in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Current income tax expense	$522	$2,183	$1,739	$2,255
Deferred income tax (benefit) expense	(80)	183	(59)	302
Total provision	$442	$2,366	$1,680	$2,557

Deferred Tax Assets and Liabilities

The major sources of temporary differences included in the deferred tax assets and their deferred tax effect as of June 30, 2017 and December 31, 2016 are as follows (dollar amounts in thousands):

	June 30, 2017	December 31, 2016
Deferred tax assets		
Net operating loss carryforward	$2,837	$ 2,287
Net capital loss carryforward	1,092	1,123
GAAP/Tax basis differences	3,446	3,059
Total deferred tax assets [1]	7,375	6,469
Deferred tax liabilities		
Deferred tax liabilities	215	303
Total deferred tax liabilities [2]	215	303
Valuation allowance [1]	(6,912)	(5,978)
Total net deferred tax asset	$248	$ 188

[1] Included in receivables and other assets in the accompanying condensed consolidated balance sheets.
[2] Included in accrued expenses and other liabilities in the accompanying condensed consolidated balance sheets.

As of June 30, 2017, the Company through wholly owned TRSs, had incurred net operating losses in the aggregate amount of approximately $6.2 million. The Company's carryforward net operating losses will expire between 2033 and 2037 if they are not offset by future taxable income. Additionally, as of June 30, 2017, the Company, through one of its wholly owned TRSs, had incurred approximately $2.4 million in capital losses . The Company's carryforward capital losses will expire between 2018 and 2020 if they are not offset by future capital gains. At June 30, 2017, the Company has recorded a valuation allowance against certain deferred tax assets as management does not believe that it is more likely than not that these deferred tax assets will be realized.

The Company files income tax returns with the U.S. federal government and various state and local jurisdictions. The Company is no longer subject to tax examinations by tax authorities for years prior to 2013. The Company has assessed its tax positions for all open years, which includes 2013 to 2016 and concluded that there are no material uncertainties to be recognized.

In addition, based on the Company's evaluation, the Company has concluded that there are no significant uncertain tax positions requiring recognition in the Company's financial statements.

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22. Business Combinations

On May 16, 2016 (the “Acquisition Date”), the Company acquired the outstanding common equity interests in RiverBanc, RBMI, and RBDHC (collectively, the “Acquirees”) that were not previously owned by the Company through the consummation of separate membership interest purchase agreements, thereby increasing the Company's ownership of each of these entities to 100%. The results of the Acquirees’ operations have been included in the condensed consolidated financial statements since the Acquisition Date. Prior to the Acquisition Date, the Company owned 20.0%, 67.19% and 62.5% of the outstanding common equity interests in RiverBanc, RBMI and RBDHC, respectively. RiverBanc is an investment management firm that was founded in 2010 and has sourced and managed direct and indirect investments in multi-family apartment properties on behalf of both public and private institutional investors, including the Company, RBMI and RBDHC. Prior to the completion of the RiverBanc acquisition, RiverBanc had served as an external manager of the Company pursuant to an investment management agreement, for which it received base management and incentive fees. In connection with the acquisition, the Company terminated its investment management agreement with RiverBanc on May 17, 2016. As of March 31, 2016, RiverBanc managed approximately $371.5 million of the Company’s capital. In acquiring a 100% ownership interest in RiverBanc, the Company has internalized the management of its multi-family investments. The Company expects to achieve certain synergies related to processes and personnel as a result of this internalization. In connection with the acquisitions, on the Acquisition Date, the Company named Kevin M. Donlon, the founder and Chief Executive Officer of RiverBanc, President of the Company and entered into an employment agreement with Mr. Donlon effective on the Acquisition Date. On June 16, 2016, the Company’s Board of Directors approved the appointment of Mr. Donlon as a director of the Company. Prior to the completion of the acquisitions described above, Donlon Family LLC beneficially owned 59.40%, 5.47% and 6.25% of the outstanding common equity interests in RiverBanc, RMI and RBDHC, respectively. Mr. Donlon beneficially owns 100% of Donlon Family LLC.

The estimated Acquisition Date fair value of the consideration transferred totaled $53.5 million, which consisted of the following (dollar amounts in thousands):

Cash [1]	$29,073
Contingent consideration	3,800
Fair value of previously held membership interests	20,608
Total consideration transferred	$53,481

(1) Includes $16.3 million paid to Donlon Family LLC and reflects a post-closing working capital adjustment of $20 thousand delivered to the sellers of RiverBanc on July 15, 2016.

Prior to the Acquisition Date, the Company accounted for its previously held membership interests in the Acquirees as equity method investments, utilizing the fair value election for both RBMI and RBDHC. The Acquisition Date fair value of the Company's previously held membership interests in the Acquirees was $20.6 million and is included in the measurement of consideration transferred. In the year ended December 31, 2016, the Company recorded a net gain as a result of remeasuring its previously held membership interests in RiverBanc, RBMI, and RBDHC totaling $5.0 million. This net gain was included in other income on the Company's consolidated statements of operations for the year ended December 31, 2016.

The Company determined the estimated fair value of its previously held membership interests in RiverBanc using assumptions for the timing and amount of expected net future cash flow for the managed portfolio and a discount rate. The Company determined the estimated fair value of its previously held membership interests in RBMI and RBDHC using assumptions for the timing and amount of expected future cash flow for income and realization events for the underlying assets and a discount rate.

The contingent consideration includes two components:

- A cash holdback in the amount of $3.0 million to be released to Donlon Family LLC upon the purchase by Mr. Donlon or his affiliates of $3.0 million in Company common shares on the open market within 90 days of the Acquisition Date. This cash holdback was paid to Donlon Family LLC on June 10, 2016 upon satisfaction of the conditions to the release of this holdback.

- A severance holdback in the amount of $0.8 million to fund the aggregate amount of all severance compensation and severance benefits to be paid or provided to current or former RiverBanc employees as a result of the acquisition. The severance holdback was settled in cash and paid to a separated employee on June 30, 2016 and the holdback amount in excess of actual severance costs was delivered to the sellers of RiverBanc on July 15, 2016.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed by the Company at the Acquisition Date (dollar amounts in thousands). The membership interest purchase agreement for the acquisition of RiverBanc included a post-closing working capital adjustment that was calculated at $20 thousand and settled with the sellers of RiverBanc on July 15, 2016. Additionally, the excess severance holdback amount described above was settled with the sellers of RiverBanc on July 15, 2016. The Company engaged a third party for valuations of certain intangible assets.

Cash	$4,325
Investment in unconsolidated entities	52,176
Mezzanine loan and preferred equity investments	23,638
Real estate under development [1]	14,922
Receivables and other assets	911
Intangible assets [1]	3,490
Total identifiable assets acquired	99,462
Construction loan payable [2]	8,499
Accrued expenses and other liabilities	2,864
Total liabilities assumed	11,363
Preferred equity [3]	56,697
Net identifiable assets acquired	31,402
Goodwill [4]	25,222
Gain on bargain purchase [5]	(65)
Non-controlling interest [6]	(3,078)
Net assets acquired	$53,481

(1) Included in receivables and other assets on the condensed consolidated balance sheets.

(2) Construction loan payable to the Company is eliminated on the condensed consolidated balance sheets.

(3) Includes $40.4 million of preferred equity owned by the Company that is eliminated on the condensed consolidated balance sheets. Remaining $16.3 million of preferred equity owned by third parties was redeemed on June 10, 2016 and June 24, 2016.

(4) Goodwill recognized in the acquisition of RiverBanc.

(5) Gain on bargain purchase recognized in the acquisitions of RBMI and RBDHC in the year ended December 31, 2016.

(6) Represents third-party ownership of KRVI membership interests (see Note 9). The Company consolidates its investment in KRVI. The third-party ownership in KRVI is represented in the condensed consolidated financial statements and the pro forma net income attributable to the Company's common stockholders as non-controlling interests. The fair value of the non-controlling interests in KRVI is estimated to be $3.1 million. The fair value of the non-controlling interests in KRVI, a private company, was estimated using assumptions for the timing and amount of expected future cash flow for income and realization events for the underlying real estate.

The $3.5 million of intangible assets relates to the RiverBanc acquisition and was recognized at estimated fair value on the Acquisition Date. Intangible assets include an acquired trade name, acquired technology, and employment/non-compete agreements with useful lives ranging from 1 to 10 years.

The $25.2 million of goodwill recognized is attributable primarily to expected synergies and economies of scale from combining with RiverBanc and the assembled workforce of RiverBanc. For the Company’s ongoing evaluation of goodwill for impairment in accordance with ASC 350, Intangibles - Goodwill and Other, the Company’s multi-family investment portfolio (inclusive of RiverBanc) will be considered a reporting unit. As of December 31, 2016, there

were changes in the recognized amounts of goodwill resulting from the acquisition of RiverBanc as a result of payment of the post-closing working capital adjustment of $20 thousand and adjustments to the estimated fair value of intangible assets in the amount of $0.4 million. The Company evaluated goodwill as of October 1, 2016 and no impairment was indicated.

The acquisition of both RBMI and RBDHC was negotiated directly with the sellers and the fair value of identifiable assets acquired and liabilities assumed exceed the fair value of the consideration transferred. Subsequently, the Company reassessed the identification and recognition of identifiable assets acquired and liabilities assumed, the Company's previously held membership interests, and the consideration transferred and concluded that all items were recognized and that the valuation procedures and measurements were appropriate. Accordingly, the Company recorded a net gain on bargain purchase of $0.1 million that was included in other income on the Company's consolidated statements of operations for the year ended December 31, 2016.

The amount of revenue of the Acquirees included in the Company's consolidated statements of operations from the Acquisition Date to the period ended December 31, 2016 was $5.3 million.

The following represents the pro forma consolidated revenue and net income attributable to the Company's common stockholders as if the Acquirees had been included in the consolidated results of the Company for the six months ended June 30, 2016 (dollar amounts in thousands):

	For the Six Months Ended June 30, 2016
Revenue	$175,923
Net income attributable to Company's common stockholders	$21,897
Basic pro forma income per share	$0.20
Diluted pro forma income per share	$0.20

These amounts have been calculated after applying the Company's accounting policies and adjustments for consolidation and amortization that would have been charged assuming the estimated fair value adjustments to intangible assets had been applied on January 1, 2015. Material, nonrecurring pro forma adjustments directly attributable to the business combinations have been included in the pro forma consolidated revenue and net income attributable to the Company's common stockholders shown above as if the transaction occurred on January 1, 2015.

23. Related Party Transactions

The Company terminated its management agreement with RiverBanc on May 17, 2016 as a result of the Company's acquisition of the remaining 80% membership interest in RiverBanc, which resulted in consolidation of RiverBanc into the Company's financial statements (see Note 22). Prior to May 16, 2016, RiverBanc sourced and managed direct and indirect investments in multi-family properties on behalf of the Company pursuant to a management agreement entered into on April 5, 2011 and amended on March 13, 2013. The amended and restated management agreement had an effective date of January 1, 2013 and had an initial term that expired on December 31, 2015 and was subject to annual automatic one-year renewals (subject to any notice of termination).

Prior to May 16, 2016, the Company owned a 20% membership interest in RiverBanc. For the three and six months ended June 30, 2016, the Company recognized approximately $33.5 thousand and $0.1 million in equity income related to its investment in RiverBanc, respectively.

For the three and six months ended June 30, 2016, the Company expensed $0.6 million and $1.8 million in fees to RiverBanc, respectively.

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24. Subsequent Events

On July 25, 2017, the Company funded a $26.3 million preferred equity investment in a portfolio of multi-family properties.

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

When used in this Quarterly Report on Form 10-Q, in future filings with the Securities and Exchange Commission, or SEC, or in press releases or other written or oral communications issued or made by us, statements which are not historical in nature, including those containing words such as "believe," "expect," "anticipate," "estimate," "plan," "continue," "intend," "should," "would," "could," "goal," "objective," "will," "may" or similar expressions, are intended to identify "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, or Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or Exchange Act, and, as such, may involve known and unknown risks, uncertainties and assumptions.

Forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. These beliefs, assumptions and expectations are subject to risks and uncertainties and can change as a result of many possible events or factors, not all of which are known to us. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. The following factors are examples of those that could cause actual results to vary from our forward-looking statements: changes in interest rates and the market value of our securities, changes in credit spreads, the impact of the downgrade of the long-term credit ratings of the U.S., Fannie Mae, Freddie Mac, and Ginnie Mae; market volatility; changes in the prepayment rates on the mortgage loans underlying our investment securities; increased rates of default and/or decreased recovery rates on our assets; delays in identifying and acquiring our targeted assets; our ability to borrow to finance our assets; changes in government laws, regulations or policies affecting our business, including actions taken by the U.S. Federal Reserve and the U.S. Treasury and those relating to Fannie Mae, Freddie Mac or Ginnie Mae; our ability to maintain our qualification as a REIT for federal tax purposes; our ability to maintain our exemption from registration under the Investment Company Act of 1940, as amended; and risks associated with investing in real estate assets, including changes in business conditions and the general economy. These and other risks, uncertainties and factors, including the risk factors described in Part I, Item 1A – "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2016 and as updated by our subsequent filings with the SEC under the Exchange Act, could cause our actual results to differ materially from those projected in any forward-looking statements we make. All forward-looking statements speak only as of the date on which they are made. New risks and uncertainties arise over time and it is not possible to predict those events or how they may affect us. Except as required by law, we are not obligated to, and do not intend to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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Defined Terms

In this Quarterly Report on Form 10-Q we refer to New York Mortgage Trust, Inc., together with its consolidated subsidiaries, as “we,” “us,” “Company,” or “our,” unless we specifically state otherwise or the context indicates otherwise. We refer to our wholly-owned taxable REIT subsidiaries as “TRSs” and our wholly-owned qualified REIT subsidiaries as “QRSs.” In addition, the following defines certain of the commonly used terms in this report: “RMBS” refers to residential mortgage-backed securities comprised of adjustable-rate, hybrid adjustable-rate, fixed-rate, interest only and inverse interest only, and principal only securities; “Agency RMBS” refers to RMBS representing interests in or obligations backed by pools of mortgage loans issued or guaranteed by a federally chartered corporation (“GSE”), such as the Federal National Mortgage Association (“Fannie Mae”) or the Federal Home Loan Mortgage Corporation (“Freddie Mac”), or an agency of the U.S. government, such as the Government National Mortgage Association (“Ginnie Mae”); “Agency ARMs” refers to Agency RMBS comprised of adjustable-rate and hybrid adjustable-rate RMBS; "Agency fixed-rate RMBS" refers to Agency RMBS comprised of fixed-rate RMBS; “non-Agency RMBS” refers to RMBS backed by prime jumbo residential mortgage loans, including re-performing and non-performing loans; “IOs” refers collectively to interest only and inverse interest only mortgage-backed securities that represent the right to the interest component of the cash flow from a pool of mortgage loans; “Agency IOs” refers to IOs that represent the right to the interest components of the cash flow from a pool of residential mortgage loans issued or guaranteed by a GSE or an agency of the U.S. government; “POs” refers to mortgage-backed securities that represent the right to the principal component of the cash flow from a pool of mortgage loans; “ARMs” refers to adjustable-rate residential mortgage loans; “prime ARM loans” and “residential securitized loans” each refer to prime credit quality residential ARM loans held in securitization trusts; “distressed residential loans” refers to pools of performing and re-performing, fixed-rate and adjustable-rate, fully amortizing, interest-only and balloon, seasoned mortgage loans secured by first liens on one- to four-family properties; “CMBS” refers to commercial mortgage-backed securities comprised of commercial mortgage pass-through securities, as well as IO or PO securities that represent the right to a specific component of the cash flow from a pool of commercial mortgage loans; “multi-family CMBS” refers to CMBS backed by commercial mortgage loans on multi-family properties; “CDOs” refers to collateralized debt obligations; “CLO” refers to collateralized loan obligation; “Consolidated K-Series” refers to, as of June 30, 2017 and December 31, 2016, six and five separate Freddie Mac-sponsored multi-family loan K-Series securitizations, respectively, that we have determined are Consolidated VIEs and of which we or one of our special purpose entities (“SPEs”) own the first loss PO securities, certain IO securities and other class securities; “Variable Interest Entity” and “VIE” refers to an entity in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties; and “Consolidated VIEs” refers to VIEs where the Company is the primary beneficiary, as it has both the power to direct the activities that most significantly impact the economic performance of the VIE and a right to receive benefits or absorb losses of the entity that could be potentially significant to the VIE.

General

We are a real estate investment trust, or REIT, for federal income tax purposes, in the business of acquiring, investing in, financing and managing mortgage-related and residential housing-related assets and financial assets. Our objective is to deliver long-term stable distributions to our stockholders over changing economic conditions through a combination of net interest margin and net realized capital gains from a diversified investment portfolio. Our portfolio includes credit sensitive assets and investments sourced from distressed markets in recent years that create the potential for capital gains, as well as more traditional types of mortgage-related investments that generate interest income.

Our investment portfolio includes residential mortgage loans, including second mortgages and loans sourced from distressed markets, non-Agency RMBS, multi-family CMBS, preferred equity and joint venture equity investments in,

and mezzanine loans to, owners of multi-family properties, equity and debt securities issued by entities that invest in residential and commercial real estate and Agency RMBS. Subject to maintaining our qualification as a REIT, we also may opportunistically acquire and manage various other types of mortgage-related, residential housing-related and financial assets that we believe will compensate us appropriately for the risks associated with them, including, without limitation, collateralized mortgage obligations and securities issued by newly originated residential securitizations, including credit sensitive securities from these securitizations.

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In recent years, we have transitioned our portfolio to one focused increasingly on residential and multi-family credit assets, which we believe will benefit from improving credit metrics. In 2016, as part of our greater focus on credit assets, we acquired 100% of RiverBanc LLC, or RiverBanc, an investment management firm that managed over $400 million of direct and indirect investments in multi-family apartment properties on behalf of both public and private institutional investors, including our Company, as well as ownership interests in certain other RiverBanc-managed entities. Consistent with this approach to capital allocation, we acquired an additional $215.5 million of residential and multi-family credit assets during the six months ended June 30, 2017. The investment and capital allocation decisions of our Company and our external managers depend on prevailing market conditions, among other factors, and may change over time in response to opportunities available in different economic and capital market environments. Given current market conditions, we anticipate continuing our pursuit of credit assets, but will also consider deploying capital to non-credit assets, including, without limitation, Agency RMBS, that we believe will compensate us appropriately for the risks associated with them.

We seek to achieve a balanced and diverse funding mix to finance our assets and operations. We currently rely primarily on a combination of short-term borrowings, such as repurchase agreements with terms typically of 30 days, longer term repurchase agreement borrowings with terms between one year and 18 months and longer term structured financings, such as securitizations, with terms longer than one year.

We internally manage a significant portion of our portfolio, including Agency ARMs, Agency fixed-rate RMBS, non-Agency RMBS, residential securitized loans, second mortgage loans, multi-family CMBS and preferred equity and joint venture equity investments in, and mezzanine loans to, owners of multi-family properties. In addition, as part of our investment strategy, we also utilize certain external investment managers to manage specific asset types that we target or own. Accordingly, Headlands Asset Management, LLC, or Headlands, provides investment management services with respect to our investments in distressed residential mortgage loans, and The Midway Group, L.P., or Midway, provides investment management services with respect to our investments in Agency IOs.

Key Second Quarter 2017 Developments

Residential Mortgage Loan Activity

During the second quarter of 2017, we sold pools of distressed residential mortgage loans with a carrying value of approximately $11.4 million for aggregate proceeds of approximately $14.3 million, which resulted in a net realized gain, before income taxes, of approximately $2.9 million.

We acquired residential mortgage loans, including distressed residential mortgage loans and second lien mortgages, for an aggregate purchase cost of approximately $15.4 million during the second quarter of 2017.

Second Quarter 2017 Common Stock and Preferred Stock Dividends

On June 14, 2017, our Board of Directors declared a regular quarterly cash dividend of $0.20 per share of common stock for the quarter ended June 30, 2017. The dividend was paid on July 25, 2017 to our common stockholders of record as of June 26, 2017.

On June 14, 2017, in accordance with the terms of our Series B Preferred Stock, our Board of Directors declared a Series B Preferred Stock quarterly cash dividend of $0.484375 per share of Series B Preferred Stock. The dividend was paid on July 15, 2017 to our Series B Preferred stockholders of record as of July 1, 2017.

Also on June 14, 2017, in accordance with the terms of our Series C Preferred Stock, our Board of Directors declared a Series C Preferred Stock quarterly cash dividend of $0.4921875 per share of Series C Preferred Stock. The dividend was paid on July 15, 2017 to our Series C Preferred stockholders of record as of July 1, 2017.

Subsequent Events

Subsequent to June 30, 2017, the Company funded a $26.3 million preferred equity investment in a portfolio of multi-family properties, which represents the Company’s largest single preferred equity investment in the multi-family space to date.

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Current Market Conditions and Commentary

Current Market Conditions and Commentary

General. The second quarter of 2017 was marked by steady global economic expansion and low volatility, which was effectively a continuation of the tranquil economic environment produced during the first quarter of 2017. Despite the stable backdrop for the global economy, uncertainty and concerns continue to surround the U.S. government's legislative and fiscal agendas, the speed at which global monetary policymakers may move to reduce accommodation and how markets will react to tightening global liquidity in the context of less accommodation. U.S. economic data released over the past quarter suggests that the U.S. economy recovered solidly from a lackluster first quarter, with U.S. gross domestic product ("GDP") estimated to have grown by 2.6% (advance estimate) in the second quarter of 2017, following slower than projected GDP growth of 1.2% (revised) for the first quarter of 2017 and 1.8% for the year ended December 31, 2016.

The U.S. labor market continued its steady expansion during the second quarter of 2017. According to the U.S. Department of Labor, the U.S. unemployment rate was 4.4% as of the end of June 2017, while total nonfarm payroll employment posted an average monthly increase of 194,000 and 180,000 jobs during the three and six months ended June 30, 2017, respectively, as compared to an average monthly increase of 187,000 jobs in 2016.

Federal Reserve and Monetary Policy. In view of realized and expected labor market conditions and inflation, the Federal Reserve announced a 25 basis points increase in the target range for the federal funds rate in June 2017, this increase coming on top of a 25 basis points increase in March 2017. The target range for the federal funds rate is now 1.0% to 1.25%. At its meeting in June 2017, the Federal Reserve also announced that it expects to begin shrinking its balance sheet in 2017, which would imply additional tightening of liquidity. The Federal Reserve has indicated its expectations for additional rate hikes during the balance of 2017, with the central tendency from the Federal Reserve's meeting in June 2017 projecting a federal funds rate of between 1.1% and 1.6% by the end of 2017 and 1.9% and 2.6% by the end of 2018. While market reaction to the Federal Reserve's 2017 rate hikes has been largely uneventful, renewed uncertainty surrounding the speed at which the Federal Reserve will tighten its monetary policy could result in higher volatility in the balance of 2017 and future periods. Greater uncertainty frequently leads to wider asset spreads or lower prices and higher hedging costs.

Single-Family Homes and Residential Mortgage Market. The residential real estate market displayed signs of continued growth during 2016 and the first quarter of 2017, and initial data from the second quarter of 2017 suggests that trend continued. Data released by S&P Indices for its S&P/Case-Shiller Home Price Indices for May 2017 showed that, on average, home prices increased 5.7% for the 20-City Composite over May 2016. In addition, according to data provided by the U.S. Department of Commerce, privately-owned housing starts for single-family homes averaged a seasonally adjusted annual rate of 795,000 and 808,000 during the three and six months ended June 30, 2017, respectively, as compared to an annual rate of 785,000 for the year ended December 31, 2016. Continued improvement in single-family housing fundamentals is generally expected to have a positive impact on the overall credit profile of our existing portfolio of distressed residential loans.

Multi-Family Housing. Apartments and other residential rental properties performed well in 2016 and appear to be performing solidly to date in 2017. According to data provided by the U.S. Department of Commerce, starts on multi-family homes containing five units or more averaged a seasonally adjusted annual rate of 388,000 and 394,000 during the three and six months ended June 30, 2017, respectively, as compared to 375,000 for the year ended December 31, 2016. Moreover, even with the supply expansion in recent years, vacancy trends in the multi-family sector appear to remain stable. According to the Multifamily Vacancy Index ("MVI"), which is produced by the National Association of Home Builders and surveys the multi-family housing industry's perception of vacancies, the MVI was at 41 for the first quarter of 2017, which is a modest improvement since the fourth quarter of 2016. Strength in the multi-family housing sector has contributed to valuation improvements for many of the multi-family properties

in which we have directly or indirectly invested in.

Credit Spreads. Credit spreads continued to tighten during the second quarter of 2017 as greater capital flows have continued to move toward higher-yielding assets. Tightening credit spreads generally increase the value of many of our credit sensitive assets while widening credit spreads generally decrease the value of these assets.

Financing Markets. During the second quarter of 2017, movement in the 10-Year U.S. Treasury yield was relatively flat, with the 10-year U.S. Treasury ranging from 2.14% to 2.39% during the quarter and closing the quarter at 2.33%. During the second quarter of 2017, the Treasury curve continued to flatten with the spread between the 2-Year U.S. Treasury yield and the 10-Year U.S. Treasury yield closing to 93 basis points, down 20 basis points from March 31, 2017. This spread is important as it is indicative of opportunities for investing in levered assets.

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Developments at Fannie Mae and Freddie Mac. Payments on the Agency ARMs and fixed-rate Agency RMBS in which we invest are guaranteed by Fannie Mae and Freddie Mac. In addition, although not guaranteed by Freddie Mac, all of our multi-family CMBS have been issued by securitization vehicles sponsored by Freddie Mac and the Agency IOs we invest in are issued by Fannie Mae, Freddie Mac or Ginnie Mae. As broadly publicized, Fannie Mae and Freddie Mac are presently under federal conservatorship as the U.S. Government continues to evaluate the future of these entities and what role the U.S. Government should continue to play in the housing markets in the future. Since being placed under federal conservatorship, there have been a number of proposals introduced, both from industry groups and by the U.S. Congress, relating to changing the role of the U.S. government in the mortgage market and reforming or eliminating Fannie Mae and Freddie Mac. It remains unclear how the U.S. Congress will move forward on such reform at this time and what impact, if any, this reform will have on mortgage REITs.

Significant Estimates and Critical Accounting Policies

A summary of our critical accounting policies is included in Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2016 and under “Note 2 – Summary of Significant Accounting Policies” to the consolidated financial statements included therein.

Revenue Recognition. Interest income on our investment securities available for sale is accrued based on the outstanding principal balance and their contractual terms. Purchase premiums or discounts on investment securities are amortized or accreted to interest income over the estimated life of the investment securities using the effective yield method. Adjustments to amortization are made for actual prepayment activity.

Interest income on certain of our credit sensitive securities, such as our CMBS that were purchased at a discount to par value, is recognized based on the security’s effective interest rate. The effective interest rate on these securities is based on management’s estimate of the projected cash flows from each security, which are estimated based on assumptions related to fluctuations in interest rates, prepayment speeds and the timing and amount of credit losses. On at least a quarterly basis, management reviews and, if appropriate, adjusts its cash flow projections based on input and analysis received from external sources, internal models, and its judgment about interest rates, prepayment rates, the timing and amount of credit losses, and other factors. Changes in cash flows from those originally projected, or from those estimated at the last evaluation, may result in a prospective change in the yield/interest income recognized on these securities.

A portion of the purchase discount on the Company’s first loss tranche PO multi-family CMBS is designated as non-accretable purchase discount or credit reserve, which partially mitigates the Company’s risk of loss on the mortgages collateralizing such multi-family CMBS, and is not expected to be accreted into interest income. The amount designated as a credit reserve may be adjusted over time, based on the actual performance of the security, its underlying collateral, actual and projected cash flow from such collateral, economic conditions and other factors. If the performance of a security with a credit reserve is more favorable than forecasted, a portion of the amount designated as credit reserve may be accreted into interest income over time. Conversely, if the performance of a security with a credit reserve is less favorable than forecasted, the amount designated as credit reserve may be increased, or impairment charges and write-downs of such securities to a new cost basis could be required.

With respect to interest rate swaps that have not been designated as hedges, any net payments under, or fluctuations in the fair value of, such swaps will be recognized in current earnings.

Fair Value. The Company has established and documented processes for determining fair values. Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, then fair value is based upon

internally developed models that primarily use inputs that are market-based or independently-sourced market parameters, including interest rate yield curves. Such inputs to the valuation methodology are unobservable and significant to the fair value measurement. The Company's interest-only CMBS, principal-only CMBS, multi-family loans held in securitization trusts and multi-family CDOs are considered to be the most significant of its fair value estimates.

The Company's valuation methodologies are described in "Note 17 – Fair Value of Financial Instruments" included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Residential Mortgage Loans Held in Securitization Trusts – Impaired Loans (net) – Impaired residential mortgage loans held in securitization trusts are recorded at amortized cost less specific loan loss reserves. Impaired loan value is based on management's estimate of the net realizable value taking into consideration local market conditions of the distressed property, updated appraisal values of the property and estimated expenses required to remediate the impaired loan.

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Variable Interest Entities – A VIE is an entity that lacks one or more of the characteristics of a voting interest entity. A VIE is defined as an entity in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The Company consolidates a VIE when it is the primary beneficiary of such VIE. As primary beneficiary, it has both the power to direct the activities that most significantly impact the economic performance of the VIE and a right to receive benefits or absorb losses of the entity that could be potentially significant to the VIE. The Company is required to reconsider its evaluation of whether to consolidate a VIE each reporting period, based upon changes in the facts and circumstances pertaining to the VIE.

Loan Consolidation Reporting Requirement for Certain Multi-Family K-Series Securitizations – As of June 30, 2017 and December 31, 2016, we owned 100% of the first loss tranche of securities of the Consolidated K-Series (as defined in Note 2 to our condensed consolidated financial statements included in this report). The Consolidated K-Series collectively represents, as of June 30, 2017 and December 31, 2016, six and five separate Freddie Mac sponsored multi-family loan K-Series securitizations, respectively, of which we or one of our SPEs own the first loss PO securities, certain IO securities and mezzanine CMBS securities. We determined that the Consolidated K-Series were VIEs and that we are the primary beneficiary of the Consolidated K-Series. As a result, we are required to consolidate the Consolidated K-Series' underlying multi-family loans including their liabilities, income and expenses in our condensed consolidated financial statements. We have elected the fair value option on the assets and liabilities held within the Consolidated K-Series, which requires that changes in valuations in the assets and liabilities of the Consolidated K-Series be reflected in our condensed consolidated statement of operations.

Fair Value Option – The fair value option provides an election that allows companies to irrevocably elect fair value for financial assets and liabilities on an instrument-by-instrument basis at initial recognition. Changes in fair value for assets and liabilities for which the election is made will be recognized in earnings as they occur. The Company elected the fair value option for its Agency IO strategy, certain of its investments in unconsolidated entities and the Consolidated K-Series.

Acquired Distressed Residential Mortgage Loans – Acquired distressed residential mortgage loans that have evidence of deteriorated credit quality at acquisition are accounted for under Accounting Standards Codification ("ASC") 310-30, Loans and Debt Securities Acquired with Deteriorated Credit Quality ("ASC 310-30"). Management evaluates whether there is evidence of credit quality deterioration as of the acquisition date using indicators such as past due or modified status, risk ratings, recent borrower credit scores and recent loan-to-value percentages. Acquired distressed residential mortgage loans are recorded at fair value at the date of acquisition, with no allowance for loan losses. Under ASC 310-30, the acquired loans may be aggregated and accounted for as a pool of loans if the loans being aggregated have common risk characteristics. A pool is accounted for as a single asset with a single composite interest rate and an expectation of aggregate cash flows. Once a pool is assembled, it is treated as if it was one loan for purposes of applying the accounting guidance.

Under ASC 310-30, the excess of cash flows expected to be collected over the carrying amount of the loans, referred to as the "accretable yield," is accreted into interest income over the life of the loans in each pool or individually using a level yield methodology. Accordingly, our acquired distressed residential mortgage loans accounted for under ASC 310-30 are not subject to classification as nonaccrual classification in the same manner as our residential mortgage loans that were not distressed when acquired by us. Rather, interest income on acquired distressed residential mortgage loans relates to the accretable yield recognized at the pool level or on an individual loan basis, and not to contractual interest payments received at the loan level. The difference between contractually required principal and interest payments and the cash flows expected to be collected, referred to as the "nonaccretable difference," includes estimates of both the impact of prepayments and expected credit losses over the life of the individual loan, or the pool (for loans grouped into a pool).

Management monitors actual cash collections against its expectations, and revised cash flow expectations are prepared as necessary. A decrease in expected cash flows in subsequent periods may indicate that the loan pool or individual loan, as applicable, is impaired, thus requiring the establishment of an allowance for loan losses by a charge to the provision for loan losses. An increase in expected cash flows in subsequent periods initially reduces any previously established allowance for loan losses by the increase in the present value of cash flows expected to be collected, and results in a recalculation of the amount of accretable yield for the loan pool. The adjustment of accretable yield due to an increase in expected cash flows is accounted for prospectively as a change in estimate. The additional cash flows expected to be collected are reclassified from the nonaccretable difference to the accretable yield, and the amount of periodic accretion is adjusted accordingly over the remaining life of the loans in the pool or individual loan, as applicable. The impacts of (i) prepayments, (ii) changes in variable interest rates, and (iii) any other changes in the timing of expected cash flows are recognized prospectively as adjustments to interest income.

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Business Combinations - The Company evaluates each purchase transaction to determine whether the acquired assets meet the definition of a business. The Company accounts for business combinations by applying the acquisition method in accordance with ASC 805, Business Combinations. Transaction costs related to acquisition of a business are expensed as incurred and excluded from the fair value of consideration transferred. The identifiable assets acquired, liabilities assumed and non-controlling interests, if any, in an acquired entity are recognized and measured at their estimated fair values. The excess of the fair value of consideration transferred over the fair values of identifiable assets acquired, liabilities assumed and non-controlling interests, if any, in an acquired entity, net of fair value of any previously held interest in the acquired entity, is recorded as goodwill. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets and liabilities.

Contingent consideration is classified as a liability or equity, as applicable. Contingent consideration in connection with the acquisition of a business is measured at fair value on acquisition date, and unless classified as equity, is remeasured at fair value each reporting period thereafter until the consideration is settled, with changes in fair value included in net income.

Net cash paid to acquire a business is classified as investing activities on the accompanying condensed consolidated statements of cash flows.

Recent Accounting Pronouncements

A discussion of recent accounting pronouncements and the possible effects on our financial statements is included in “Note 2 — Summary of Significant Accounting Policies” included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

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Capital Allocation

The following tables set forth our allocated capital by investment type at June 30, 2017 and December 31, 2016, respectively (dollar amounts in thousands):

At June 30, 2017:

	Agency RMBS[1]	Agency IOs	Multi-Family [2]	Distressed Residential [3]	Other[4]	Total
Carrying value	$397,213	$52,224	$749,643	$568,273	$133,488	$1,900,841
Liabilities:						
Callable [5]	(346,318)	(30,083)	(218,588)	(225,827)	(10,395)	(831,211)
Non-callable	—	—	(28,735)	(81,237)	(127,313)	(237,285)
Convertible	—	—	—	—	(127,799)	(127,799)
Hedges (Net) [6]	2,595	6,185	—	—	—	8,780
Cash [7]	3,984	23,167	5,133	6,740	66,332	105,356
Goodwill	—	—	—	—	25,222	25,222
Other	(8)	4,917	615	19,086	(25,071)	(461)
Net capital allocated	$57,466	$56,410	$508,068	$287,035	$(65,536)	$843,443
% of capital allocated	6.8%	6.7%	60.3%	34.0%	(7.8)%	100%

(1) Includes both Agency ARMs and Agency fixed-rate RMBS.

(2) The Company, through its ownership of certain securities, has determined it is the primary beneficiary of the Consolidated K-Series and has consolidated the Consolidated K-Series into the Company's condensed consolidated financial statements. A reconciliation to our financial statements as of June 30, 2017 follows:

Multi-family loans held in securitization trusts, at fair value	$8,468,104
Multi-family CDOs, at fair value	(8,069,938)
Net carrying value	398,166
Investment securities available for sale, at fair value	161,429
Total CMBS, at fair value	559,595
Mezzanine loan, preferred equity investments and investments in unconsolidated entities	162,212
Real estate under development	19,972
Operating real estate held in consolidated variable interest entities, net	28,907
Real estate held for sale in consolidated variable interest entities	34,806
Mortgages and notes payable in consolidated variable interest entities	(55,849)
Financing arrangements, portfolio investments	(218,588)
Securitized debt	(28,735)
Cash and other	5,748
Net Capital in Multi-Family	$508,068

(3) Includes $429.8 million of distressed residential loans and $128.9 million of non-Agency RMBS backed by re-performing and non-performing loans.

(4) Other includes residential mortgage loans held in securitization trusts amounting to $85.9 million, investments in unconsolidated entities amounting to $10.8 million and mortgage loans held for sale and mortgage loans held for investment totaling $35.6 million. Mortgage loans held for sale and mortgage loans held for investment are included in the Company's accompanying condensed consolidated balance sheet in receivables and other assets. Non-callable liabilities consist of $45.0 million in subordinated debentures and $82.3 million in residential

collateralized debt obligations.

(5) Includes repurchase agreements.

(6) Includes derivative assets, derivative liabilities, payable for securities purchased and restricted cash posted as margin.

(7) Includes $18.8 million held in overnight deposits in our Agency IO portfolio to be used for trading purposes and $6.7 million in deposits held in our distressed residential securitization trusts to be used to pay down outstanding debt. These deposits are included in the Company's accompanying condensed consolidated balance sheets in receivables and other assets.

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At December 31, 2016:

	Agency RMBS [1]	Agency IOs	Multi-Family [2]	Distressed Residential Loans [3]	Other [4]	Total
Carrying value	$441,472	$87,778	$628,522	$671,272	$127,359	$1,956,403
Liabilities:						
Callable[5]	(391,707)	(60,862)	(206,824)	(306,168)	—	(965,561)
Non-callable	—	—	(28,332)	(130,535)	(136,663)	(295,530)
Hedges (Net)[6]	2,500	5,417	—	—	—	7,917
Cash[7]	4,415	39,673	3,687	9,898	75,725	133,398
Goodwill	—	—	—	—	25,222	25,222
Other	3,166	4,874	(2,652)	13,436	(29,511)	(10,687)
Net capital allocated	$59,846	$76,880	$394,401	$257,903	$62,132	$851,162
% of capital allocated	7.0 %	9.0 %	46.4 %	30.3 %	7.3 %	100 %

(1) Includes both Agency ARMs and Agency fixed-rate RMBS.

(2) The Company, through its ownership of certain securities, has determined it is the primary beneficiary of the Consolidated K-Series and has consolidated the Consolidated K-Series into the Company's condensed consolidated financial statements. A reconciliation to our financial statements as of December 31, 2016 follows:

Multi-family loans held in securitization trusts, at fair value	$6,939,844
Multi-family CDOs, at fair value	(6,624,896)
Net carrying value	314,948
Investment securities available for sale, at fair value held in securitization trusts	126,442
Total CMBS, at fair value	441,390
Mezzanine loan, preferred equity investments and investment in unconsolidated entities	169,678
Real estate under development	17,454
Mortgages and notes payable in consolidated variable interest entities	(1,588)
Financing arrangements, portfolio investments	(206,824)
Securitized debt	(28,332)
Other	2,623
Net Capital in Multi-family	$394,401

(3) Includes $503.1 million of distressed residential loans and $162.1 million of non-Agency RMBS backed by re-performing and non-performing loans.

(4) Other includes residential mortgage loans held in securitization trusts amounting to $95.1 million, investments in unconsolidated entities amounting to $9.7 million and mortgage loans held for sale and mortgage loans held for investment totaling $21.3 million. Mortgage loans held for sale and mortgage loans held for investment are included in the Company's accompanying condensed consolidated balance sheet in receivables and other assets. Non-callable liabilities consist of $45.0 million in subordinated debentures and $91.7 million in residential collateralized debt obligations.

(5) Includes repurchase agreements.

(6) Includes derivative assets, derivative liabilities, payable for securities purchased and restricted cash posted as margin.

(7) Includes $35.6 million held in overnight deposits in our Agency IO portfolio to be used for trading purposes and $9.9 million in deposits held in our distressed residential securitization trusts to be used to pay down outstanding debt. These deposits are included in the Company's accompanying consolidated balance sheet in receivables and other assets.

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Results of Operations

Comparison of the Three and Six Months Ended June 30, 2017 to the Three and Six Months Ended June 30, 2016

For the three and six months ended June 30, 2017, we reported net income attributable to the Company's common stockholders of $11.1 million and $27.1 million, respectively, as compared to net income attributable to the Company's common stockholders of $11.2 million and $24.9 million for the respective periods in 2016. The main components of the change in net income for the three and six months ended June 30, 2017 as compared to the respective periods in 2016 are detailed in the following table (dollar amounts in thousands, except per share data):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2017	2016	$ Change	2017	2016	$ Change
Net interest income	$15,708	$16,664	$(956)	$29,626	$34,306	$(4,680)
Total other income	$8,172	$10,071	$(1,899)	$24,877	$18,930	$5,947
Total general, administrative and operating expenses	$11,589	$9,936	$1,653	$21,793	$19,295	$2,498
Income from operations before income taxes	$12,291	$16,799	$(4,508)	$32,710	$33,941	$(1,231)
Income tax expense	$442	$2,366	$(1,924)	$1,680	$2,557	$(877)
Net income attributable to Company	$14,336	$14,435	$(99)	$33,517	$31,386	$2,131
Preferred stock dividends	$3,225	$3,225	$—	$6,450	$6,450	$—
Net income attributable to Company's common stockholders	$11,111	$11,210	$(99)	$27,067	$24,936	$2,131
Basic earnings per common share	$0.10	$0.10	$—	$0.24	$0.23	$0.01
Diluted earnings per common share	$0.10	$0.10	$—	$0.24	$0.23	$0.01

Net Interest Income

The decrease in net interest income of approximately $1.0 million for the three months ended June 30, 2017 as compared to the corresponding period in 2016 was primarily driven by:

- A decrease in net interest income of approximately $0.3 million in our distressed residential portfolio due to a decrease in net interest income from our distressed residential mortgage loans of approximately $1.7 million, partially offset by an increase in net interest income on our non-Agency RMBS of approximately $1.4 million. Net interest income on our distressed residential mortgage loans decreased due to a decrease in asset yields as well as an increase in financing costs. Net interest income on our non-Agency RMBS increased due to an increase in average interest earning assets to $170.2 million in the 2017 period as compared to $50.6 million in the corresponding period in 2016.

- A decrease in net interest income of approximately $1.8 million in our Agency IO portfolio primarily due to a decrease in average interest earning assets to $66.2 million in the 2017 period from $132.5 million during the 2016 period and an increase in prepayment rates.

- A decrease in net interest income of approximately $0.7 million in our Agency ARM and Agency fixed-rate RMBS portfolio due to a decrease in average interest earning assets in this portfolio and an increase in financing costs in the 2017 period compared to the corresponding period in 2016.

- An increase in net interest income of approximately $4.0 million in our multi-family portfolio due to an increase in average interest earning assets to $529.3 million for the three months ended June 30, 2017 as compared to $315.5 million for the corresponding period in 2016, and a decrease in our average cost of funds in the 2017 period as compared to the same period in 2016. The increase in average interest earning assets can be primarily attributed to the acquisition of new multi-family CMBS and funding of preferred equity investments.

- An increase in interest expense of $2.6 million related to the issuance in January 2017 of $138.0 million principal amount of Convertible Notes .

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The decrease in net interest income of approximately $4.7 million for the six months ended June 30, 2017 as compared to the corresponding period in 2016 was primarily driven by:

- A decrease in net interest income of approximately $1.2 million in our Agency RMBS portfolio due to a decrease in average interest earning assets in this portfolio and an increase in financing costs.

- A decrease in net interest income of approximately $4.5 million in our Agency IO portfolio primarily due to a decrease in average interest earning assets to $77.3 million in the 2017 period from $135.0 million during the 2016 period and an increase in prepayment rates.

- A decrease in net interest income of approximately $2.7 million in our distressed residential portfolio due to a decrease in net interest income on our distressed residential mortgage loans of approximately $5.0 million partially offset by an increase in net interest income on our non-Agency RMBS of approximately $2.3 million. Net interest income on our distressed residential mortgage loans decreased due to a decrease in asset yields as well as an increase in financing costs. Net interest income on our non-Agency RMBS increased due to an increase in average interest earning assets to $162.9 million in the 2017 period as compared to $25.7 million in the corresponding period in 2016.

- An increase in net interest income of approximately $7.7 million in our multi-family portfolio due to an increase in average interest earning assets to $493.6 million for the six months ended June 30, 2017 as compared to $300.8 million in the corresponding period in 2016, and a decrease in our average cost of funds in the 2017 period as compared to the same period in 2016. Average interest earning assets in this portfolio increased due to new multi-family preferred equity investments made and CMBS purchased during the period.

- An increase in interest expense of $4.6 million related to the issuance in January 2017 of $138.0 million principal amount in Convertible Notes .

Other Income

The decrease in other income of approximately $1.9 million for the three months ended June 30, 2017 as compared to the corresponding period in 2016 was primarily driven by:

- A decrease in other income of $5.8 million, which is primarily due to gains recognized as a result of the Company's re-measurement of its previously held membership interests in RiverBanc, RBMI, and RBDHC in accordance with GAAP in 2016. No such income was recognized in 2017.

- An increase in net unrealized loss of $0.4 million and a decrease in net realized gain of $0.6 million for the three months ended June 30, 2017, primarily related to investment securities and related hedges in our Agency IO portfolio.

- An increase in realized gains on distressed residential mortgage loans of $2.4 million due to increased sales activity during the second quarter of 2017 as compared to the corresponding period in 2016.

- An increase in net unrealized gains on multi-family loans and debt held in securitization trusts of $0.7 million for the three months ended June 30, 2017 as compared to the corresponding period in 2016, primarily due to the increase in multi-family CMBS investments owned by us as compared to the same period in the prior year. As of June 30, 2017, the net carrying value of our multi-family CMBS, which measures unrealized gains and losses through earnings, increased to approximately $398.2 million from $300.3 million as of June 30, 2016.

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An increase in income from operating real estate and real estate held for sale in consolidated variable interest entities of $2.3 million related to the consolidation of Riverchase Landing and The Clusters, which required consolidation of the entities' income and expenses in our condensed consolidated financial statements in accordance with GAAP.

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The increase in other income of approximately $5.9 million for the six months ended June 30, 2017 as compared to the corresponding period in 2016 was primarily driven by:

- An increase in realized gains on distressed residential mortgage loans of $8.8 million due to higher gains from increased sales activity during the 2017 period as compared to the corresponding period in 2016.

- An increase in net unrealized gains on multi-family loans and debt held in securitization trusts of $1.2 million for the six months ended June 30, 2017 as compared to the corresponding period in 2016, primarily due to the increase in multi-family CMBS investments owned by us as compared to the same period in the prior year and tightening credit spreads.

- A decrease in net unrealized loss of $3.7 million primarily related to investment securities and related hedges in our Agency IO portfolio.

- An decrease in realized gain on investment securities and related hedges of $3.1 million primarily due to decreases in net gains recognized on investment securities and related hedges in the Agency IO portfolio partially offset by an increase in realized gains on CMBS.

- An increase in income from operating real estate and real estate held for sale in consolidated variable interest entities of $2.3 million related to the consolidation of Riverchase Landing and The Clusters, which required consolidation of the entities' income and expenses in our condensed consolidated financial statements in accordance with GAAP.

- A decrease in other income of $6.1 million, which is primarily due to gains recognized as a result of the Company's re-measurement of its previously held membership interests in RiverBanc, RBMI, and RBDHC in accordance with GAAP in 2016. No such income was recognized in 2017.

Comparative Expenses (dollar amounts in thousands)

	Three Months Ended June 30,			Six Months Ended June 30,		
General, Administrative and Operating Expenses	2017	2016	$ Change	2017	2016	$ Change
Salaries, benefits and directors' compensation	2,920	$2,763	$157	$5,755	$4,060	$1,695
Professional fees	1,219	709	510	2,018	1,272	746
Base management and incentive fees	(109)	2,979	(3,088)	2,969	6,504	(3,535)
Expenses on distressed residential mortgage loans	2,218	2,740	(522)	4,457	5,934	(1,477)
Expenses related to operating real estate and real estate held for sale in consolidated variable interest entities	4,415	—	4,415	4,415	—	4,415
Other	926	745	181	2,179	1,525	654
Total	$11,589	$9,936	$1,653	$21,793	$19,295	$2,498

For the three months ended June 30, 2017 as compared to the corresponding period in 2016, general, administrative and operating expenses increased by $1.7 million. The increase was driven by $4.4 million of expenses related to operating real estate and real estate held for sale in consolidated variable interest entities beginning in the second quarter of 2017 due to the consolidation of Riverchase Landing and The Clusters in our condensed consolidated financial statements in accordance with GAAP. This was partially offset by a $3.1 million decline in base

management and incentive fees.

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For the six months ended June 30, 2017 as compared to the same period in 2016, general, administrative and operating expenses increased by $2.5 million. Beginning in the second quarter of 2017, the Company recognized expenses related to operating real estate and real estate held for sale in consolidated variable interest entities in the amount of $4.4 million due to the consolidation of Riverchase Landing and The Clusters in our condensed consolidated financial statements in accordance with GAAP. Salaries, benefits and directors' compensation was driven higher during the 2017 period as compared to the same period in the prior year primarily due to the increase in employee headcount resulting from the RiverBanc acquisition, which was partially offset by a $3.5 million decline in base management and incentive fees during the 2017 period as compared to the same period in the prior year.

The decline in base management and incentive fees during the 2017 period as compared to the same periods in 2016 was due in part to the termination of the RiverBanc management agreement on May 17, 2016, resulting in a decrease of $0.6 million and $1.8 million in fees to RiverBanc for the three and six months ended June 30, 2017, respectively. In addition, base management fees on our distressed loan strategy decreased by $1.3 million and $2.6 million for the three and six months ended June 30, 2017, respectively due, in part, to a change in methodology for calculating base management fees from 1.5% of assets under management to 1.5% of invested capital beginning in the third quarter of 2016. For the three months ended June 30, 2017, there was a decrease in incentive fees earned amounting to $1.1 million as compared to the same period in 2016 and for the six months ended June 30, 2017, there was an increase in incentive fees earned amounting to $1.0 million as compared to the same period in 2016. The change in incentive fee earned is dependent on sale activity in our distressed residential loan strategy during the period.

The decrease in expenses related to distressed residential mortgage loans for the three and six months ended June 30, 2017 as compared to the same periods in 2016 can be attributed to a decrease in loan count as well as decreases in appraisal costs incurred during the 2017 periods as compared to the same periods in 2016.

Quarterly Comparative Portfolio Net Interest Margin

Our results of operations for our investment portfolio during a given period typically reflect, in large part, the net interest income earned on our investment portfolio of RMBS, CMBS (including CMBS held in securitization trusts), residential securitized loans, distressed residential loans (including distressed residential loans held in securitization trusts), loans held for investment, mezzanine loans and preferred equity investments, where the risks and payment characteristics are equivalent to and accounted for as loans and loans held for sale (collectively, our "Interest Earning Assets"). The net interest spread is impacted by factors such as our cost of financing, the interest rate that our investments bear and our interest rate hedging strategies. Furthermore, the amount of premium or discount paid on purchased portfolio investments and the prepayment rates on portfolio investments will impact the net interest spread as such factors will be amortized over the expected term of such investments. Realized and unrealized gains and losses on TBAs, Eurodollar and Treasury futures and other derivatives associated with our Agency IO investments, which do not utilize hedge accounting for financial reporting purposes, are included in other income in our statement of operations, and therefore, not reflected in the data set forth below.

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The following table sets forth certain information about our portfolio by investment type and their related interest income, interest expense, weighted average yield on interest earning assets, average cost of funds and portfolio net interest margin for our interest earning assets (by investment type) for the three and six months ended June 30, 2017 and 2016, respectively (dollar amounts in thousands):

Three Months Ended June 30, 2017

	Agency RMBS	Agency IOs	Multi-Family [1] [2]	Distressed Residential	Other	Total
Interest Income	$1,726	$278	$14,687	$9,192	$1,225	$27,108
Interest Expense	(1,088)	(176)	(2,657)	(3,826)	(3,653)	(11,400)
Net Interest Income	$638	$102	$12,030	$5,366	$(2,428)	$15,708
Average Interest Earning Assets [2] [3]	$418,998	$66,196	$529,285	$621,936	$123,711	$1,760,126
Weighted Average Yield on Interest Earning Assets [4]	1.65%	1.68%	11.10%	5.91%	3.96%	6.16%
Average Cost of Funds [5]	(1.22)%	(2.10)%	(4.28)%	(4.29)%	(2.13)%	(3.04)%
Portfolio Net Interest Margin [6]	0.43%	(0.42)%	6.82%	1.62%	1.83%	3.12%

Six Months Ended June 30, 2017

	Agency RMBS	Agency IOs	Multi-Family [1] [2]	Distressed Residential	Other	Total
Interest Income	$3,623	$995	$27,639	$16,957	$2,347	$51,561
Interest Expense	(2,201)	(407)	(4,870)	(7,656)	(6,801)	(21,935)
Net Interest Income	$1,422	$588	$22,769	$9,301	$(4,454)	$29,626
Average Interest Earning Assets [2] [3]	$430,006	$77,334	$493,567	$641,837	$122,042	$1,764,786
Weighted Average Yield on Interest Earning Assets [4]	1.69%	2.57%	11.20%	5.28%	3.85%	5.84%
Average Cost of Funds [5]	(1.19)%	(1.89)%	(4.40)%	(3.98)%	(2.48)%	(2.93)%
Portfolio Net Interest Margin [6]	0.50%	0.68%	6.80%	1.30%	1.37%	2.91%

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Three Months Ended June 30, 2016

	Agency RMBS	Agency IOs	Multi-Family [1] [2]	Distressed Residential	Other	Total
Interest Income	$2,111	$2,710	$9,744	$9,103	$874	$24,542
Interest Expense	(802)	(790)	(1,761)	(3,401)	(1,124)	(7,878)
Net Interest Income	$1,309	$1,920	$7,983	$5,702	$(250)	$16,664
Average Interest Earning Assets [2] [3]	$522,651	$132,453	$315,531	$595,455	$125,454	$1,691,544
Weighted Average Yield on Interest Earning Assets [4]	1.62%	8.18%	12.35%	6.11%	2.79%	5.80%
Average Cost of Funds [5]	(0.71)%	(2.51)%	(6.73)%	(3.90)%	(2.24)%	(2.59)%
Portfolio Net Interest Margin [6]	0.91%	5.67%	5.62%	2.21%	0.55%	3.21%

Six Months Ended June 30, 2016

	Agency RMBS	Agency IOs	Multi-Family [1] [2]	Distressed Residential	Other	Total
Interest Income	$4,565	$6,346	$18,391	$17,968	$1,698	$48,968
Interest Expense	(1,957)	(1,305)	(3,306)	(6,006)	(2,088)	(14,662)
Net Interest Income	$2,608	$5,041	$15,085	$11,962	$(390)	$34,306
Average Interest Earning Assets [2] [3]	$548,925	$135,000	$300,791	$578,944	$125,891	$1,689,551
Weighted Average Yield on Interest Earning Assets [4]	1.66%	9.40%	12.23%	6.21%	2.70%	5.80%
Average Cost of Funds [5]	(0.84)%	(2.52)%	(7.02)%	(4.04)%	(1.93)%	(2.54)%
Portfolio Net Interest Margin [6]	0.82%	6.88%	5.21%	2.17%	0.77%	3.26%

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(1) The Company, through its ownership of certain securities, has determined it is the primary beneficiary of the Consolidated K-Series and has consolidated the Consolidated K-Series into the Company's condensed consolidated financial statements. Average Interest Earning Assets for the periods indicated exclude all Consolidated K-Series assets other than those securities actually owned by the Company. Interest income amounts represent interest income earned by securities that are actually owned by the Company. A reconciliation of our net interest income in multi-family investments to our condensed consolidated financial statements for the three and six months ended June 30, 2017 and 2016, respectively, is set forth below (dollar amounts in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Interest income, multi-family loans held in securitization trusts	$75,752	$61,769	$137,056	$125,301
Interest income, investment securities, available for sale [a]	2,716	1,246	5,226	2,168
Interest income, mezzanine loan and preferred equity investments [a]	3,092	1,953	6,162	3,346
Interest expense, multi-family collateralized debt obligation	66,873	55,224	120,805	112,424
Interest income, Multi-Family, net	14,687	9,744	27,639	18,391
Interest expense, investment securities, available for sale	1,954	211	3,468	212
Interest expense, securitized debt	703	1,550	1,402	3,094
Net interest income, Multi-Family	$12,030	$7,983	$22,769	$15,085

(a) Included in the Company's accompanying condensed consolidated statements of operations in interest income, investment securities and other.

(2) Average Interest Earning Assets for the period excludes all Consolidated K-Series assets other than those securities issued by the securitizations comprising the Consolidated K-Series that are actually owned by the Company.

(3) Our Average Interest Earning Assets is calculated each quarter based on daily average amortized cost for the respective periods.

(4) Our Weighted Average Yield on Interest Earning Assets was calculated by dividing our annualized interest income by our Average Interest Earning Assets for the respective periods.

(5) Our Average Cost of Funds was calculated by dividing our annualized interest expense by our average interest bearing liabilities, excluding our subordinated debentures and Convertible Notes, for the respective periods. In the three months ended June 30, 2017, our subordinated debentures and Convertible Notes generated interest expense of approximately $0.6 million and $2.6 million, respectively. In the six months ended June 30, 2017, our subordinated debentures and Convertible Notes generated interest expense of approximately $1.1 million and $4.6 million, respectively. Our Average Cost of Funds includes interest expense on our interest rate swaps and amortization of premium on our swaptions.

(6) Portfolio Net Interest Margin is the difference between our Weighted Average Yield on Interest Earning Assets and our Average Cost of Funds, excluding the Weighted Average Cost of subordinated debentures and Convertible Notes.

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Prepayment Experience

The following table sets forth the actual constant prepayment rates ("CPR") for selected asset classes, by quarter, for the quarterly periods indicated:

Quarter Ended	Agency ARMs	Agency Fixed-Rate RMBS	Agency IOs	Residential Securitizations	Total Weighted Average
June 30, 2017	16.5 %	9.6 %	17.5 %	16.8 %	14.7 %
March 31, 2017	8.3 %	10.6 %	15.9 %	5.1 %	12.6 %
December 31, 2016	21.7 %	12.3 %	19.4 %	11.1 %	16.9 %
September 30, 2016	20.7 %	10.0 %	18.2 %	15.9 %	16.1 %
June 30, 2016	17.6 %	10.2 %	15.6 %	17.8 %	14.6 %
March 31, 2016	13.5 %	7.9 %	14.7 %	14.8 %	12.7 %
December 31, 2015	16.9 %	8.5 %	14.6 %	31.2 %	14.7 %
September 30, 2015	18.6 %	10.5 %	18.0 %	8.9 %	15.1 %
June 30, 2015	9.2 %	10.6 %	16.3 %	11.1 %	13.3 %

When prepayment expectations over the remaining life of assets increase, we have to amortize premiums over a shorter time period resulting in a reduced yield to maturity on our investment assets. Conversely, if prepayment expectations decrease, the premium would be amortized over a longer period resulting in a higher yield to maturity. In addition, the market values and cash flows from our Agency IOs can be materially adversely affected during periods of elevated prepayments. We monitor our prepayment experience on a monthly basis and adjust the amortization rate to reflect current market conditions.

Financial Condition

As of June 30, 2017, we had approximately $10.4 billion of total assets, as compared to approximately $9.0 billion of total assets as of December 31, 2016. A significant portion of our assets represents the assets comprising the Consolidated K-Series, which we consolidate in accordance with GAAP. As of June 30, 2017 and December 31, 2016, the Consolidated K-Series assets amounted to approximately $8.5 billion and $7.0 billion, respectively. See "Significant Estimates and Critical Accounting Policies—Loan Consolidation Reporting Requirement for Certain Multi-Family K-Series Securitizations" in this Quarterly Report on Form 10-Q.

The increase in total assets is primarily due to the consolidation of multi-family loans held in securitization trusts on our balance sheet for a Freddie Mac-sponsored multi-family loan securitization during the first quarter of 2017.

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Balance Sheet Analysis

Investment Securities Available for Sale. At June 30, 2017, our securities portfolio includes Agency RMBS, including Agency fixed-rate and Agency ARM pass-through certificates, Agency IOs, CMBS, non-Agency RMBS, and U.S. Treasury securities, which are classified as investment securities available for sale. At June 30, 2017, we had no investment securities in a single issuer or entity that had an aggregate book value in excess of 10% of our total assets. The increase in our investment securities available for sale as of June 30, 2017 as compared to December 31, 2016 is primarily related to our purchases of non-Agency RMBS and CMBS during the period.

The following tables set forth the balances of our investment securities available for sale by vintage (i.e., by issue year) as of June 30, 2017 and December 31, 2016, respectively (dollar amounts in thousands):

	June 30, 2017		December 31, 2016	
	Par Value	Carrying Value	Par Value	Carrying Value
Agency RMBS				
ARMs				
Prior to 2012	$19,038	$ 19,886	$22,173	$ 23,203
2012	78,949	81,771	86,449	89,642
Total ARMs	97,987	101,657	108,622	112,845
Fixed				
Prior to 2012	742	762	1,011	1,042
2012	287,875	294,913	317,974	327,132
2015	361	396	411	453
Total Fixed	288,978	296,071	319,396	328,627
IO				
Prior to 2013	218,161	32,392	321,237	49,617
2013	47,792	8,372	87,142	14,635
2014	22,195	2,684	51,716	5,634
2015	10,406	1,232	55,338	9,578
2016	63,845	4,223	75,770	5,427
Total IOs	362,399	48,903	591,203	84,891
Total Agency RMBS	749,364	446,631	1,019,221	526,363
U.S. Treasury securities				
2016	3,000	2,925	3,000	2,887
Total U.S. Treasury Securities	3,000	2,925	3,000	2,887
Non-Agency RMBS				
2006	1,467	1,066	1,659	1,229
2015	—	—	27,574	27,643
2016	63,741	63,984	133,647	134,412
2017	65,054	64,868	—	—
Total Non-Agency RMBS	130,262	129,918	162,880	163,284
CMBS				
Prior to 2013 [1]	828,633	45,400	835,447	43,897
2013	520	521	5,912	5,733
2014	2,500	2,499	2,500	2,158

2015	26,466	25,452	16,880	14,364
2016	54,998	55,811	64,873	60,290
2017	34,027	31,746	—	—
Total CMBS	947,144	161,429	925,612	126,442
Total	$1,829,770	$ 740,903	$2,110,713	$ 818,976

(1) These amounts represent multi-family CMBS available for sale held in securitization trusts at June 30, 2017 and December 31, 2016, respectively.

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Residential Mortgage Loans Held in Securitization Trusts (net). Included in our portfolio are prime ARM loans that we originated or purchased in bulk from third parties that met our investment criteria and portfolio requirements and that we subsequently securitized in 2005.

At June 30, 2017, residential mortgage loans held in securitization trusts totaled approximately $85.9 million. The Company's net investment in the residential securitization trusts, which is the maximum amount of the Company's investment that is at risk to loss and represents the difference between the carrying amount of (i) the ARM loans, real estate owned and receivables held in residential securitization trusts and (ii) the amount of Residential CDOs outstanding, was $4.5 million. Of the residential mortgage loans held in securitized trusts, 100% are traditional ARMs or hybrid ARMs, 80.3% of which are ARM loans that are interest only at the time of origination. With respect to the hybrid ARMs included in these securitizations, interest rate reset periods were predominately five years or less and the interest-only period is typically nine years, which mitigates the "payment shock" at the time of interest rate reset. None of the residential mortgage loans held in securitization trusts are pay option-ARMs or ARMs with negative amortization. At June 30, 2017, the interest only period for the interest only ARM loans included in these securitizations has expired.

The following table details our residential mortgage loans held in securitization trusts at June 30, 2017 and December 31, 2016, respectively (dollar amounts in thousands):

	Number of Loans	Unpaid Principal	Carrying Value
June 30, 2017	268	$89,329	$85,911
December 31, 2016	287	$98,303	$95,144

Characteristics of Our Residential Mortgage Loans Held in Securitization Trusts:

The following table sets forth the composition of our residential mortgage loans held in securitization trusts as of June 30, 2017 and December 31, 2016, respectively (dollar amounts in thousands):

	June 30, 2017			December 31, 2016		
	Average	High	Low	Average	High	Low
General Loan Characteristics:						
Original Loan Balance	$425	$2,850	$48	$424	$2,850	$48
Current Coupon Rate	3.63%	5.50%	2.00%	3.35%	5.25%	1.63%
Gross Margin	2.37%	4.13%	1.13%	2.36%	4.13%	1.13%
Lifetime Cap	11.31%	13.25%	9.38%	11.30%	13.25%	9.38%
Original Term (Months)	360	360	360	360	360	360
Remaining Term (Months)	215	222	181	221	228	187
Average Months to Reset	5	13	1	5	11	1
Original FICO Score	725	818	603	724	818	593
Original LTV	70.21%	95.00%	13.94%	69.80%	95.00%	13.94%

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The following tables detail the activity for the residential mortgage loans held in securitization trusts (net) for the six months ended June 30, 2017 and 2016, respectively (dollar amounts in thousands):

	Principal	Premium	Allowance for Loan Losses	Net Carrying Value
Balance, January 1, 2017	$98,303	$ 623	$ (3,782)	$95,144
Principal repayments	(8,857)	—	—	(8,857)
Provision for loan loss	—	—	(207)	(207)
Transfer to real estate owned	(117)	—	6	(111)
Charge-Offs	—	—	—	—
Amortization of premium	—	(58)	—	(58)
Balance, June 30, 2017	$89,329	$ 565	$ (3,983)	$85,911

	Principal	Premium	Allowance for Loan Losses	Net Carrying Value
Balance, January 1, 2016	$122,545	$ 775	$ (3,399)	$119,921
Principal repayments	(13,737)	—	—	(13,737)
Provision for loan loss	—	—	(409)	(409)
Transfer to real estate owned	406	—	—	406
Charge-Offs	—	—	76	76
Amortization of premium	—	(84)	—	(84)
Balance, June 30, 2016	$109,214	$ 691	$ (3,732)	$106,173

Acquired Distressed Residential Mortgage Loans. Distressed residential mortgage loans are comprised of pools of fixed and adjustable rate residential mortgage loans acquired by the Company at a discount, with evidence of credit deterioration since their origination and where it is probable that the Company will not collect all contractually required principal payments. Management evaluates whether there is evidence of credit quality deterioration as of the acquisition date using indicators such as past due or modified status, risk ratings, recent borrower credit scores and recent loan-to-value percentages. Distressed residential mortgage loans held in securitization trusts are distressed residential mortgage loans transferred to Consolidated VIEs that have been securitized into beneficial interests.

The following table details our portfolio of distressed residential mortgage loans, including those distressed residential mortgage loans held in securitization trusts, at June 30, 2017 and December 31, 2016, respectively (dollar amounts in thousands):

	Number of Loans	Unpaid Principal	Carrying Value
June 30, 2017	4,641	$469,122	$429,792
December 31, 2016	5,275	$559,945	$503,094

The Company’s distressed residential mortgage loans held in securitization trusts with a carrying value of approximately $152.6 million and $195.3 million at June 30, 2017 and December 31, 2016, respectively, are pledged as collateral for certain of the securitized debt issued by the Company. The Company’s net investment in these securitization trusts, which is the maximum amount of the Company’s investment that is at risk to loss and represents the difference between the carrying amount of the net assets and liabilities associated with the distressed residential mortgage loans held in securitization trusts, was $80.9 million and $77.1 million at June 30, 2017 and December 31,

2016, respectively.

In addition, distressed residential mortgage loans with a carrying value of approximately $241.7 million and $279.9 million at June 30, 2017 and December 31, 2016, respectively, are pledged as collateral for a master repurchase agreement with Deutsche Bank AG, Cayman Islands Branch.

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Characteristics of Our Distressed Residential Mortgage Loans, including Distressed Residential Mortgage Loans Held in Securitization Trusts:

Loan to Value at Purchase	June 30, 2017		December 31, 2016	
50.00% or less	4.4	%	4.1	%
50.01% - 60.00%	4.5	%	4.3	%
60.01% - 70.00%	7.2	%	6.8	%
70.01% - 80.00%	11.0	%	10.8	%
80.01% - 90.00%	12.5	%	12.7	%
90.01% - 100.00%	14.2	%	14.0	%
100.01% and over	46.2	%	47.3	%
Total	100.0	%	100.0	%

FICO Scores at Purchase	June 30, 2017		December 31, 2016	
550 or less	19.8	%	18.5	%
551 to 600	29.0	%	28.7	%
601 to 650	28.1	%	28.0	%
651 to 700	14.6	%	15.6	%
701 to 750	5.6	%	6.6	%
751 to 800	2.6	%	2.3	%
801 and over	0.3	%	0.3	%
Total	100.0	%	100.0	%

Current Coupon	June 30, 2017		December 31, 2016	
3.00% or less	12.3	%	13.5	%
3.01% - 4.00%	11.2	%	11.8	%
4.01% - 5.00%	22.1	%	22.0	%
5.01% – 6.00%	12.0	%	11.8	%
6.01% and over	42.4	%	40.9	%
Total	100.0	%	100.0	%

Delinquency Status	June 30, 2017		December 31, 2016	
Current	78.5	%	69.7	%
31 – 60 days	2.6	%	11.6	%
61 – 90 days	3.9	%	4.2	%
90+ days	15.0	%	14.5	%
Total	100.0	%	100.0	%

Origination Year	June 30, 2017		December 31, 2016	
2005 or earlier	26.8	%	27.0	%
2006	17.9	%	18.1	%
2007	32.3	%	33.6	%
2008 or later	23.0	%	21.3	%

Total	100.0 %	100.0 %

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Consolidated K-Series. As of June 30, 2017 and December 31, 2016, we owned 100% of the first loss securities of the Consolidated K-Series. As of June 30, 2017 and December 31, 2016, the Consolidated K-Series are comprised of multi-family mortgage loans held in six and five Freddie Mac-sponsored multi-family K-Series securitizations, respectively, of which we or one of our SPEs own the first loss securities and, in certain cases, IOs and mezzanine securities. We determined that the securitizations comprising the Consolidated K-Series were VIEs and that we are the primary beneficiary of these securitizations. Accordingly, we are required to consolidate the Consolidated K-Series' underlying multi-family loans and related debt, income and expense in our condensed consolidated financial statements.

We have elected the fair value option on the assets and liabilities held within the Consolidated K-Series, which requires that changes in valuations in the assets and liabilities of the Consolidated K-Series will be reflected in our condensed consolidated statements of operations. As of June 30, 2017 and December 31, 2016, the Consolidated K-Series was comprised of $8.5 billion and $6.9 billion, respectively, in multi-family loans held in securitization trusts and $8.1 billion and $6.6 billion, respectively, in multi-family CDOs, with a weighted average interest rate of 4.07% and 3.97%, respectively. The increases in multi-family loans held in securitization trusts and multi-family CDOs during the six months ended June 30, 2017 were due to the consolidation of $1.5 billion in multi-family loans held in securitization trusts and $1.5 billion in multi-family CDOs following the purchase in March 2017 of $65.5 million in additional first loss tranche PO securities and certain IO and mezzanine CMBS securities. As a result of the consolidation of the Consolidated K-Series, our condensed consolidated statements of operations for the three and six months ended June 30, 2017 included $75.8 million and $137.1 million in interest income, respectively, and $66.9 million and $120.8 million in interest expense, respectively. Also, we recognized a $1.4 million and a $2.8 million unrealized gain in the condensed consolidated statements of operations for the three and six months ended June 30, 2017, respectively, as a result of the fair value accounting method election. As a result of the consolidation of the Consolidated K-Series, our condensed consolidated statements of operations for the three and six months ended June 30, 2016 included $61.8 million and $125.3 million in interest income, respectively, and $55.2 million and $112.4 million in interest expense, respectively. Also, we recognized a $0.8 million and a $1.6 million unrealized gain in the condensed consolidated statements of operations for the three and six months ended June 30, 2016, respectively, as a result of the fair value accounting method election.

We do not have any claims to the assets (other than those securities represented by our first loss and mezzanine tranche securities) or obligations for the liabilities of the Consolidated K-Series. Our investment in the Consolidated K-Series is limited to the multi-family CMBS comprised of first loss tranche PO, IO and mezzanine securities issued by these K-Series securitizations with an aggregate net carrying value of $398.2 million and $314.9 million as of June 30, 2017 and December 31, 2016, respectively.

Multi-Family CMBS Loan Characteristics:

The following table details the loan characteristics of the loans that back the multi-family CMBS (including the Consolidated K-Series) in our portfolio as of June 30, 2017 and December 31, 2016, respectively (dollar amounts in thousands, except as noted):

	June 30, 2017	December 31, 2016
Current balance of loans	$10,259,344	$8,824,481
Number of loans	588	543
Weighted average original LTV	69.5 %	68.8 %
Weighted average underwritten debt service coverage ratio	1.43x	1.49x
Current average loan size	$17,448	$16,251
Weighted average original loan term (in months)	120	120

Weighted average current remaining term (in months)	64		79	
Weighted average loan rate	4.35	%	4.39	%
First mortgages	100	%	100	%
Geographic state concentration (greater than 5.0%):				
California	11.8	%	13.8	%
Texas	10.6	%	12.4	%
New York	6.9	%	8.1	%
Maryland	4.5	%	5.3	%

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Investment in Unconsolidated Entities. Investment in unconsolidated entities is comprised of ownership interests in entities that invest in multi-family or residential real estate and related assets. As of June 30, 2017 and December 31, 2016, we had approximately $72.8 million and $79.3 million of investments in unconsolidated entities, respectively.

On March 31, 2017, the Company reconsidered its evaluation of its variable interest in 200 RHC Hoover, LLC ("Riverchase Landing"), a multi-family apartment community in which the Company holds a preferred equity investment, and determined that it became the primary beneficiary of Riverchase Landing. Accordingly, on this date, the Company consolidated Riverchase Landing into its condensed consolidated financial statements and decreased its investment in unconsolidated entities by approximately $9.0 million. See Note 9 to our condensed consolidated financial statements included in this report for more information on Riverchase Landing.

Mezzanine Loan and Preferred Equity Investments. The Company had mezzanine loan and preferred equity investments in the amount of $100.2 million as of June 30, 2017 and December 31, 2016.

On March 31, 2017, the Company reconsidered its evaluation of its variable interest in The Clusters, LLC ("The Clusters"), a multi-family apartment community in which the Company holds a preferred equity investment, and determined that it became the primary beneficiary of The Clusters. Accordingly, on this date, the Company consolidated The Clusters into its condensed consolidated financial statements, resulting in a decrease in preferred equity investments of approximately $3.5 million. See Note 9 to our condensed consolidated financial statements included in this report for more information on The Clusters.

As of June 30, 2017, all mezzanine loan and preferred equity investments were paying in accordance with their contractual terms. During the three and six months ended June 30, 2017, there were no impairments with respect to our mezzanine loans and preferred equity investments.

The following tables summarize our mezzanine loans and preferred equity investments as of June 30, 2017 and December 31, 2016 (dollars in thousands):

	June 30, 2017				
	Count	Carrying Amount (1)	Investment Amount (1)	Weighted Average Interest or Preferred Return Rate (2)	Weighted Average Remaining Life (Years)
Mezzanine loans	4	$12,300	$12,368	12.78 %	8.6
Preferred equity investments	15	87,907	88,953	12.09 %	7.1
Total	19	$100,207	$101,321	12.17 %	7.2

	December 31, 2016				
	Count	Carrying Amount (1)	Investment Amount (1)	Weighted Average Interest or Preferred Return Rate (2)	Weighted Average Remaining Life (Years)
Mezzanine loans	5	$18,881	$19,058	12.53 %	8.8
Preferred equity investments	14	81,269	82,096	12.10 %	7.4
Total	19	$100,150	$101,154	12.18 %	7.7

(1) The difference between the carrying amount and the investment amount consists of any unamortized premium or discount, deferred fees, or deferred expenses.

(2) Based upon investment amount and contractual interest or preferred return rate.

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Operating Real Estate Held in Consolidated VIEs, Net and Real Estate Held for Sale in Consolidated VIEs

Operating Real Estate Held in Consolidated VIEs, Net

On March 31, 2017, the Company re-evaluated its variable interest in The Clusters and, as a result of the reconsideration, consolidated The Clusters into its condensed consolidated financial statements. Operating real estate held in consolidated variable interest entities, net in the amount of $28.9 million as of June 30, 2017 represents the multi-family apartment community held by The Clusters. This amount is net of accumulated depreciation of $0.3 million as of June 30, 2017.

Real Estate Held for Sale in Consolidated VIEs

On March 31, 2017, the Company re-evaluated its variable interest in Riverchase Landing and, as a result of the reconsideration, consolidated Riverchase Landing into its condensed consolidated financial statements. During the second quarter of 2017, Riverchase Landing decided to sell its multi-family apartment community and began to actively market the property for sale, with anticipation of completing a sale to a third party buyer prior to December 31, 2017. As a result, the Company has classified the real estate assets held by Riverchase Landing in the amount of $34.8 million as held for sale in consolidated variable interest entities as of June 30, 2017. No gain or loss was recognized by the Company or allocated to non-controlling interests in Riverchase Landing upon reclassification of the real estate assets to held for sale.

Financing Arrangements, Portfolio Investments. The Company finances its portfolio investments primarily through repurchase agreements with third party financial institutions. These financing arrangements are short-term borrowings that bear interest rates typically based on a spread to LIBOR, and are secured by the securities which they finance.

At June 30, 2017, the Company had repurchase agreements with an outstanding balance of $656.4 million and a weighted average interest rate of 2.29%. At December 31, 2016, the Company had repurchase agreements with an outstanding balance of $773.1 million and a weighted average interest rate of 1.92%.

As of June 30, 2017, we had no counterparties where the amount at risk was in excess of 5% of the Company's stockholders’ equity. The amount at risk is defined as the fair value of securities pledged as collateral to the financing agreement in excess of the financing agreement liability. At December 31, 2016, the Company's only exposure where the amount at risk was in excess of 5% of the Company's stockholder's equity was to Deutsche Bank AG, London Branch at 5.1%.

As of June 30, 2017 and December 31, 2016, the outstanding balance under our repurchase agreements was funded at an advance rate of 85.9% and 84.6% that implies an average haircut of 14.1% and 15.4%, respectively. The weighted average “haircut” related to our repurchase agreement financing for our Agency RMBS (excluding Agency IOs), non-Agency RMBS, CMBS and Agency IOs was approximately 5%, 23%, 25% and 25%, respectively, at June 30, 2017.

The following table details the ending balance, quarterly average balance and maximum balance at any month-end during each quarter in 2017, 2016 and 2015 for outstanding financing arrangements, including Federal Home Loan Bank advances (dollar amounts in thousands):

Quarter Ended	Quarterly Average Balance	End of Quarter Balance	Maximum Balance at any Month-End

June 30, 2017	$688,853	$656,350	$ 719,222
March 31, 2017	$702,675	$702,309	$ 762,382
December 31, 2016	$742,594	$773,142	$ 773,142
September 30, 2016	$686,348	$671,774	$ 699,506
June 30, 2016	$615,930	$618,050	$ 642,536
March 31, 2016	$576,822	$589,919	$ 589,919
December 31, 2015	$574,847	$577,413	$ 578,136
September 30, 2015	$578,491	$586,075	$ 586,075
June 30, 2015	$513,254	$585,492	$ 585,492
March 31, 2015	$633,132	$619,741	$ 645,162

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Financing Arrangements, Residential Mortgage Loans. The Company has a master repurchase agreement with Deutsche Bank AG, Cayman Islands Branch, with a maximum aggregate committed principal amount of $200.0 million and a maximum uncommitted principal amount of $50.0 million to fund distressed residential mortgage loans, expiring on December 13, 2017. The outstanding balance on the master repurchase agreement, as of June 30, 2017 and December 31, 2016, amounts to approximately $165.0 million and $193.8 million, respectively, bearing interest at one-month LIBOR plus 2.50% (3.72% and 3.26% at June 30, 2017 and December 31, 2016, respectively). Distressed residential mortgage loans with a carrying value of approximately $241.7 million at June 30, 2017 are pledged as collateral for the borrowings under this master repurchase agreement. The Company expects to roll outstanding borrowings under this master repurchase agreement into a new repurchase agreement or other financing prior to or at maturity.

On November 25, 2015, the Company entered into a master repurchase agreement with Deutsche Bank AG, Cayman Islands Branch in an aggregate principal amount of up to $100.0 million to fund the purchase of residential mortgage loans, particularly second mortgage loans, expiring on May 25, 2017. On May 24, 2017, the Company entered into an amended master repurchase agreement that reduced the committed principal amount to $25.0 million. The amended master repurchase agreement expires on November 24, 2018. The outstanding balance on this master repurchase agreement as of June 30, 2017 amounts to approximately $10.6 million, bearing interest at one-month LIBOR plus 3.5% (4.72% at June 30, 2017). There was no outstanding balance on this master repurchase agreement as of December 31, 2016.

Residential Collateralized Debt Obligations. As of June 30, 2017 and December 31, 2016, we had Residential CDOs of $82.3 million and $91.7 million, respectively. As of June 30, 2017 and December 31, 2016, the weighted average interest rate of these Residential CDOs was 1.83% and 1.37%, respectively. The Residential CDOs are collateralized by ARM loans with a principal balance of $89.3 million and $98.3 million at June 30, 2017 and December 31, 2016, respectively. The Company retained the owner trust certificates, or residual interest, for three securitizations, and, as of June 30, 2017 and December 31, 2016, had a net investment in the residential securitization trusts of $4.5 million and $4.4 million, respectively.

Securitized Debt. As of June 30, 2017 and December 31, 2016, we had approximately $110.0 million and $158.9 million of securitized debt, respectively. As of June 30, 2017 and December 31, 2016, the weighted average interest rate for our securitized debt was 4.35% and 4.24%, respectively. The Company’s securitized debt is collateralized by multi-family CMBS and distressed residential mortgage loans. See Note 9 to our condensed consolidated financial statements included in this report for more information on securitized debt.

Debt. The Company's debt as of June 30, 2017 included Convertible Notes, subordinated debentures and mortgages and notes payable in consolidated variable interest entities.

Convertible Notes

On January 23, 2017, the Company completed the issuance and sale to Nomura Securities International, Inc., as the underwriter, of $138.0 million aggregate principal amount of its 6.25% Senior Convertible Notes due 2022, including $18.0 million aggregate principal amount of the Convertible Notes issued upon exercise of Nomura's over-allotment option, in an underwritten public offering. The net proceeds to the Company from the sale of the Convertible Notes, after deducting the underwriter's discounts and commissions and estimated offering expenses, were approximately $127.0 million with the total cost to the Company of approximately 8.24%.

Subordinated Debentures

As of June 30, 2017, certain of our wholly owned subsidiaries had trust preferred securities outstanding of $45.0 million with a weighted average interest rate of 5.08%. The securities are fully guaranteed by us with respect to distributions and amounts payable upon liquidation, redemption or repayment. These securities are classified as subordinated debentures in the liability section of our condensed consolidated balance sheets.

Mortgages and Notes Payable in Consolidated VIEs

On March 31, 2017, the Company determined that it became the primary beneficiary of Riverchase Landing and The Clusters, two variable interest entities that each own a multi-family apartment community and in which the Company holds preferred equity investments. Accordingly, on this date, the Company consolidated Riverchase Landing and The Clusters into its condensed consolidated financial statements. Both of Riverchase Landing's and The Clusters' real estate investments are subject to mortgages payable and the Company has no obligation for these liabilities as of June 30, 2017. See Note 9 to our condensed consolidated financial statements included in this report for more information on Riverchase Landing and The Clusters.

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The Company also consolidates KRVI into its condensed consolidated financial statements. KRVI's real estate under development is subject to a note payable of $4.4 million that has an unused commitment of $2.3 million as of June 30, 2017. See Note 9 to our condensed consolidated financial statements included in this report for more information on KRVI.

Derivative Assets and Liabilities. The Company enters into derivative instruments in connection with its risk management activities. These derivative instruments may include interest rate swaps, swaptions, futures, put and call options on futures and mortgage derivatives such as forward-settling purchases and sales of Agency RMBS where the underlying pools of mortgage loans are “To-Be-Announced,” or TBAs.

In connection with our investment in Agency IOs, we utilize several types of derivative instruments such as interest rate swaps, futures, put and call options on futures and TBAs to hedge the interest rate risk and spread risk. This hedging technique is dynamic in nature and requires frequent adjustments, which accordingly makes it very difficult to qualify for hedge accounting treatment. Hedge accounting treatment requires specific identification of a risk or group of risks and then requires that we designate a particular trade to that risk with no minimal ability to adjust over the life of the transaction. Because we and Midway are frequently adjusting these derivative instruments in response to current market conditions, we have determined to account for all the derivative instruments related to our Agency IO investments as derivatives not designated as hedging instruments. Realized and unrealized gains and losses associated with derivatives in our Agency IO portfolio are recognized through earnings in the condensed consolidated statements of operations.

We also use interest rate swaps (separately from interest rate swaps in our Agency IO portfolio) to hedge variable cash flows associated with borrowings made under our financing arrangements and Residential CDOs. We typically pay a fixed rate and receive a floating rate based on one month LIBOR, on the notional amount of the interest rate swaps. The floating rate we receive under our swap agreements has the effect of offsetting the repricing characteristics and cash flows of our financing arrangements. At June 30, 2017 and December 31, 2016, the Company had $215 million of notional amount of interest rate swaps outstanding that qualify as cash flow hedges for financial reporting purposes. The interest rate swaps had a net fair market asset value of $0.2 million and $0.1 million at June 30, 2017 and December 31, 2016, respectively. See Note 11 to our condensed consolidated financial statements included in this Form 10-Q for more information on our derivative instruments and hedging activities.

Derivative financial instruments may contain credit risk to the extent that the institutional counterparties may be unable to meet the terms of the agreements. We minimize this risk by limiting our counterparties to major financial institutions with good credit ratings. In addition, we regularly monitor the potential risk of loss with any one party resulting from this type of credit risk. Accordingly, we do not expect any material losses as a result of default by other parties, but we cannot guarantee that we will not experience counterparty failures in the future.

Balance Sheet Analysis - Company's Stockholders’ Equity

Company's stockholders’ equity at June 30, 2017 was $838.4 million and included $8.4 million of accumulated other comprehensive income. The accumulated other comprehensive income at June 30, 2017 primarily consisted of $12.3 million in unrealized losses related to our Agency RMBS, offset by $1.0 million in unrealized gains related to non-Agency RMBS, $19.5 million in net unrealized gains related to our CMBS and $0.2 million in unrealized derivative gains related to cash flow hedges. Company's stockholders’ equity at December 31, 2016 was $848.1 million and included $1.6 million of accumulated other comprehensive income. The accumulated other comprehensive income at December 31, 2016 consisted of $12.0 million in unrealized losses related to our Agency RMBS, offset by $1.0 million in unrealized gains related to non-Agency RMBS, $12.5 million in net unrealized gains related to our CMBS and $0.1 million in unrealized derivative gains related to cash flow hedges.

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Analysis of Changes in Book Value

The following table analyzes the changes in book value of our common stock for the three and six months ended June 30, 2017 (amounts in thousands, except per share):

	Three Months Ended June 30, 2017			Six Months Ended June 30, 2017		
	Amount	Shares	Per Share [1]	Amount	Shares	Per Share [1]
Beginning Balance	$680,197	111,843	$ 6.08	$683,075	111,474	$ 6.13
Common stock issuance, net [2]	653	48		1,267	417	
Balance after share issuance activity	680,850	111,891	6.08	684,342	111,891	6.12
Dividends declared	(22,378)		(0.20)	(44,746)		(0.40)
Net change in accumulated other comprehensive income:						
Hedges	(72)		—	92		—
Investment securities	3,870		0.04	6,626		0.06
Net income attributable to Company's common stockholders	11,111		0.10	27,067		0.24
Ending Balance	$673,381	111,891	$ 6.02	$673,381	111,891	$ 6.02

(1) Outstanding shares used to calculate book value per share for the ending balance is based on outstanding shares as of June 30, 2017 of 111,891,130.

(2) Includes amortization of stock based compensation.

Liquidity and Capital Resources

General

Liquidity is a measure of our ability to meet potential cash requirements, including ongoing commitments to repay borrowings, fund and maintain investments, comply with margin requirements, fund our operations, pay management and incentive fees, pay dividends to our stockholders and other general business needs. Our investments and assets, excluding the principal only multi-family CMBS we invest in, generate liquidity on an ongoing basis through principal and interest payments, prepayments, net earnings retained prior to payment of dividends and distributions from unconsolidated investments. Our principal only multi-family CMBS are backed by balloon non-recourse mortgage loans that provide for the payment of principal at maturity date, which is typically seven to ten years from the date the underlying mortgage loans are originated, and therefore do not directly contribute to monthly cash flows. In addition, the Company will, from time to time, sell on an opportunistic basis certain assets from its investment portfolio as part of its overall investment strategy and these sales are expected to provide additional liquidity.

During the six months ended June 30, 2017, net cash and restricted cash decreased by $25.2 million, as a result of $185.3 million used in financing activities offset by $149.3 million provided by investing activities and $10.8 million of cash provided by operating activities. Our financing activities primarily included $134.4 million in net payments made on financing arrangements, $66.1 million in payments made on multi-family CDOs, $55.6 million in dividends paid on common stock, Series B Preferred Stock and Series C Preferred Stock, $9.4 million in payments made on Residential CDOs, and $50.1 million in payments made on securitized debt, partially offset by $127.0 million in proceeds from the issuance of convertible debt. Our investing activities primarily included $99.4 million in principal repayments and proceeds from sales and refinancing of distressed residential mortgage loans, $46.7 million in proceeds from sales of investment securities, $66.1 million in principal repayments received on multi-family loans

held in securitization trusts, $132.8 million in principal paydowns received on investment securities available for sale, $8.9 million in principal repayments received on residential mortgage loans held in securitization trusts, $6.5 million in principal repayments received on mezzanine loans, $4.0 million in proceeds from sale of real estate owned, $3.1 million in return of capital from unconsolidated entity and preferred equity investments, and $2.9 million in net proceeds on other derivative instruments settled during the period, partially offset by $65.5 million in purchases of investments held in multi-family securitization trusts, $111.0 million in purchases of investment securities, $33.5 million in purchases of residential mortgage loans and distressed residential mortgage loans, and $11.1 million in funding of mezzanine loans, equity and preferred equity investments.

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We fund our investments and operations through a balanced and diverse funding mix, which includes proceeds from the issuance of equity and debt securities, including convertible notes, short-term and longer-term repurchase agreement borrowings, CDOs, securitized debt, trust preferred debentures and, until January 2016, we also used FHLBI advances. The type and terms of financing used by us depends on the asset being financed and the financing available at the time of the financing. In those cases where we utilize some form of structured financing, be it through CDOs, longer-term repurchase agreements or securitized debt, the cash flow produced by the assets that serve as collateral for these structured finance instruments may be restricted in terms of its use or applied to pay principal or interest on CDOs, repurchase agreements, or notes that are senior to our interests. At June 30, 2017, we had cash and cash equivalents balances of $75.4 million, which declined from $83.6 million at December 31, 2016. Based on our current investment portfolio, new investment initiatives, leverage ratio and available and future possible borrowing arrangements, we believe our existing cash balances, funds available under our various financing arrangements and cash flows from operations will meet our liquidity requirements for at least the next 12 months.

Liquidity – Financing Arrangements

We rely primarily on short-term repurchase agreements to finance the more liquid assets in our investment portfolio, such as Agency RMBS. In recent years, certain repurchase agreement lenders have elected to exit the repo lending market for various reasons, including new capital requirement regulations. However, as certain lenders have exited the space, other financing counterparties that had not participated in the repo lending market historically have begun to step in to replace many of the lenders that have elected to exit.

As of June 30, 2017, we have outstanding short-term repurchase agreements, a form of collateralized short-term borrowing, with eight different financial institutions. These agreements are secured by certain of our investment securities and bear interest rates that have historically moved in close relationship to LIBOR. Our borrowings under repurchase agreements are based on the fair value of our investment securities portfolio. Interest rate changes and increased prepayment activity can have a negative impact on the valuation of these securities, reducing the amount we can borrow under these agreements. Moreover, our repurchase agreements allow the counterparties to determine a new market value of the collateral to reflect current market conditions and because these lines of financing are not committed, the counterparty can call the loan at any time. Market value of the collateral represents the price of such collateral obtained from generally recognized sources or most recent closing bid quotation from such source plus accrued income. If a counterparty determines that the value of the collateral has decreased, the counterparty may initiate a margin call and require us to either post additional collateral to cover such decrease or repay a portion of the outstanding borrowing in cash, on minimal notice. Moreover, in the event an existing counterparty elected to not renew the outstanding balance at its maturity into a new repurchase agreement, we would be required to repay the outstanding balance with cash or proceeds received from a new counterparty or to surrender the securities that serve as collateral for the outstanding balance, or any combination thereof. If we are unable to secure financing from a new counterparty and had to surrender the collateral, we would expect to incur a loss. In addition, in the event one of our lenders under the repurchase agreement defaults on its obligation to “re-sell” or return to us the securities that are securing the borrowings at the end of the term of the repurchase agreement, we would incur a loss on the transaction equal to the amount of “haircut” associated with the short-term repurchase agreement, which we sometimes refer to as the “amount at risk.” As of June 30, 2017, we had an aggregate amount at risk under our repurchase agreements with eight counterparties of approximately $125.7 million, with no more than approximately $38.1 million at risk with any single counterparty. At June 30, 2017, the Company had short-term repurchase agreement borrowings of $656.4 million as compared to $773.1 million as of December 31, 2016.

As of June 30, 2017, our available liquid assets include unrestricted cash and cash equivalents, overnight deposits and unencumbered securities we believe may be posted as margin. The Company had $75.4 million in cash and cash equivalents, $18.8 million in overnight deposits in our Agency IO portfolio included in restricted cash and $250.8

million in unencumbered investment securities to meet additional haircuts or market valuation requirements. The unencumbered securities that we believe may be posted as margin as of June 30, 2017 included $42.9 million of Agency RMBS, $156.7 million of CMBS and $51.2 million of non-Agency RMBS and other investment securities. We believe the cash and unencumbered securities, which collectively represent 52.6% of our financing arrangements, are liquid and could be monetized to pay down or collateralize a liability immediately.

At June 30, 2017, the Company also had two master repurchase agreements with Deutsche Bank AG, Cayman Islands Branch. The outstanding balances under the first master repurchase agreement in an aggregate principal amount of up to $200.0 million amounted to approximately $165.0 million and $193.8 million at June 30, 2017 and December 31, 2016, respectively. This agreement is collateralized by distressed residential mortgage loans with a carrying value of $241.7 million at June 30, 2017, expiring on December 13, 2017. The outstanding balances under the second master repurchase agreement, with an aggregate principal amount of up to $25.0 million, amounted to approximately $10.6 million at June 30, 2017. We had no outstanding balance at December 31, 2016. This agreement is collateralized by residential mortgage loans with a carrying value of $18.3 million at June 30, 2017, expiring on November 24, 2018.

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At June 30, 2017, we also had other longer-term debt, including Residential CDOs outstanding of $82.3 million, multi-family CDOs outstanding of $8.1 billion (which represent obligations of the Consolidated K-Series), securitized debt of $110.0 million, subordinated debt of $45.0 million and convertible debt of $127.8 million. The CDOs are collateralized by residential and multi-family loans held in securitization trusts, respectively. The securitized debt as of June 30, 2017 represents the notes issued in (i) our May 2012 multi-family re-securitization transaction and (ii) our April 2016 distressed residential mortgage loan securitization transaction, which is described in Note 9 of our condensed consolidated financial statements in this Quarterly Report on Form 10-Q .

On January 23, 2017, the Company completed the issuance of $138.0 million aggregate principal amount of Convertible Notes in a public offering. The Convertible Notes were issued at 96% of the principal amount, bear interest at a rate equal to 6.25% per year, payable semi-annually in arrears on January 15 and July 15 of each year, commencing July 15, 2017, and are expected to mature on January 15, 2022, unless earlier converted or repurchased. The Company does not have the right to redeem the Convertible Notes prior to maturity and no sinking fund is provided for the Convertible Notes. Holders of the Convertible Notes are permitted to convert their Convertible Notes into shares of the Company's common stock at any time prior to the close of business on the business day immediately proceeding January 15, 2022. The conversion rate for the Convertible Notes, which is subject to adjustment upon the occurrence of certain specified events, initially equals 142.7144 shares of the Company’s common stock per $1,000 principal amount of Convertible Notes, which is equivalent to a conversion price of approximately $7.01 per share of the Company’s common stock, based on a $1,000 principal amount of the Convertible Notes.

As of June 30, 2017, our overall leverage ratio, including both our short-term and longer-term financing, such as securitized debt, subordinated debt, mortgage notes and Convertible Notes (and excluding mortgage notes related to Riverchase Landing and The Clusters, the CDOs issued by the Consolidated K-Series and our Residential CDOs) divided by the Company's stockholders’ equity, was approximately 1.3 to 1. As of June 30, 2017, our leverage ratio on our short term financings or callable debt was approximately 1.0 to 1. We monitor all at risk or short term borrowings to ensure that we have adequate liquidity to satisfy margin calls and have the ability to respond to other market disruptions.

Liquidity – Hedging and Other Factors

Certain of our hedging instruments may also impact our liquidity. We use interest rate swaps, swaptions, TBAs, Eurodollar or other futures contracts to hedge interest rate and spread risk associated with our investments in Agency RMBS, including Agency IOs.

With respect to interest rate swaps, futures contracts and TBAs, initial margin deposits, which can be comprised of either cash or securities, will be made upon entering into these contracts. During the period these contracts are open, changes in the value of the contract are recognized as unrealized gains or losses by marking to market on a daily basis to reflect the market value of these contracts at the end of each day’s trading. We may be required to satisfy variable margin payments periodically, depending upon whether unrealized gains or losses are incurred. In addition, because delivery of TBAs extend beyond the typical settlement dates for most non-derivative investments, these transactions are more prone to market fluctuations between the trade date and the ultimate settlement date, and thereby are more vulnerable to increasing amounts at risk with the applicable counterparties. The use of TBAs associated with our Agency IO investments creates significant short term payables (and/or receivables) amounting to $172.6 million at June 30, 2017, and is included in payable for securities purchased on our condensed consolidated balance sheets.

We also use interest rate swaps (separately from interest rate swaps in our Agency IO portfolio) to hedge variable cash flows associated with borrowings made under our financing arrangements and Residential CDOs.

For additional information regarding the Company's derivative instruments and hedging activities for the periods covered by this report, including the fair values and notional amounts of these instruments and realized and unrealized gains and losses relating to these instruments, please see Note 11 to our condensed consolidated financial statements included in this report. Also, please see Item 3. Quantitative and Qualitative Disclosures about Market Risk, under the caption, "Fair Value Risk", for a tabular presentation of the sensitivity of the market value and net duration changes of the Company's portfolio across various changes in interest rates, which takes into account the Company's hedging activities.

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Liquidity — Securities Offerings

In addition to the financing arrangements described above under the caption “Liquidity—Financing Arrangements,” we also rely on equity offerings of common and preferred equity and debt securities as a source of both short-term and long-term liquidity. We also may generate liquidity through the sale of shares of our common stock in an “at the market” offering program pursuant to an equity distribution agreement (the "ATM Program"), as well as through the sale of shares of our common stock pursuant to our Dividend Reinvestment Plan, or DRIP. Our DRIP provides for the issuance of up to $20,000,000 of shares of our common stock.

On March 20, 2015, the Company entered into an equity distribution agreement (the “Equity Distribution Agreements”) with JMP Securities LLC (“JMP”), an “Agent” and collectively, with Ladenburg Thalmann & Co. Inc., the “Agents”, pursuant to which the Company may sell up to $75,000,000 of aggregate value of (i) shares of the Company’s common stock, par value $0.01 per and (ii) shares of the Company’s Series B Preferred Stock, from time to time through the Agents. On August 25, 2016, the Company entered into an amendment to the equity distribution agreement with JMP (as amended, the "JMP Agreement") and a new equity distribution agreement (the “Ladenburg Equity Distribution Agreement” and, together with the JMP Agreement, the “Equity Distribution Agreements”) with Ladenburg Thalmann & Co. Inc., pursuant to which the Company may sell the securities remaining available for issuance under the Equity Distribution Agreements through the Agents.

During the six months ended June 30, 2017, the Company issued 87,737 shares under the Equity Distribution Agreements at an average sales price of $6.68 per share, resulting in total net proceeds to the Company of $0.6 million. There were no shares of common stock issued under the Equity Distribution Agreements during the three months ended June 30, 2017. Pursuant to the Equity Distribution Agreements, the shares may be offered and sold through the Agents in transactions that are deemed to be “at the market” offerings as defined in Rule 415 under the Securities Act of 1933, as amended, including sales made directly on The Nasdaq Global Select Market or sales made to or through a market maker other than on an exchange or, subject to the terms of a written notice from us, in privately negotiated transactions. We have no obligation to sell any of the shares under the Equity Distribution Agreements and may at any time suspend solicitations and offers under the Equity Distribution Agreements. As of June 30, 2017, approximately $39.3 million of securities remains available for issuance under the Equity Distribution Agreements.

Management Agreements

We have investment management agreements with Midway and Headlands, pursuant to which we pay these managers a base management and incentive fee, if earned, quarterly in arrears. See "- Results of Operations - Comparison of the Three and Six Months Ended June 30, 2017 to the Three and Six Months Ended June 30, 2016 - Comparative Expenses" for more information regarding the base management and incentive fees incurred during the three and six months ended June 30, 2017.

Dividends

On June 14, 2017, we declared a Series B Preferred Stock cash dividend of $0.484375 per share of Series B Preferred Stock for the quarterly period that began on April 15, 2017 and ended on July 14, 2017. The dividend was paid on July 15, 2017 to our Series B Preferred stockholders of record as of July 1, 2017.

On June 14, 2017, we declared a Series C Preferred Stock cash dividend of $0.4921875 per share of Series C Preferred Stock for the quarterly period that began on April 15, 2017 and ended on July 14, 2017. The dividend was paid on July 15, 2017 to our Series C Preferred stockholders of record as of July 1, 2017.

On June 14, 2017, we declared a 2017 second quarter cash dividend of $0.20 per common share. The dividend was paid on July 25, 2017 to common stockholders of record as of June 26, 2017. The dividend was paid out of our working capital.

We expect to continue to pay quarterly cash dividends on our common stock during the near term. However, our Board of Directors will continue to evaluate our dividend policy each quarter and will make adjustments as necessary, based on a variety of factors, including, among other things, the need to maintain our REIT status, our financial condition, liquidity, earnings projections and business prospects. Our dividend policy does not constitute an obligation to pay dividends.

We intend to make distributions to our stockholders to comply with the various requirements to maintain our REIT status and to minimize or avoid corporate income tax and the nondeductible excise tax. However, differences in timing between the recognition of REIT taxable income and the actual receipt of cash could require us to sell assets or to borrow funds on a short-term basis to meet the REIT distribution requirements and to minimize or avoid corporate income tax and the nondeductible excise tax.

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Exposure to European financial counterparties

We finance the acquisition of a significant portion of our mortgage-backed securities with repurchase agreements. In connection with these financing arrangements, we pledge our securities as collateral to secure the borrowings. The amount of collateral pledged will typically exceed the amount of the financing with the extent of over-collateralization from 5% of the amount borrowed (in the case of Agency ARM and Agency fixed-rate RMBS collateral) and up to 25% (in the case of our non-Agency RMBS, CMBS and Agency IOs).

While our repurchase agreement financing results in us recording a liability to the counterparty in our consolidated balance sheet, we are exposed to the counterparty, if during the term of the repurchase agreement financing, a lender should default on its obligation and we are not able to recover our pledged assets. The amount of this exposure is the difference between the amount loaned to us plus interest due to the counterparty and the fair value of the collateral pledged by us to the lender (including accrued interest receivable on such collateral).

Several large European banks have experienced financial difficulty in recent years, some of whom have required a rescue or assistance from other large European banks or the European Central Bank. Some of these banks have U.S. banking subsidiaries which have provided repurchase agreement financing or interest rate swap agreements to us in connection with the acquisition of various investments, including mortgage-backed securities investments. We have outstanding repurchase agreement borrowings with Deutsche Bank AG, in the amount of $227.0 million at June 30, 2017, with a net exposure of $104.6 million. In addition, certain of our U.S. based counterparties may have significant exposure to the financial and economic turmoil in Europe which could impact their future lending activities or cause them to default under agreements with us. In the event one or more of these counterparties or their affiliates experience liquidity difficulties in the future, our liquidity could be materially adversely affected.

Inflation

For the periods presented herein, inflation has been relatively low and we believe that inflation has not had a material effect on our results of operations. The impact of inflation is primarily reflected in the increased costs of our operations. Virtually all our assets and liabilities are financial in nature. Our consolidated financial statements and corresponding notes thereto have been prepared in accordance with GAAP, which require the measurement of financial position and operating results in terms of historical dollars without considering the changes in the relative purchasing power of money over time due to inflation. As a result, interest rates and other factors influence our performance far more than inflation. Inflation affects our operations primarily through its effect on interest rates, since interest rates typically increase during periods of high inflation and decrease during periods of low inflation. During periods of increasing interest rates, demand for mortgages and a borrower’s ability to qualify for mortgage financing in a purchase transaction may be adversely affected. During periods of decreasing interest rates, borrowers may prepay their mortgages, which in turn may adversely affect our yield and subsequently the value of our portfolio of mortgage assets.

Off-Balance Sheet Arrangements

We did not maintain any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. Further, we have not guaranteed any obligations of unconsolidated entities nor do we have any commitment or intent to provide funding to any such entities.

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Item 3. Quantitative and Qualitative Disclosures about Market Risk

This section should be read in conjunction with “Item 1A. Risk Factors” in this Annual Report on Form 10-K and our subsequent periodic reports filed with the SEC.

We seek to manage risks that we believe will impact our business including, interest rates, liquidity, prepayments, credit quality and market value. When managing these risks we consider the impact on our assets, liabilities and derivative positions. While we do not seek to avoid risk completely, we believe the risk can be quantified from historical experience. We seek to actively manage that risk, to generate risk-adjusted total returns that we believe compensate us appropriately for those risks and to maintain capital levels consistent with the risks we take.

The following analysis includes forward-looking statements that assume that certain market conditions occur. Actual results may differ materially from these projected results due to changes in our portfolio assets and borrowings mix and due to developments in the domestic and global financial and real estate markets. Developments in the financial markets include the likelihood of changing interest rates and the relationship of various interest rates and their impact on our portfolio yield, cost of funds and cash flows. The analytical methods that we use to assess and mitigate these market risks should not be considered projections of future events or operating performance.

Interest Rate Risk

Interest rates are sensitive to many factors, including governmental, monetary, tax policies, domestic and international economic conditions, and political or regulatory matters beyond our control. Changes in interest rates affect the value of the financial assets we manage and hold in our investment portfolio and the variable-rate borrowings we use to finance our portfolio. Changes in interest rates also affect the interest rate swaps and caps, Eurodollar and other futures, TBAs and other securities or instruments we use to hedge our portfolio. As a result, our net interest income is particularly affected by changes in interest rates.

For example, we hold RMBS, some of which may have fixed rates or interest rates that adjust on various dates that are not synchronized to the adjustment dates on our repurchase agreements. In general, the re-pricing of our repurchase agreements occurs more quickly than the re-pricing of our variable-interest rate assets. Thus, it is likely that our floating rate borrowings, such as our repurchase agreements, may react to interest rates before our RMBS because the weighted average next re-pricing dates on the related borrowings may have shorter time periods than that of the RMBS. In addition, the interest rates on our Agency ARMs backed by hybrid ARMs may be limited to a “periodic cap,” or an increase of typically 1% or 2% per adjustment period, while our borrowings do not have comparable limitations. Moreover, changes in interest rates can directly impact prepayment speeds, thereby affecting our net return on RMBS. During a declining interest rate environment, the prepayment of RMBS may accelerate (as borrowers may opt to refinance at a lower interest rate) causing the amount of liabilities that have been extended by the use of interest rate swaps to increase relative to the amount of RMBS, possibly resulting in a decline in our net return on RMBS, as replacement RMBS may have a lower yield than those being prepaid. Conversely, during an increasing interest rate environment, RMBS may prepay more slowly than expected, requiring us to finance a higher amount of RMBS than originally forecast and at a time when interest rates may be higher, resulting in a decline in our net return on RMBS. Accordingly, each of these scenarios can negatively impact our net interest income.

We seek to manage interest rate risk in our portfolio by utilizing interest rate swaps, swaptions, caps, Eurodollar and other futures, options and U.S. Treasury securities with the goal of optimizing the earnings potential while seeking to maintain long term stable portfolio values. We continually monitor the duration of our mortgage assets and have a policy to hedge the financing of those assets such that the net duration of the assets, our borrowed funds related to such assets, and related hedging instruments, is less than one year. In addition, we utilize TBAs to mitigate the risks

on our long Agency RMBS positions associated with our investments in Agency IOs.

We utilize a model-based risk analysis system to assist in projecting portfolio performances over a scenario of different interest rates. The model incorporates shifts in interest rates, changes in prepayments and other factors impacting the valuations of our financial securities and instruments, including mortgage-backed securities, repurchase agreements, interest rate swaps and interest rate caps, TBAs and Eurodollar futures.

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Based on the results of the model, the instantaneous changes in interest rates specified below would have had the following effect on net interest income for the next 12 months based on our assets and liabilities as of June 30, 2017 (dollar amounts in thousands):

Changes in Net Interest Income

Changes in Interest Rates	Changes in Net Interest Income
+200	$(2,823)
+100	$(260)
-100	$(1,558)

Interest rate changes may also impact our net book value as our financial assets and related hedge derivatives are marked-to-market each quarter. Generally, as interest rates increase, the value of our mortgage assets, other than IOs, decreases, and conversely, as interest rates decrease, the value of such investments will increase. The value of an IO will likely be negatively affected in a declining interest rate environment due to the risk of increasing prepayment rates because the IOs' value is wholly contingent on the underlying mortgage loans having an outstanding balance. In general, we expect that, over time, decreases in the value of our portfolio attributable to interest rate changes will be offset, to the degree we are hedged, by increases in the value of our interest rate swaps or other financial instruments used for hedging purposes, and vice versa. However, the relationship between spreads on securities and spreads on our hedging instruments may vary from time to time, resulting in a net aggregate book value increase or decline. That said, unless there is a material impairment in value that would result in a payment not being received on a security or loan, changes in the book value of our portfolio will not directly affect our recurring earnings or our ability to make a distribution to our stockholders.

Liquidity Risk

Liquidity is a measure of our ability to meet potential cash requirements, including ongoing commitments to repay borrowings, fund and maintain investments, pay dividends to our stockholders and other general business needs. We recognize the need to have funds available to operate our business. It is our policy to have adequate liquidity at all times. We plan to meet liquidity through normal operations with the goal of avoiding unplanned sales of assets or emergency borrowing of funds.

Our principal sources of liquidity are repurchase agreements, the CDOs we have issued to finance our loans held in securitization trusts, securitized debt, trust preferred securities, the principal and interest payments from our assets and cash proceeds from the issuance of equity or debt securities (as market and other conditions permit). We believe our existing cash balances and cash flows from operations will be sufficient for our liquidity requirements for at least the next 12 months.

We are subject to "margin call" risk under our repurchase agreements. In the event the value of our assets pledged as collateral suddenly decreases, margin calls relating to our repurchase agreements could increase, causing an adverse change in our liquidity position. Additionally, if one or more of our repurchase agreement counterparties chooses not to provide ongoing funding, we may be unable to replace the financing through other lenders on favorable terms or at all. As such, we provide no assurance that we will be able to roll over our repurchase agreements as they mature from time to time in the future. See Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" in this Quarterly Report on Form 10-Q for further information about our liquidity and capital resource management.

Derivative financial instruments used to hedge interest rate risk are subject to "margin call" risk. For example, under our interest rate swaps, typically we pay a fixed rate to the counterparties while they pay us a floating rate. If interest rates

drop below the fixed rate we are paying on an interest rate swap, we may be required to post cash margin.

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Prepayment Risk

When borrowers repay the principal on their residential mortgage loans before maturity or faster than their scheduled amortization, the effect is to shorten the period over which interest is earned, and therefore, reduce the yield for residential mortgage assets purchased at a premium to their then current balance, as with our portfolio of Agency RMBS. Conversely, residential mortgage assets purchased for less than their then current balance, such as our distressed residential mortgage loans, exhibit higher yields due to faster prepayments. Furthermore, actual prepayment speeds may differ from our modeled prepayment speed projections impacting the effectiveness of any hedges we have in place to mitigate financing and/or fair value risk. Generally, when market interest rates decline, borrowers have a tendency to refinance their mortgages, thereby increasing prepayments. The impact of increasing prepayment rates, whether as a result of declining interest rates, government intervention in the mortgage markets or otherwise, is particularly acute with respect to our Agency IOs. Because the value of an IO security is wholly contingent on the underlying mortgage loans having an outstanding principal balance, an unexpected increase in prepayment rates on the pool of mortgage loans underlying the IOs could significantly negatively impact the performance of our Agency IOs.

Our modeled prepayments will help determine the amount of hedging we use to off-set changes in interest rates. If actual prepayment rates are higher than modeled, the yield will be less than modeled in cases where we paid a premium for the particular residential mortgage asset. Conversely, when we have paid a premium, if actual prepayment rates experienced are slower than modeled, we would amortize the premium over a longer time period, resulting in a higher yield to maturity.

In an environment of increasing prepayment speeds, the timing difference between the actual cash receipt of principal paydowns and the announcement of the principal paydown may result in additional margin requirements from our repurchase agreement counterparties.

We mitigate prepayment risk by constantly evaluating our residential mortgage assets relative to prepayment speeds observed for assets with similar structures, quantities and characteristics. Furthermore, we stress-test the portfolio as to prepayment speeds and interest rate risk in order to further develop or make modifications to our hedge balances. Historically, we have not hedged 100% of our liability costs due to prepayment risk.

Credit Risk

Credit risk is the risk that we will not fully collect the principal we have invested in our credit sensitive assets, including distressed residential and other mortgage loans, non-Agency RMBS, CMBS, mezzanine loans and preferred equity and joint venture equity investments, due to borrower defaults. In selecting the credit sensitive assets in our portfolio, we seek to identify and invest in assets with characteristics that we believe offset or limit the exposure of borrower defaults to the Company.

We seek to manage credit risk through our pre-acquisition or pre-funding due diligence process, and by factoring projected credit losses into the purchase price we pay or loan terms we negotiate for all of our credit sensitive assets. In general, we evaluate relative valuation, supply and demand trends, prepayment rates, delinquency and default rates, vintage of collateral and macroeconomic factors as part of this process. Nevertheless, these procedures do not guarantee unanticipated credit losses which would materially affect our operating results.

With respect to the $429.8 million of distressed residential mortgage loans the Company owned at June 30, 2017, the mortgage loans were purchased at a discount to par reflecting their distressed state or perceived higher risk of default, which may include higher loan to value ratios and, in certain instances, delinquent loan payments. Prior to the

acquisition of each of our first loss CMBS securities, the Company completed an extensive review of the underlying loan collateral, including loan level cash flow re-underwriting, site inspections on selected properties, property specific cash flow and loss modeling, review of appraisals, property condition and environmental reports, and other credit risk analyses. We continue to monitor credit quality on an ongoing basis using updated property level financial reports provided by borrowers and periodic site inspection of selected properties. We also reconcile on a monthly basis the actual bond distributions received against projected distributions to assure proper allocation of cash flow generated by the underlying loan pool.

As of June 30, 2017, we own $399.0 million of first loss CMBS comprised solely of first loss POs that are backed by commercial mortgage loans on multi-family properties at a weighted average amortized purchase price of approximately 40.3% of current par. Prior to the acquisition of each of our first loss CMBS securities, the Company completed an extensive review of the underlying loan collateral, including loan level cash flow re-underwriting, site inspections on selected properties, property specific cash flow and loss modeling, review of appraisals, property condition and environmental reports, and other credit risk analyses. We continue to monitor credit quality on an ongoing basis using updated property level financial reports provided by borrowers and periodic site inspection of selected properties. We also reconcile on a monthly basis the actual bond distributions received against projected distributions to assure proper allocation of cash flow generated by the underlying loan pool.

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As of June 30, 2017, we own approximately $185.6 million of mezzanine loan, preferred equity and equity investments in owners of residential and multi-family properties. The performance and value of these investments depend upon the applicable operating partner’s or borrower’s ability to effectively operate the multi-family and residential properties, that serve as the underlying collateral, to produce cash flows adequate to pay distributions, interest or principal due to us. The Company monitors the performance and credit quality of the underlying assets that serve as collateral for its investments. In the case of our multi-family investments, the procedures for ongoing monitoring include financial statement analysis and regularly scheduled site inspections of portfolio properties to assess property physical condition, performance of on-site staff and competitive activity in the sub-market. We also formulate annual budgets and performance goals alongside our operating partners for use in measuring the ongoing investment performance and credit quality of our investments. Additionally, the Company's preferred equity and equity investments typically provide us with various rights and remedies to protect our investment. In March 2017, the Company exercised its rights and remedies with respect to Riverchase Landing and The Clusters and effectively assumed control of both entities. The Company has an asset management team with the experience and expertise necessary to efficiently manage Riverchase Landing and The Clusters while working toward a successful resolution for each investment.

We are exposed on the credit risk in our investments in non-Agency RMBS backed by re-performing or nonperforming loans totaling $128.9 million as of June 30, 2017. Our non-Agency RMBS backed by re-performing or nonperforming loans were purchased primarily through new issue at prices at or around par and represent the senior tranches of the related securitizations. The non-Agency RMBS backed by re-performing or nonperforming loans are structured with significant credit enhancement (typically approximately 50%) and the subordinate tranches absorb all credit losses (until those tranches are extinguished) and typically receive no cash flow (interest or principal) until the senior tranche is paid off. Prior to purchase, we analyze the deal structure in order to assess the associated credit risk. Subsequent to purchase, the ongoing credit risk associated with the deal is evaluated by analyzing the extent to which actual credit losses occur that result in a reduction in the amount of subordination enjoyed by our bond. Based on the recent performance of the collateral underlying our non-Agency RMBS backed by re-performing or nonperforming loans and current subordination levels, we do not believe that we are currently exposed to significant risk of credit loss on these investments.

Fair Value Risk

Changes in interest rates also expose us to market value (fair value) fluctuation on our assets, liabilities and hedges. While the fair value of the majority of our assets (when excluding all Consolidated K-Series assets other than the securities we actually own) that are measured on a recurring basis are determined using Level 2 fair values, we own certain assets, such as our first loss PO CMBS investments, for which fair values may not be readily available if there are no active trading markets for the instruments. In such cases, fair values would only be derived or estimated for these investments using various valuation techniques, such as computing the present value of estimated future cash flows using discount rates commensurate with the risks involved. However, the determination of estimated future cash flows is inherently subjective and imprecise. Minor changes in assumptions or estimation methodologies can have a material effect on these derived or estimated fair values. Our fair value estimates and assumptions are indicative of the interest rate environments as of June 30, 2017 and do not take into consideration the effects of subsequent interest rate fluctuations.

We note that the values of our investments in derivative instruments will be sensitive to changes in market interest rates, interest rate spreads, credit spreads and other market factors. The value of these investments can vary and has varied materially from period to period.

The following describes the methods and assumptions we use in estimating fair values of our financial instruments:

Fair value estimates are made as of a specific point in time based on estimates using present value or other valuation techniques. These techniques involve uncertainties and are significantly affected by the assumptions used and the judgments made regarding risk characteristics of various financial instruments, discount rates, estimate of future cash flows, future expected loss experience and other factors.

Changes in assumptions could significantly affect these estimates and the resulting fair values. Derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in an immediate sale of the instrument. Also, because of differences in methodologies and assumptions used to estimate fair values, the fair values used by us should not be compared to those of other companies.

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The table below presents the sensitivity of the market value and net duration changes of our portfolio as of June 30, 2017, using a discounted cash flow simulation model assuming an instantaneous interest rate shift. Application of this method results in an estimation of the fair market value change of our assets, liabilities and hedging instruments per 100 basis point (“bp”) shift in interest rates.

The use of hedging instruments is a critical part of our interest rate risk management strategies, and the effects of these hedging instruments on the market value of the portfolio are reflected in the model's output. This analysis also takes into consideration the value of options embedded in our mortgage assets including constraints on the re-pricing of the interest rate of assets resulting from periodic and lifetime cap features, as well as prepayment options. Assets and liabilities that are not interest rate-sensitive such as cash, payment receivables, prepaid expenses, payables and accrued expenses are excluded.

Changes in assumptions including, but not limited to, volatility, mortgage and financing spreads, prepayment behavior, defaults, as well as the timing and level of interest rate changes will affect the results of the model. Therefore, actual results are likely to vary from modeled results.

Market Value Changes		
Changes in Interest Rates	Changes in Market Value	Net Duration
	(Amounts in thousands)	
+200	$(77,429)	2.82
+100	$(40,007)	3.45
Base		2.75
-100	$34,222	2.49

It should be noted that the model is used as a tool to identify potential risk in a changing interest rate environment but does not include any changes in portfolio composition, financing strategies, market spreads or changes in overall market liquidity.

Although market value sensitivity analysis is widely accepted in identifying interest rate risk, it does not take into consideration changes that may occur such as, but not limited to, changes in investment and financing strategies, changes in market spreads and changes in business volumes. Accordingly, we make extensive use of an earnings simulation model to further analyze our level of interest rate risk.

There are a number of key assumptions in our earnings simulation model. These key assumptions include changes in market conditions that affect interest rates, the pricing of our portfolio, the availability of investment assets and the availability and the cost of financing for portfolio assets. Other key assumptions made in using the simulation model include prepayment speeds and management's investment, financing and hedging strategies. The assumptions used represent our estimate of the likely effect of changes in interest rates and do not necessarily reflect actual results. The earnings simulation model takes into account periodic and lifetime caps embedded in our assets in determining the earnings at risk.

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Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management as appropriate to allow timely decisions regarding required disclosures. An evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of June 30, 2017. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2017.

Changes in Internal Control Over Financial Reporting. There have been no changes in our internal control over financial reporting during the quarter ended June 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1A. Risk Factors

There have been no material changes from the risk factors disclosed under "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2016.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the three months ended June 30, 2017, the Company repurchased 17,284 shares of common stock at an average price of $6.12 per share in connection with the satisfaction of employee tax withholding obligations upon the vesting of restricted stock awards.

The table below sets forth the information with respect to purchases made by or on the behalf of the Company or any affiliated purchaser (as defined in Rule 10b-18(a)(3) under the Exchange Act, as amended), of our common stock during the three months ended June 30, 2017.

Period		Total # of Shares Purchased	Average Price Paid Per Share	Total # of Shares Purchased as Part of Publicly Announced Plan or Program	Maximum # of Shares that May Yet be Purchased under Plans or Programs
April 1-30, 2017:					
Employee Transaction	(1)	—	—	N/A	N/A
May 1-31, 2017:					
Employee Transaction	(1)	17,284	$ 6.12	N/A	N/A
June 1-30, 2017:					
Employee Transaction	(1)	—	—	N/A	N/A
		17,284	$ 6.12	N/A	N/A

Total Employee
Transactions

(1) The Company's 2010 Plan provides that the value of the shares forfeited be based on the price of its common stock on the date the relevant shares vest.

Item 6. Exhibits

The information set forth under "Exhibit Index" below is incorporated herein by reference.

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SIGNATURES

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

NEW YORK MORTGAGE TRUST, INC.

Date: August 7, 2017 By: /s/ Steven R. Mumma
Steven R. Mumma
Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: August 7, 2017 By: /s/ Kristine R. Nario
Kristine R. Nario
Chief Financial Officer
(Principal Financial and Accounting Officer)

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EXHIBIT INDEX

Exhibit	Description
2.1	Membership Interest Purchase Agreement, by and among Donlon Family LLC, JMP Investment Holdings LLC, Hypotheca Capital, LLC, RiverBanc LLC and New York Mortgage Trust, Inc., dated May 3, 2016 (Incorporated by reference to Exhibit 2.1 to the Company's Quarterly Report on Form 10-Q as filed with the Securities and Exchange Commission on May 5, 2016).
3.1	Articles of Amendment and Restatement of New York Mortgage Trust, Inc., as amended (Incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission on March 10, 2014).
3.2	Bylaws of New York Mortgage Trust, Inc., as amended (Incorporated by reference to Exhibit 3.2 to the Company’s Annual Report on Form 10-K as filed with the Securities and Exchange Commission on March 4, 2011).
3.3	Articles Supplementary designating the Company’s 7.75% Series B Cumulative Redeemable Preferred Stock (the “Series B Preferred Stock”) (Incorporated by reference to Exhibit 3.3 of the Company’s Registration Statement on Form 8-A as filed with the Securities and Exchange Commission on May 31, 2013).
3.4	Articles Supplementary classifying and designating 2,550,000 additional shares of the Company’s Series B Preferred Stock (Incorporated by reference to Exhibit 3.1 of the Company’s Current Report on Form 8-K as filed with the Securities and Exchange Commission on March 20, 2015).
3.5	Articles Supplementary classifying and designating the 7.875% Series C Cumulative Redeemable Preferred Stock (the “Series C Preferred Stock”) (Incorporated by reference to Exhibit 3.5 of the Company’s Registration Statement on Form 8-A as filed with the Securities and Exchange Commission on April 21, 2015).
4.1	Form of Common Stock Certificate (Incorporated by reference to Exhibit 4.1 to the Company’s Registration Statement on Form S-11 as filed with the Securities and Exchange Commission (Registration No. 333-111668), effective June 23, 2004).
4.2	Form of Certificate representing the Series B Preferred Stock (Incorporated by reference to Exhibit 3.4 of the Company’s Registration Statement on Form 8-A as filed with the Securities and Exchange Commission on May 31, 2013).
4.3	Form of Certificate representing the Series C Preferred Stock (Incorporated by reference to Exhibit 3.6 of the Company’s Registration Statement on Form 8-A as filed with the Securities and Exchange Commission on April 21, 2015).
4.4(a)	Junior Subordinated Indenture between The New York Mortgage Company, LLC and JPMorgan Chase Bank, National Association, as trustee, dated September 1, 2005 (Incorporated by reference to Exhibit 4.1 to the Company’s Current Report on Form 8-K as filed with the Securities and Exchange Commission on September 6, 2005).
4.4(b)	Amended and Restated Trust Agreement among The New York Mortgage Company, LLC and JPMorgan Chase Bank, National Association, as Property Trustee, Chase Bank USA, National Association, as Delaware Trustee, and the Administrative Trustees named therein, dated as of September 1, 2005

	(Incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 6, 2005).
4.4(c)	Parent Guarantee Agreement between New York Mortgage Trust, Inc. and JPMorgan Chase Bank, National Association, as guarantee trustee, dated September 1, 2005 (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K as filed with the Securities and Exchange Commission on September 6, 2005).
4.5(a)	Junior Subordinated Indenture between The New York Mortgage Company, LLC and JPMorgan Chase Bank, National Association, as trustee, dated March 15, 2005 (Incorporated by reference to Exhibit 4.3(a) to the Company's Quarterly Report on Form 10-Q as filed with the Securities and Exchange Commission on August 9, 2012).

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4.5(b)	Parent Guarantee Agreement between New York Mortgage Trust, Inc. and JPMorgan Chase Bank, National Association, as guarantee trustee, dated March 15, 2005 (Incorporated by reference to Exhibit 4.3(b) to the Company's Quarterly Report on Form 10-Q as filed with the Securities and Exchange Commission on August 9, 2012).
4.6	Indenture, dated April 15, 2016, by and between NYMT Residential 2016-RP1, LLC and U.S. Bank National Association (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K as filed with the Securities and Exchange Commission on April 19, 2016.)
4.7	Indenture, dated January 23, 2017, between the Company and U.S. Bank National Association, as trustee (Incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 23, 2017).
4.8	First Supplemental Indenture, dated January 23, 2017, between the Company and U.S. Bank National Association, as trustee (Incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 23, 2017).
4.9	Form of 6.25% Senior Convertible Notes Due 2022 of the Company (Incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 23, 2017).
	Certain instruments defining the rights of holders of long-term debt securities of the Registrant and its subsidiaries are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. The Registrant hereby undertakes to furnish to the SEC, upon request, copies of any such instruments.
10.1	New York Mortgage Trust, Inc. 2017 Equity Incentive Plan (Incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 15, 2017).
12.1	Statement re: Computation of Ratios.
31.1	Section 302 Certification of Chief Executive Officer.
31.2	Section 302 Certification of Chief Financial Officer.
32.1	Section 906 Certification of Chief Executive Officer and Chief Financial Officer.*
101.INS	XBRL Instance Document **
101.SCH	Taxonomy Extension Schema Document **
101.CAL	Taxonomy Extension Calculation Linkbase Document **
101.DEF XBRL	Taxonomy Extension Definition Linkbase Document **

101.LAB Taxonomy Extension Label Linkbase Document **

101.PRE Taxonomy Extension Label Linkbase Document **

* Furnished herewith. Such certification shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

** Submitted electronically herewith. Attached as Exhibit 101 to this report are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets at June 30, 2017 and December 31, 2016; (ii) Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2017 and 2016; (iii) Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2017 and 2016; (iv) Condensed Consolidated Statement of Changes in Stockholders' Equity for the six months ended June 30, 2017; (v) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2017 and 2016; and (vi) Notes to Condensed Consolidated Financial Statements.