Resource Capital Corp.
Form 10-K/A
March 21, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K/A
(Amendment No. 1)
(Mark One)
þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2013
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _________ to __________
Commission File Number: 1-32733
RESOURCE CAPITAL CORP.
(Exact name of registrant as specified in its charter)

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

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

(212) 506-3870
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.001 par value	New York Stock Exchange
8.50% Series A Cumulative Redeemable Preferred Stock	New York Stock Exchange
8.25% Series B Cumulative Redeemable Preferred Stock	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No R
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No R
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 R No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes R No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. R

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

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

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

The aggregate market value of the voting common equity held by non-affiliates of the registrant, based on the closing price of such stock on the last business day of the registrant's most recently completed second fiscal quarter (June 30, 2013) was approximately $741,905,398.

The number of outstanding shares of the registrant’s common stock on February 26, 2014 was 128,420,570 shares.

Explanatory Note

This Amendment No. 1 (this "Amendment") to the Annual Report on Form 10-K filed on March 3, 2014 (the "Original Annual Report") of Resource Capital Corp. (the "Company") is being filed solely for the purpose of correcting certain inadvertent errors appearing in the Original Annual Report (i) in the Number of Positions as Collateral column in the Repurchase and Credit Facilities tables appearing in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations - Investments in Real Estate" (ii) in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations - CRE - Term Repurchase Facilities" and (iii) in Exhibit 12.1.

Except as described above, no other changes have been made to the Original Annual Report. We have not updated the disclosures contained therein to reflect any events which occurred at a date subsequent to the filing of the Original Annual Report.

As required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended, new certifications of our Chief Executive Officer and Chief Financial Officer have been included as exhibits to this Amendment. This Amendment should be read in conjunction with the Original Annual Report and our other filings with the Securities and Exchange Commission.

ITEM 7 . MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion provides information to assist you in understanding our financial condition and results of operations. This discussion should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this report. This discussion contains forward-looking statements. Actual results could differ materially from those expressed in or implied by those forward-looking statements. Please see “Forward-Looking Statements” and “Risk Factors” in this report for a discussion of certain risks, uncertainties and assumptions associated with those statements.

We are a diversified real estate investment trust that is primarily focused on originating, holding and managing commercial mortgage loans and other commercial real estate-related debt and equity investments. We also make other commercial finance investments. We are organized and conduct our operations to qualify as a real estate investment trust, or REIT, under Subchapter M of the Internal Revenue Code of 1986, as amended. Our objective is to provide our stockholders with total returns over time, including quarterly distributions and capital appreciation, while seeking to manage the risks associated with our investment strategies. We invest in a combination of real estate-related assets and, to a lesser extent, higher-yielding commercial finance assets. We have financed a substantial portion of our portfolio investments through borrowing strategies seeking to match the maturities and repricing dates of our financings with the maturities and repricing dates of those investments, and have sought to mitigate interest rate risk through derivative instruments.

We are externally managed by Resource Capital Manager, Inc., or the Manager,an indirect wholly-owned subsidiary of Resource America, Inc. (NASDAQ: REXI), or Resource America, a specialized asset management company that uses industry-specific expertise to evaluate, originate, service and manage investment opportunities through its commercial real estate, financial fund management and commercial finance operating segments. As of September 30, 2013, Resource America managed approximately $16.6 billion of assets in these sectors. To provide its services, the Manager draws upon Resource America, its management team and their collective investment experience.

We generate our income primarily from the spread between the revenues we receive from our assets and the cost to finance the purchase of those assets, from management of assets and from hedging interest rate risks. We generate revenues from the interest and fees we earn on our whole loans, A notes, B notes, mezzanine debt, commercial mortgage-backed securities, or CMBS, bank loans, other asset-backed securities, or ABS, and structured note investments. We also generate revenues from the rental and other income from real properties we own, from management of externally originated bank loans and from our investment in an equipment leasing business. Historically, we have used a substantial amount of leverage to enhance our returns and we have financed each of our different asset classes with different degrees of leverage. The cost of borrowings to finance our investments is a significant part of our expenses. Our net income depends on our ability to control these expenses relative to our revenue. In our bank loan, CMBS and ABS portfolios, we historically have used warehouse facilities as a short-term financing source and CDOs and CLOs, and, to a lesser extent, other term financing as long-term financing sources. In our commercial real estate loan portfolio, we historically have used repurchase agreements as a short-term financing source, and CDOs and, to a lesser extent, other term financing as long-term financing sources. Our other term financing has consisted of long-term match-funded financing provided through long-term bank financing and asset-backed financing programs, depending upon market conditions and credit availability.

During December 31, 2013, the economic environment continued to be more positive in the United States, which resulted in several positive operating developments for us. Our ability to access the capital markets continued to improve, as evidenced by our common stock offering in April 2013, resulting in proceeds to us of $114.5 million, and by the success of our dividend reinvestment and share purchase program, or DRIP, which raised $19.2 million. In addition, we supplemented our common equity issuances with issuances of preferred stock through an at-the-market program which resulted in proceeds of $56.8 million in 2013. We also completed a 6.0% convertible notes offering in October 2013 with proceeds of $111.1 million. This brought our total proceeds raised through our capital markets efforts to $301.6 million in 2013, after underwriting discounts and commissions and other offering expenses.

Although economic conditions in the United States have improved, previous conditions in real estate and credit markets continue to affect both us and a number of our commercial real estate borrowers. Over a period of several years, we entered into loan modifications with respect to 17 of our outstanding commercial real estate loans. During the past three years, we have added to our provision for loan losses to reflect the effect of these conditions on our borrowers and have recorded both temporary and other than temporary impairments in the market valuation of CMBS and ABS in our investment portfolio. However, during 2012 and into December 31, 2013, the improved economic conditions led to a stabilization in the credit quality of our portfolio and, as a result, our provision for loan losses has decreased significantly for 2013. We expensed provisions of $3.0 million for the year ended December 31, 2013 as compared to provisions of $16.8 million for the year ended December 31, 2012. Our asset impairments have increased slightly, we recognized asset impairments of $863,000 for the year ended December 31, 2013 as compared to $180,000 for the year ended December 31, 2012. We also saw a marked improvement in other comprehensive income with respect to our available for sale securities portfolio and interest rate derivatives, which declined to a loss of $14.0 million at December 31, 2013 from a loss of $27.1 million at December 31, 2012. While we believe we have appropriately valued the assets in our investment portfolio at December 31, 2013, we cannot assure you that further impairments will not occur or that our assets will otherwise not be adversely affected by market conditions.

Beginning in 2011, we began to see a loosening of the credit markets and were able to take advantage of the situation by establishing several new financing arrangements, a trend that continued in 2012 when we closed two financing facilities totaling $250.0 million with Wells Fargo Bank and in 2013 when we closed a $200.0 million financing facility with Deutsche Bank AG, or DB. We continue to engage in discussions with potential financing sources about providing commercial real estate term financing to augment and cautiously grow our loan and security portfolio. We have expanded our borrowings with the use of term and additional repurchase agreements and are using them primarily to finance newly underwritten commercial real estate loans and the purchase of highly rated CMBS. We anticipate replacing these short-term borrowings with longer term financing in the form of securitization borrowings as we did with our newest commercial real estate, or CRE securitization, a $307.8 million CLO in December 2013. We expect to be able to continue the growth in our CRE portfolio to a critical amount required to access the securitization markets again during 2014. However, we caution investors that even as financing through the credit markets becomes more available, we may not be able to obtain economically favorable terms.

In terms of our investments and investment portfolio growth, we continued to see increased opportunities to deploy our capital. Beginning in October 2010 through December 31, 2013, we have underwritten 51 new CRE loans for a total of $664.2 million, some of which were financed by using capital recycled through our two real estate CDO securitizations. The balances were financed through our CRE term facilities and our new CRE securitization. We also purchased 48 newly underwritten CMBS for $164.3 million beginning in February 2011 through December 31, 2013, all of which were financed with a Wells Fargo facility. We also purchased eight CMBS bonds for $32.4 million that were financed by our two CRE CDOs beginning in February 2011 through December 31, 2013. In addition, we purchased 19 CMBS bonds for $79.7 million that were financed by short-term repurchase agreements and also purchased 14 CMBS bonds for $75.3 million where no debt financing sources were utilized. We have used recycled capital in our bank loan CLO structures to make new investments at discounts to par. We expect that the reinvested capital and related discounts will produce additional income as the discounts are accreted into interest income. In addition, the purchase of these investments at discounts allows us to build collateral in the CLO structures since we receive credit in these structures for these investments at par. From net discounts of approximately $27.1 million at December 31, 2012, we recognized income of approximately $10.0 million in our bank loan CLO portfolio for 2013 and expect to accrete approximately $1.7 million into income in calendar year 2014. However, we have no further capacity in two of our bank loan collateralized loan obligation issuers, or CLOs, and two real estate CDOs have ended their reinvestment periods. We continue to have reinvestment capacity in one bank loan CLO where the reinvestment period continues to May 2014. We intend to use the existing capacity in our CMBS and CRE term credit facilities with Wells Fargo of $50.9 million and $207.6 million, respectively, and with Deutsche Bank of $200.0 million, as of February 28, 2014 to help finance new CRE and CMBS investments.

Conversely, we also saw a decline in our commercial finance assets, our bank loan portfolio as two of our CLOs were liquidated in 2013 and two or our CLOs have matured and as the collateral assets pay down, the proceeds are used to pay down the associated debt. This trend has seen our net interest income from bank loans decline substantially in 2013. We expect to mitigate this trend by deploying capital into our middle-market lending business, which loans are similar in nature to bank loans, and in our growing commercial real estate lending platform.

Due to these recent developments, our increased ability to access credit markets, our recent capital markets efforts and our investment of a significant portion of our available unrestricted and restricted cash balances during 2013, we expect to continue to modestly increase our net interest income into 2014. However, because we believe that economic conditions in the United States are fragile, and could be significantly harmed by occurrences over which we have no control, we cannot assure you that we will be able to meet our expectations, or that we will not experience net interest income reductions.

On October 31, 2013, we, through RCC Residential, Inc., our newly-formed taxable REIT subsidiary, acquired a residential mortgage origination company, Primary Capital Advisors LC, or PCA, an Atlanta based firm for $7.6 million in cash. In addition, a key employee of PCA was granted approximately $800,000 in shares of our common stock that was subsequently accounted for as compensation. The shares of common stock were issued in a private transaction exempt from registration under Section 4(2) of the Securities Act of 1933, as amended. Of the $7.6 million cash consideration, $1.8 million was set aside in an escrow account as a contingency for potential purchase price adjustments. Our acquisition of PCA represents a return to the residential mortgage investment market, by providing us with our first residential mortgage origination platform. We intend to cautiously expand this business over the next 12 to 15 months while adding infrastructure, staff and new technology.

In the latter half of 2013, we provided a middle market lending operation operated by our Manager with funds to invest on our behalf. These funds were derived from proceeds of sales from a partial liquidation of our trading portfolio. Our first investments were in bank loans purchased in the secondary market; however, in December 2013, we closed on a self-originated loan. We expect to grow this business in 2014, which will help mitigate the revenues lost as a result of the liquidation and run-off of several bank loan CLOs.

As of December 31, 2013 and 2012, we had invested 83% of our portfolio in CRE assets, 15% in commercial bank loans and 2% in other assets.

Results of Operations

Our net income allocable to common shares for the year ended December 31, 2013 was $39.2 million, or $0.33 per share (basic and diluted) as compared to net income allocable to common shares of $63.2 million, or $0.71 per share (basic and diluted) for the year ended December 31, 2012, and as compared to net income allocable to common shares of $37.7 million, or $0.54 per share-basic ($0.53 per share-diluted) for the year ended December 31, 2011.

Interest Income

The following tables set forth information relating to our interest income recognized for the periods presented (in thousands, except percentages):

	Years Ended December 31, 2013	2012	2011
Interest income:			
Interest income from loans:			
Bank loans	$54,143	$71,511	$54,833
Commercial real estate loans	45,312	37,519	31,906
Total interest income from loans	99,455	109,030	86,739
Interest income from securities:			
CMBS-private placement	11,411	11,358	9,290
ABS	1,399	1,503	1,613
Corporate bonds	814	368	—
Residential mortgage-backed securities, or RMBS	685	1,067	1,521
Total interest income from securities	14,309	14,296	12,424
Interest income - other:			
Preference payments on structured notes (1)	3,918	9,773	10,432
Temporary investment in over-night repurchase agreements	294	231	279
Total interest income - other	4,212	10,004	10,711
Total interest income	$117,976	$133,330	$109,874

	Year Ended December 31, 2013 Weighted Average		Year Ended December 31, 2012 Weighted Average		Year Ended December 31, 2011 Weighted Average	
	Yield	Balance	Yield	Balance	Yield	Balance
Interest income:						
Interest income from loans:						
Bank loans	5.54%	$975,032	5.94%	$1,189,898	5.63%	$963,427
Commercial real estate loans	5.81%	$767,287	5.25%	$701,836	4.95%	$646,121
Interest income from securities:						
CMBS-private placement	4.93%	$229,272	5.22%	$216,460	5.65%	$160,593
ABS	5.06%	$27,399	4.80%	$32,087	4.85%	$32,879
Corporate bonds	3.91%	$20,220	4.29%	$8,237	N/A	N/A
RMBS	5.55%	$12,348	3.10%	$34,396	2.93%	$51,844
Preference payments on structured notes	10.10%	$38,778	19.07%	$51,239	32.95%	$31,663

The following tables summarize interest income for the years indicated (in thousands, except percentages):

Type of Security	Coupon Interest		Unamortized (Discount) Premium		Net Amortization/ Accretion		Interest Income	Fee Income	Total
Year Ended December 31, 2013:									
Bank loans	4.26	%	$(3,676	)	$9,485		$41,932	$2,726	$54,143
Commercial real estate loans	5.57	%	$(92	)	35		43,926	1,351	45,312
Total interest income from loans					9,520		85,858	4,077	99,455
CMBS-private placement	3.74	%	$(6,583	)	2,050		9,361	—	11,411
RMBS					—		685	—	685
ABS	2.06	%	$(2,394	)	681		718	—	1,399
Corporate bonds	4.13	%	$(68	)	(18	)	832	—	814
Total interest income from securities					2,713		11,596	—	14,309
Preference payments on structured notes					—		3,918	—	3,918
Other					—		294	—	294
Total interest income - other					—		4,212	—	4,212
Total interest income					$12,233		$101,666	$4,077	$117,976
Year Ended December 31, 2012:									
Bank loans	4.25	%	$(24,465	)	$17,784		$51,580	$2,147	$71,511
Commercial real estate loans	5.05	%	$(127	)	33		35,759	1,727	37,519
Total interest income from loans					17,817		87,339	3,874	109,030
CMBS-private placement	3.60	%	$(8,011	)	2,635		8,723	—	11,358
RMBS					—		1,067	—	1,067
ABS	2.41	%	$(3,145	)	718		785	—	1,503
Corporate bonds	3.69	%	$479		(26	)	394	—	368
Total interest income from securities					3,327		10,969	—	14,296
Preference payments on structured notes					—		9,773	—	9,773
Other					—		231	—	231
Total interest income - other					—		10,004	—	10,004
Total interest income					$21,144		$108,312	$3,874	$133,330
Year Ended December 31, 2011:									
Bank loans	3.76	%	$(31,787	)	$15,539		$36,932	$2,362	$54,833
Commercial real estate loans	4.64	%	$(160	)	12		30,249	1,645	31,906
Total interest income from loans					15,551		67,181	4,007	86,739
CMBS-private placement	3.60	%	$(13,391	)	3,270		6,020	—	9,290
RMBS					—		1,521	—	1,521
ABS	2.60	%	$(3,812	)	524		1,089	—	1,613
Other ABS					—		—	—	—
Total interest income from securities					3,794		8,630	—	12,424
Preference payments on structured notes					—		10,432	—	10,432
Other					—		279	—	279
Total interest income - other					—		10,711	—	10,711
Total interest income					$19,345		$86,522	$4,007	$109,874

Year Ended December 31, 2013 as compared to Year Ended December 31, 2012

Aggregate interest income decreased $15.4 million (12%) to $118.0 million for the year ended December 31, 2013, from $133.3 million for the year ended December 31, 2012. We attribute this decrease to the following:

Interest Income from Loans. Aggregate interest income from loans decreased $9.6 million (9%) to $99.5 million for the year ended December 31, 2013 from $109.0 million for the year ended December 31, 2012.

Interest income on bank loans decreased $17.4 million (24%) to $54.1 million for the year ended December 31, 2013 from $71.5 million for the year ended December 31, 2012, which principally was the result of the following:

- a decrease in the weighted average loan balance of $214.9 million to $975.0 million for the year ended December 31, 2013 from $1.2 billion for the year ended December 31, 2012, principally due to two of our CLOs, Apidos CLO VIII and Whitney CLO I , liquidating in September 2013 and October 2013, respectively. In addition, two of our remaining CLOs (Apidos CLO I and Apidos CLO III) had reached the end of their reinvestment periods in prior years and, as a result, any principal collected is used to pay down notes instead of being reinvested in new assets. For the year ended December 31, 2013, Apidos CLO I and Apidos CLO III paid down a total of $173.2 million par value of loans; and
- a decrease in the weighted average yield to 5.54% for the year ended December 31, 2013 as compared to 5.94% for the year ended December 31, 2012, primarily as a result of the decrease in accretion income from Apidos CLO VIII and Whitney CLO I as a result of their liquidation, as well as a decrease in accretion income from Apidos CDO I and Apidos CDO III resulting from decreasing asset and discount balances as both securitizations reached the end of their reinvestment periods.

Interest income on commercial real estate, or CRE, loans increased $7.8 million (21%) to $45.3 million for the year ended December 31, 2013, as compared to $37.5 million for the year ended December 31, 2012. This increase is a result of the following combination of factors:

- an increase in the weighted average yield to 5.81% during the year ended December 31, 2013 from 5.25% during the year ended December 31, 2012 as a result of newly originated real estate loans with higher stated interest rates than our legacy portfolio and as a result of exit fees from seven loans that paid off during the year ended December 31, 2013; and
- an increase of $65.5 million in the weighted average loan balance to $767.3 million for the year ended December 31, 2013 from $701.8 million for the year ended December 31, 2012 as we reinvested proceeds from payoffs and paydowns, classified as restricted CDO cash on our balance sheet, beginning in the fourth quarter of 2011, with the majority of these proceeds being reinvested during the second and third quarters of 2012. In addition, we began to originate new loans financed by our Wells Fargo CRE credit facility coupled with new equity raised and closed a new CRE securitization in December 2013.

Interest Income from Securities. Aggregate interest income from securities increased $13,000 (0.1%) to $14.3 million for the year ended December 31, 2013 from $14.3 million for the year ended December 31, 2012. The increase in interest income from securities resulted principally from the following:

Interest income on CMBS-private placement increased $53,000 (less than 1%) to $11.4 million for the year ended December 31, 2013 as compared to $11.4 million for the year ended December 31, 2012. The slight increase resulted from an increase in the weighted average balance of assets of $12.8 million during the year ended December 31, 2013 to $229.3 million from $216.5 million for the year ended December 31, 2012 primarily as a result of the purchase of assets on our Wells Fargo CMBS facility beginning in February 2011 and purchases using three short-term repurchase agreements as well as proceeds from our common and preferred stock offerings. This was partially offset by the reclassification of assets to linked transactions when certain assets were financed.

The increase in interest income on CMBS-private placement as a result of the increase in the weighted average balance was almost completely offset by a decrease in the weighted average yield of assets to 4.93% for the year ended December 31, 2013 from 5.22% for the year ended December 31, 2012 primarily as a result of the decrease in accretion income caused by higher purchase prices on newer securities. The new assets financed by our Wells facility were typically purchased at a premium. Our legacy CMBS assets had previously been purchased at a discount. Interest income from ABS decreased $104,000 (7%) to $1.4 million for the year ended December 31, 2013 from $1.5 million for the year ended December 31, 2012 as a result of a decrease of $4.7 million in the weighted average loan balance to $27.4 million for the year ended December 31, 2013, from $32.1 million for the year ended December 31, 2012, as a result of $6.8 million in paydowns from October 2012 through December 2013. The decrease in the weighted average balance was partially offset by an increase in the weighted average yield during the year ended December 31, 2013 to 5.06% from 4.80% during the year ended December 31, 2012 as a result of the paydowns during 2013, which accelerated accretion income recognition.

Interest income from corporate bonds increased $446,000 (121%) to $814,000 for the year ended December 31, 2013 from $368,000 for the year ended December 31, 2012 and was the result of our acquisition in October 2012 and in May 2013 of 66.6% and 1.7%, respectively, of the equity in Whitney CLO I which resulted in us consolidating this entity that held some corporate bonds. Whitney CLO I was subsequently liquidated in October 2013.

Interest income on RMBS decreased $382,000 (36%) to $685,000 for the year ended December 31, 2013 as compared to $1.1 million for the year ended December 31, 2012. The decrease is almost entirely the result of the sale of four positions during the year ended December 31, 2012 and two positions during the year ended December 31, 2013.

Interest Income - Other. Aggregate interest income-other decreased $5.8 million (58%) to $4.2 million for the year ended December 31, 2013 as compared to $10.0 million for the year ended December 31, 2012 and is primarily related to the divestiture of a large portion of our trading securities investment program with Resource Capital Markets, Inc., a wholly-owned subsidiary of Resource America, that invested $13.0 million of our funds under an investment management agreement. The payments vary from period to period and are based on cash flows from the underlying securities rather than on a contractual interest rate. The decrease of the weighted average balance of assets of $12.5 million to $38.8 million for the year ended December 31, 2013 as compared to $51.2 million for the year ended December 31, 2012 and was primarily related to the sale of 12 securities in September 2012, which has significantly reduced the balance of investments held in trading securities. The remaining portfolio has decreased substantially as there were eight positions at December 31, 2013 and 26 positions at December 31, 2012, and as a result, there are fewer available distributions from the positions to recognize.

Year Ended December 31, 2012 as compared to Year Ended December 31, 2011

Aggregate interest income increased $23.5 million (21%) to $133.3 million for the year ended December 31, 2012, from $109.9 million for the year ended December 31, 2011. We attribute this increase to the following:

Interest Income from Loans. Aggregate interest income from loans increased $22.3 million (26%) to $109.0 million for the year ended December 31, 2012 from $86.7 million for the year ended December 31, 2011.

Interest income on bank loans increased $16.7 million (30%) to $71.5 million for the year ended December 31, 2012 from $54.8 million for the year ended December 31, 2011. The increase for the year ended December 31, 2012 resulted primarily from the following:

- an increase in the weighted average loan balance of $226.5 million to $1.2 billion for the year ended December 31, 2012 from $963.4 million for the year ended December 31, 2011, principally as a result of our new CLO, Apidos CLO VIII , for which we began acquiring assets in July 2011, and Whitney CLO I, which we began consolidating in October 2012 when we acquired a controlling interest. The increase in the weighted average balance was partially offset by a decrease in the loan asset balances at Apidos CLO I and Apidos CLO III as both have reached the end of their reinvestment period and are now required to use principal proceeds from bank loan payoffs and paydowns to repay outstanding debt. For the year ended December 31, 2012, Apidos CLO I and Apidos CLO III paid down a total of $151.2 million par value of CLOs; and
- an increase in the weighted average yield to 5.94% for the year ended December 31, 2012 as compared to 5.63% for the year ended December 31, 2011, primarily as a result of the increase in accretion income from Apidos CLO VIII for which we began acquiring assets in July 2011. The increase in accretion income from Apidos CLO VIII was partially offset by a decrease in accretion income from Apidos CLO I and Apidos CLO III as those CLOs have decreasing asset and discount balances as both have reached the end of their reinvestment periods.

Interest income on CRE loans increased $5.6 million (18%) to $37.5 million for the year ended December 31, 2012, as compared to $31.9 million for the year ended December 31, 2011. This increase is a result of the following combination of factors:

- an increase of $55.7 million in the weighted average loan balance to $701.8 million for the year ended December 31, 2012 from $646.1 million for the year ended December 31, 2011 as we reinvested proceeds from payoffs and paydowns, classified as restricted CDO cash on our balance sheet, beginning in the fourth quarter of 2011, with the majority of these proceeds being reinvested during the second and third quarters of 2012. In addition, we began to originate new loans financed by our Wells Fargo CRE credit facility coupled with new equity raised in 2012; and
- an increase in the weighted average yield to 5.25% during the year ended December 31, 2012 from 4.95% during the year ended December 31, 2011 as a result of newly originated real estate loans with higher stated interest rates than

our legacy portfolio and as a result of an acceleration of fees on one loan that paid off in August 2012.

Interest Income from Securities. Aggregate interest income from securities increased $1.9 million (15%) to $14.3 million for the year ended December 31, 2012 from $12.4 million for the year ended December 31, 2011. The increase in interest income from securities resulted principally from the following:

Interest income on CMBS-private placement increased $2.1 million (22%) to $11.4 million for the year ended December 31, 2012 as compared to $9.3 million for the year ended December 31, 2011. The increase resulted from an increase in the weighted average balance of assets of $55.9 million during the year ended December 31, 2012 to $216.5 million from $160.6 million for the year ended December 31, 2011 primarily as a result of the purchase of assets on our Wells Fargo CMBS facility beginning in February 2011 as well as purchases using proceeds from our stock offerings in 2012. The increase in interest income on CMBS-private placement was partially offset by a decrease in the weighted average yield of assets to 5.22% for the year ended December 31, 2012 from 5.65% for the year ended December 31, 2011 primarily as a result of the decrease in accretion income during the year ended December 31, 2012. In 2012, securities were purchased at a net premium as opposed to the net discount of our purchases in prior years.

Interest Income - Other. Aggregate interest income-other decreased $707,000 (7%) to $10.0 million for the year ended December 31, 2012, as compared to $10.7 million for the year ended December 31, 2011 and is primarily related to our trading securities investment program with Resource Capital Markets, Inc. which invested $13.0 million of our funds under an investment management agreement. The payments vary from period to period and are based on cash flows from the underlying securities rather than on a contractual interest rate. The decrease for the year ended December 31, 2012 was primarily related to the sale of 12 securities in September 2012 which resulted in the ceasing of preference share payments related to those securities as of their disposition.

Interest Expense

The following tables set forth information relating to our interest expense incurred for the periods presented by asset class (in thousands, except percentages):

	Years Ended December 31, 2013	2012	2011
Interest expense:			
Bank loans	$34,463	$21,781	$11,348
Commercial real estate loans	9,038	7,566	6,397
CMBS-private placement	836	1,024	547
Hedging instruments	6,751	7,266	8,415
Securitized borrowings	5,531	1,993	1,859
Convertible senior notes	1,480	—	—
General	2,911	3,162	3,620
Total interest expense	$61,010	$42,792	$32,186

	Year Ended December 31, 2013 Weighted Average			Year Ended December 31, 2012 Weighted Average			Year Ended December 31, 2011 Weighted Average		
	Yield		Balance	Yield		Balance	Yield		Balance
Interest expense:									
Bank loans	3.54	%	$961,742	1.83	%	$1,174,495	1.16	%	$981,000
Commercial real estate loans	2.15	%	$416,513	1.62	%	$458,032	1.28	%	$499,416
CMBS-private placement	1.72	%	$48,953	2.09	%	$47,533	2.75	%	$19,462
Hedging instruments	5.35	%	$123,999	5.13	%	$138,581	5.27	%	$160,132
Securitized borrowings [1]	30.02	%	$18,568	8.79	%	$21,399	42.90	%	$4,347
Convertible senior notes	6.61	%	$22,685	N/A		N/A	N/A		N/A
General	4.65	%	$61,720	4.75	%	$65,148	6.39	%	$57,249

(1) Third party equity holders interest is accounted for as interest expense in our statements of income using an imputed interest rate on the underlying subordinated debt. 2011 amounts do not include a change in an accounting estimate made in 2011.

Type of Security	Coupon Interest		Unamortized Deferred Debt Expense	Net Amortization		Interest Expense		Other		Total
Year Ended December 31, 2013:										
Bank loans	1.34	%	$171	$6,131	(1)	$28,332	(1)	$—		$34,463
Commercial real estate loans	1.55	%	$2,554	2,209		6,829		—		9,038
CMBS-private placement	1.41	%	$12	151		685		—		836
Hedging	5.03	%	$171	—		6,751		—		6,751
Securitized borrowings	30.02	%	$—	—		5,531		—		5,531
Convertible senior notes	6.00	%	$8,465	138		1,342		—		1,480
General	4.21	%	$543	192		2,719		—		2,911
Total interest expense				$8,821		$52,189		$—		$61,010
Year Ended December 31, 2012:										
Bank loans	1.36	%	$7,102	$2,846		$18,935		$—		$21,781
Commercial real estate loans	1.08	%	$610	2,292		5,274		—		7,566
CMBS-private placement	1.52	%	$23	271		753		—		1,024
Hedging	4.97	%	$932	—		7,266		—		7,266
Securitized borrowings	14.40	%	$—	—		3,195		(1,202	)	1,993
General	4.43	%	$734	65		3,097		—		3,162
Total interest expense				$5,474		$38,520		$(1,202	)	$42,792
Year Ended December 31, 2011:										
Bank loans	0.94	%	$9,948	$1,894		$9,454		$—		$11,348
Commercial real estate loans	0.97	%	$2,918	1,447		4,950		—		6,397
CMBS-private placement	1.48	%	$494	247		300		—		547
Hedging	4.95	%	$1,160	—		8,415		—		8,415
Securitized borrowings	15.27	%	$—	—		1,859		—		1,859
General	5.75	%	$917	46		3,574		—		3,620
Total interest expense				$3,634		$28,552		$—		$32,186

Year Ended December 31, 2013 as compared to Year Ended December 31, 2012

Aggregate interest expense increased $18.2 million (43%) to $61.0 million for the year ended December 31, 2013, from $42.8 million for the year ended December 31, 2012. We attribute this increase to the following:

Interest expense on bank loans was $34.5 million for the year ended December 31, 2013 as compared to $21.8 million for the year ended December 31, 2012, an increase of $12.7 million (58%). This increase resulted primarily from the increase in the weighted average yield to 3.54% for the year ended December 31, 2013 as compared to 1.83% for the year ended December 31, 2012 primarily due to an increase in expense related to Apidos CLO VIII and Whitney CLO I which was liquidated in September 2013 and October 2013, respectively. This accelerated the original issue discount and deferred issuance costs recorded when these CLOs were initially consolidated.

The increase in interest expense resulting from the increase in the weighted average yield was partially offset by a decrease in the weighted average balance of the related financings of $212.8 million (18%) to $961.7 million for the year ended December 31, 2013 as compared to $1.2 billion for the year ended December 31, 2012 due to the call and liquidation of Apidos CLO VIII and Whitney CLO I in September 2013 and October 2013, respectively, which resulted in the paydown of all outstanding notes. In addition, Apidos CDO I and Apidos CDO III reached the end of their reinvestment periods in prior years. During the year ended December 31, 2013, Apidos CDO I paid down $116.1 million in principal amount of its CDO notes and Apidos CDO III paid down $75.9 million in principal amount of its

CDO notes.

Interest expense on CRE loans was $9.0 million for the year ended December 31, 2013, as compared to $7.6 million for the year ended December 31, 2012, an increase of $1.5 million (19%) as a result of increase in the weighted average yield to 2.15% for the year ended December 31, 2013 as compared to 1.62% for the year ended December 31, 2012 which was due primarily to note paydowns which increased the weighted average cost of these borrowings as the lower yield debt was repaid as required in the indenture agreements.

The increase in interest rate on commercial real estate loans was partially offset during the year ended December 31, 2013 by a decrease in the weighted average balance of debt of $41.5 million to $416.5 million from $458.0 million for the year ended December 31, 2012, primarily as a result of the debt amortization of Resource Real Estate Funding CDO 2006-1, or RREF CDO 2006-1, and Resource Real Estate Funding CDO 2007-1, or RREF CDO 2007-1, as they reached the end of their reinvestment periods in prior years. During the year ended December 31, 2013, the CDOs paid down a total of $129.2 million of notes.

Hedge expense decreased $515,000 (7%) to $6.8 million for the year ended December 31, 2013 as compared to $7.3 million for the year ended December 31, 2012. The decrease in the hedging expense was primarily due to the scheduled amortization on swaps and, to a lesser extent, changes in LIBOR.

Securitized borrowings expense increased $3.5 million to $5.5 million for the year ended December 31, 2013 as compared to $2.0 million for the year ended December 31, 2012. This interest expense is related to our subordinated investments in Apidos CLO VIII and Whitney CLO I. The interest expense is imputed using an estimated internal rate of return based on expected cash flows over the life of each CLO. The increase for the year ended December 31, 2013 was due to acceleration of expense as a result of the liquidation of these CLOs.

Interest expense on convertible senior notes was $1.5 million. In October 2013, we closed and issued $115.0 million aggregate principal amount of our 6.00% convertible senior notes due 2018.

Year Ended December 31, 2012 as compared to Year Ended December 31, 2011

Aggregate interest expense decreased $10.6 million (33%) to $42.8 million for the year ended December 31, 2012, from $32.2 million for the year ended December 31, 2011. We attribute this decrease to the following:

Interest expense on bank loans was $21.8 million for the year ended December 31, 2012, as compared to $11.3 million for the year ended December 31, 2011, an increase of $10.4 million (92%). This increase resulted primarily from the following:

- an increase in the weighted average balance of the related financings of $193.5 million (20%) to $1.2 billion for the year ended December 31, 2012 as compared to $981.0 million for the year ended December 31, 2011 due to the closing of our new CLO, Apidos CLO VIII, which occurred in October 2011 and from the consolidation of Whitney CLO I in which we acquired a controlling interest in October 2012. The increase in weighted average balance of financings from the two new CLOs was partially offset by the debt amortization of Apidos CDO I and Apidos CDO III as they reached the end of their reinvestment periods in July 2011 and June 2012, respectively. During the period July, 31, 2011 through December 31, 2012, Apidos CDO I paid down $116.3 million in principal amount of its CDO notes. During the period from July 1, 2012 through December 31, 2012, Apidos CDO III paid down $40.5 million in principal amount of its CDO notes; and
- an increase in the weighted average rate to 1.83% for the year ended December 31, 2012 from 1.16% for the year ended December 31, 2011 primarily as a result of the increase in LIBOR, a reference index for the rates payable on most of these financings as well as a full year of interest expense on Apidos CLO VIII which has a higher weighted average rate than our legacy Apidos CLOs as a result of market conditions as the time that Apidos CLO VIII was closed.

Interest expense on commercial real estate loans was $7.6 million for the year ended December 31, 2012, as compared to $6.4 million for the year ended December 31, 2011, an increase of $1.2 million (18%). This increase resulted primarily from the acceleration of deferred debt issuance costs on RREF CDO 2007-1 as a result of note repurchases and deferred debt issuance costs on our new credit facility during the year ended December 31, 2012, which increased the weighted average cost of these borrowings.

Interest expense on CMBS-private placement increased $477,000 (87%) to $1.0 million for the year ended December 31, 2012 as compared to $547,000 for the year ended December 31, 2011. The increase is due entirely to a Master Repurchase Agreement with Wells Fargo Bank that we entered into in February 2011 to use in acquiring highly-rated CMBS.

These increases were partially offset by a decrease in interest expense on hedging instruments of $1.1 million (14%) to $7.3 million for the year ended December 31, 2012 as compared to $8.4 million for the year ended December 31, 2011. The decrease in the hedging expense was primarily due to the maturities of $37.9 million notional amount of hedges beginning in July 2011 through August 2012.

Interest expense on securitized borrowings increased $134,000 (7%) to $2.0 million for the year ended December 31, 2012 as compared to $1.9 million for the year ended December 31, 2011. This interest expense is related to our subordinated investments in Apidos CLO VIII and Whitney CLO I. The interest expense is imputed by an estimated internal rate of return based on expected cash flows over the life of each CLO.
This increase was partially offset by a decrease in general interest expense of $458,000 (13%) to $3.2 million for the year ended December 31, 2012 as compared to $3.6 million for the year ended December 31, 2011. The decrease is primarily the result of the expiration of a two-year amendment on our trust preferred securities, or TRUPs, on September 30, 2011 which reduced the contractual interest rate on our TRUPs by 2%.
Other Revenue
The following table sets forth information relating to our other revenue incurred for the periods presented (in thousands):

	Years Ended December 31, 2013	2012	2011
Other revenue:			
Rental income	$19,923	$11,463	$3,656
Dividend income	273	69	3,045
Equity in net earnings (losses) of unconsolidated subsidiaries	949	(2,709)	112
Fee income	6,075	7,068	7,789
Net realized gain on investment securities available-for-sale and loans	10,986	4,106	2,643
Net realized and unrealized (loss) gain on investment securities, trading	(324)	12,435	837
Unrealized (loss) gain and net interest income on linked transactions, net	(3,841)	728	216
Total other revenue	$34,041	$33,160	$18,298

Year Ended December 31, 2013 as compared to Year Ended December 31, 2012
Rental income increased $8.5 million (74%) to $19.9 million for the year ended December 31, 2013 as compared to $11.5 million for the year ended December 31, 2012. The increase is primarily related to a full year of income generated by a hotel property in 2013 which we acquired by converting a loan to an equity position in September 2012. The hotel was held for sale at December 31, 2013.
Equity in net earnings (losses) of unconsolidated subsidiaries increased $3.7 million (135%) to earnings of $949,000 during the year ended December 31, 2013 from a loss of $2.7 million for the year ended December 31, 2012. The increase in earnings was primarily related to our investment in LCC for which we realized a loss of $183,000 for the year ended December 31, 2013 as compared to a loss of $3.3 million for the year ended December 31, 2012. In addition, we recognized $1.2 million of income related to our investment in CVC Global Credit Opportunities Fund, L.P. There was no such investment during the year ended December 31, 2012.
Fee income decreased $993,000 (14%) to $6.1 million for the year ended December 31, 2013 from $7.1 million for the year ended December 31, 2012. This income is primarily related to our February 2011 acquisition of a company that manages bank loan assets and entitled us to collect senior, subordinated and incentive fees related to five CLOs. The decrease during the year ended December 31, 2013 is related to the consolidation of Whitney CLO I in October 2012 due to our acquisition of a controlling interest. As a result of consolidation, the related fee income terminated. In October 2013, this CLO was liquidated. In addition, a second CLO in that portfolio liquidated in January 2013 and, as a result, no longer provides fee income.
Net realized gain on investment securities available-for-sale and loans increased $6.9 million (168%) to $11.0 million for for the year ended December 31, 2013 from $4.1 million for the year ended December 31, 2012. The increase for the year ended December 31, 2013 is primarily due to gains of $5.0 million as a result of the liquidation of Apidos CLO VIII in October 2013 as well as gains of $2.2 million on the sales of residential mortgage loans, a business we acquired in October 2013.

Net realized and unrealized (loss) gain on investment securities, trading decreased $12.8 million (103%) to a loss of $324,000 during the year ended December 31, 2013 as compared to a gain of $12.4 million during the year ended December 31, 2012 primarily, as a result of a sale of nine securities in 2013 and 12 securities in September 2012, which has significantly reduced the balance of investments held in trading securities. The remaining portfolio has decreased substantially as we held eight positions and 13 positions at December 31, 2013 and December 31, 2012, respectively, and as a result, there is less opportunity to realize gains. In addition, marks decreased at December 31, 2013 as a result of a downturn in the market for these types of securities.

Realized (loss) gain and net interest income on linked transactions, net, decreased $4.6 million (628%) to a loss of $3.8 million for the year ended December 31, 2013 from a gain of $728,000 for the year ended December 31, 2012 . The amounts are related to our CMBS securities that are purchased with repurchase agreements with the same counterparty from whom the securities are purchased. These transactions are entered into contemporaneously or in contemplation of each other and are presumed not to meet sale accounting criteria. We account for these transactions on a net basis and record a forward purchase commitment to purchase securities (each, a "linked transaction") at fair value. The increase in expense for the year ended December 31, 2013 resulted from the change in market value of our linked transactions with longer duration to maturity at December 31, 2013 as compared to December 31, 2012.

Year Ended December 31, 2012 as compared to Year Ended December 31, 2011

Rental income was $11.5 million and $3.7 million for the years ended December 31, 2012 and 2011, respectively, and is related to our investments in real estate and to a lesser extent, our property available-for-sale. We acquired two properties in June 2011 and one property in August 2011 (a full year of whose results were reflected in 2012) and one property in September 2012.

We received dividend income of $69,000 and $3.0 million for the years ended December 31, 2012 and 2011, respectively. Substantially all of our dividend income for the year ended December 31, 2011 is related to a transaction whereby on November 16, 2011, we entered into an agreement and exchanged our old preferred interest in LEAF Commercial Capital, Inc., or LCC, an equipment leasing company, for a new preferred interest in LCC as part of LCC's recapitalization. We have accounted for our resulting interest under the equity method subsequent to November 16, 2011 and, therefore, we no longer record dividend income from this investment. As of November 16, 2011, we record our equity interest in other income (expense). For the year ended December 31, 2012, we recorded a loss of $3.3 million on our equity interest.

We generated management fee income of $7.1 million and $7.8 million for the years ended December 31, 2012 and 2011, respectively, which is related to our February 2011 acquisition of a company that manages bank loan assets that entitles us to collect senior, subordinated, and incentive fees related to five collateralized loan obligation issuers, or CLOs. The decrease during the year ended December 31, 2012 is primarily related to the consolidation of Whitney CLO I in October 2012 as a result of our acquisition of a controlling interest. As a result of consolidation, the related fee income eliminates in consolidation.

Net realized gains on investment securities available-for-sale and loans increased $1.5 million (55%) to $4.1 million for the year ended December 31, 2012 from $2.6 million for the year ended December 31, 2011. The increase for the year ended December 31, 2012 is primarily the result of net loss of $2.4 million on the sale of ABS during the year ended December 31, 2011 which did not recur in 2012. In addition, during the year ended December 31, 2012, there were $1.1 million more in gains from the sales from Apidos loans as compared to the year ended December 31, 2011. These increases were partially offset by $2.1 million less in gains from the sale of CMBS securities during the year ended December 31, 2012.

Net realized and unrealized gain on investment securities, trading increased $11.6 million (1,386%) to $12.4 million during the year ended December 31, 2012 as compared to $837,000 for the year ended December 31, 2011 primarily as a result of an improvement in market prices related to the securities in this portfolio in September 2012. We were able to take advantage of this rally and sold nine securities-trading, for which we recognized realized net gains of $6.2 million during the three months ended September 30, 2012.

Operating Expenses

The following table sets forth information relating to our operating expenses incurred for the periods presented (in thousands):

	Years Ended December 31,		
	2013	2012	2011
Operating expenses:			
Management fees – related party	$14,220	$18,512	$11,022
Equity compensation – related party	10,472	4,636	2,526
Rental operating expense	14,062	8,046	2,743
General and administrative - Corporate [(1)]	12,305	9,773	8,399
General and administrative - PCA [(1)]	3,805	—	—
Depreciation and amortization	3,855	5,885	4,619
Income tax (benefit) expense	(1,041)	14,602	12,036
Net impairment losses recognized in earnings	863	180	6,898
Provision for loan losses	3,020	16,818	13,896
Total operating expenses	$61,561	$78,452	$62,139

(1) Total general and administrative expense per the consolidated statements of income was $16.1 million, $9.8 million and $8.4 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Year Ended December 31, 2013 as compared to the Year Ended December 31, 2012

Management fees - related party decreased $4.3 million (23%) to $14.2 million for the year ended December 31, 2013 as compared to $18.5 million for the year ended December 31, 2012. This expense represents compensation in the form of base management fees and incentive management fees pursuant to our management agreement as well as fees to the manager of our structured note portfolio. The changes are described below:

- Incentive management fees to our Manager, which are based upon the excess of adjusted operating earnings, as defined in the management agreement, over a variable base rate, decreased $4.0 million (68%) to $1.9 million for the year ended December 31, 2013 from $6.0 million for the year ended December 31, 2012. The decrease in this fee was primarily the result of realized losses on the charge-off of assets in our CRE and Apidos portfolios. The incentive fee is calculated for each quarter and the calculation in any quarter is not affected by the results of any other quarter.
- Base management fees increased by $3.2 million (39%) to $11.6 million for the year ended December 31, 2013 as compared to $8.3 million for the year ended December 31, 2012. This increase was due to increased stockholders' equity, a component in the formula by which base management fees are calculated, primarily as a result of the receipt of $92.2 million of proceeds from the sales of common stock through our Dividend Reinvestment and Stock Purchase Plan, or DRIP, from January 1, 2012 through December 31, 2013 as well as the receipt of $55.6 million from the proceeds from our September 2012 secondary common stock offering and the receipt of $114.5 million from the proceeds of our April 2013 secondary common stock offering. In addition, we had two issuances of preferred stock. First, in June 2012 we sold $6.0 million 8.5% Series A cumulative preferred stock, or Series A preferred stock. Then in October 2012, we issued $24.2 million of 8.25% Series B cumulative preferred stock, or Series B preferred stock. We also entered into at-the-market sales agreements and sold $9.9 million of Series A and $35.6 million of Series B preferred stock through December 31, 2013, respectively.
- Incentive management fees related to our structured finance manager decreased by $4.1 million (96%) to $158,000 for the year ended December 31, 2013 as compared to $4.2 million for the year ended December 31, 2012. The decrease in fees is primarily related to the sale of 12 securities in September 2012, resulting in fewer assets earning subordinated payments as well as the decrease in the remaining market value on these securities due to a downturn in the market for these types of assets during the year ended December 31, 2013 as compared to the year ended December 31, 2012.

Equity compensation - related party increased $5.8 million (126%) to $10.5 million for the year ended December 31, 2013 as compared to $4.6 million for the year ended December 31, 2012. These expenses relate to the amortization of annual grants of restricted common stock to our non-employee independent directors, and annual and discretionary grants of restricted stock to employees of Resource America who provide investment management services to us through our Manager as well as employees through our recently acquired residential mortgage company subsidiary. The increase in expense was primarily the result of the issuance of new grants during 2013 and 2012 as well as the increase in our stock price and its impact on our quarterly remeasurement of the value of unvested stock of non-employees.

Rental operating expense increased $6.0 million (75%) to $14.1 million for the year ended December 31, 2013 as compared to $8.0 million for the year ended December 31, 2012 and is primarily related to having, in 2013, a full year operations of a hotel property we acquired by conversion of a loan to equity in September 2012. This hotel is held for sale at December 31, 2013.

General and administrative expense - Corporate increased $2.5 million (26%) to $12.3 million for the year ended December 31, 2013 as compared to $9.8 million million for the year ended December 31, 2012. The increase is primarily the result of the following combination of factors:

- an increase of $660,000 related to the reimbursement of office overhead, travel costs and hiring costs for loan origination efforts based in various locations;
- an increase of $304,000 primarily related to the payment of fees to the investment committee of our board of directors for their services. We resumed paying these fees in April 2012. In addition, two additional board members were added in March 2013 and June 2013; and
- an increase of $400,000 in payroll expense due to the hiring of additional accounting personnel.

General and administrative expense - PCA was $3.8 million and is related to the acquisition of PCA, a mortgage origination business in October 2013.

Depreciation and amortization decreased $2.0 million (34%) to $3.9 million for the year ended December 31, 2013 as compared to $5.9 million for the year ended December 31, 2012. The decrease was the result of the reclassification as held-for-sale of one property in the third quarter of 2013. At the time of the reclassification, we ceased depreciation of the asset. In addition, amortization on our intangible assets decreased as a result of the liquidation of one of our related CLOs in January 2013 for which the majority of expense was recognized in December 2012 and as a result of the consolidation of a CLO which caused the amortization of the related intangible asset to be accelerated into the fourth quarter of 2012.

Income tax expense decreased $15.6 million (107%) to a benefit of $1.0 million for the year ended December 31, 2013 as compared to expense of $14.6 million for the year ended December 31, 2012. The decrease in income tax expense is primarily attributable to the liquidation of Apidos CLO VIII and Whitney CLO I beginning in September 2013 and October 2013, respectively. The liquidation caused acceleration of note discount and deferred debt amortization as well as accelerated interest expense on subordinated notes. In addition, we had fewer realized gains on sales in our trading portfolio during the year ended December 31, 2013 after selling 12 securities in September 2012 and realizing gains then.

Our provision for loan losses decreased $13.8 million (82%) to $3.0 million for the year ended December 31, 2013, as compared to $16.8 million for the year ended December 31, 2012. The following table summarizes the information relating our loan losses for the periods presented (in thousands):

	Years Ended December 31,	
	2013	2012
CRE loan portfolio	$2,686	$5,225
Bank loan portfolio	334	11,593
Total provision for loan losses	$3,020	$16,818

CRE Loan Portfolio Provision

The principal reason for the decrease during the year ended December 31, 2013 as compared to the year ended December 31, 2012 was three positions for which we took provisions during the year ended December 31, 2012. The positions had a total par value of $41.8 million and were written down to $37.3 million for a weighted average write down percentage of 10.9% of par. During the year ended December 31, 2013, we took a provision was primarily for one previously impaired loan due to further credit deterioration of the borrower.

Bank Loan Portfolio Provision

The bank loan provision decreased by $11.3 million for the year ended December 31, 2013 to $334,000 as compared to $11.6 million for the year ended December 31, 2012. The principal reason for the decrease for the year ended December 31, 2013 was due to improved credit conditions as well as the sales and payoffs of five loans in the general reserve and two impaired loans that were sold and written off during the year ended December 31, 2013. All five loans had been reserved in prior periods.

Year Ended December 31, 2012 as compared to the Year Ended December 31, 2011

Management fees - related party increased $7.5 million (68%) to $18.5 million for the year ended December 31, 2012 as compared to $11.0 million for the year ended December 31, 2011. These expenses represent compensation in the form of base management fees and incentive management fees pursuant to our management agreement as well as fees to the manager of our structured note portfolio. The changes are described below:

- Incentive management fees to our Manager, which are based upon the excess of adjusted operating earnings over a variable base rate, increased $4.3 million (247%) to $6.0 million for the year ended December 31, 2012 from $1.7 million for the year ended December 31, 2011. The increase in these fees was primarily the result of gains on the extinguishment of debt for the year ended December 31, 2012 as well as fewer realized losses on the charge-off of assets in our CRE and Apidos portfolios. The incentive fee is calculated for each quarter and the calculation in any quarter is not affected by the results of any other quarter.
- Base management fees increased by $1.3 million (19%) to $8.3 million for the year ended December 31, 2012 as compared to $7.0 million for the year ended December 31, 2011. This increase was due to increased stockholders' equity, a component in the formula by which base management fees are calculated, primarily as a result of the receipt of $156.6 million of proceeds from the sales of common stock through our DRIP from January 1, 2011 through December 31, 2012 as well as the receipt of $46.6 million and $55.6 million from the proceeds of our March 2011 and September 2012 secondary common stock offerings and proceeds from our preferred stock offerings of $42.2 million, received in October 2012.
- Incentive management fees related to our structured finance manager increased by $1.9 million (83%) to $4.2 million for the year ended December 31, 2012 from $2.3 million for the year ended December 31, 2011. The increase in fees is primarily related to the improved economic performance of this portfolio during the year ended December 31, 2012, which is reflected in gain on investment securities, trading and preference payments on structured notes.

Equity compensation - related party increased $2.1 million (84%) to $4.6 million for the year ended December 31, 2012 as compared to $2.5 million for the year ended December 31, 2011. These expenses relate to the amortization of annual grants of restricted common stock to our non-employee independent directors, and annual and discretionary grants of restricted stock to employees of Resource America who provide investment management services to us through our Manager. The increase in expense was primarily the result of the issuance of new grants during 2012 and 2011.

Rental operating expense increased $5.3 million (193%) to $8.0 million for the year ended December 31, 2012 as compared to $2.7 million for the year ended December 31, 2011 and is related to an increase in our investments in real estate through several acquisitions beginning in June 2011 through September 2012.

General and administrative expense increased $1.4 million (16%) to $9.8 million for the year ended December 31, 2012 from $8.4 million for the year ended December 31, 2011. The increase is primarily the result of the following:

- an increase of $152,000 related to the payment to our board investment committee for their services. We resumed paying these fees in April 2012;
- an increase of $879,000 related to collateral management fees related to Apidos VIII paid to a third party. We began consolidating Apidos VIII in October 2011; and
- an increase of $327,000 related to franchise taxes because of increased profitability and equity in our taxable REIT subsidiaries.

Depreciation and amortization increased $1.3 million (27%) to $5.9 million for the year ended December 31, 2012 as compared to $4.6 million for the year ended December 31, 2011. The increase is related to our acquisition of real estate in the second and third quarters of 2011 and our acquisition of Resource Capital Asset Management, or RCAM, in February 2011, all of which were subject to a full year of depreciation and amortization in 2012.

Income tax expense increased $2.6 million (21%) to $14.6 million for the year ended December 31, 2012 as compared to $12.0 million for the year ended December 31, 2011. The increase in income tax expense is attributable to three of our legacy CLO structures (Apidos CDO III, Apidos Cinco CDO, and Apidos CLO VIII) and our new CLO structure (Whitney CLO I) being taxable during the fourth quarter of 2012. The balance of the increased tax expense is primarily due to foreclosure tax related to gains on properties sold during 2012 which did not recur in 2013.

Net impairment losses recognized in earnings decreased $6.7 million (97%) to $180,000 for the year ended December 31, 2012 from $6.9 million for the year ended December 31, 2011. Impairment charges for the year ended December 31, 2011 were the result of $4.6 million of impairment we recognized on two investment securities available-for-sale due to their losses being recognized as other than temporary as a result of credit deterioration and $2.2 million of impairment on our investment in preferred stock and warrants in LCC upon recapitalization.

Our provision for loan and lease losses increased $2.9 million (21%) to $16.8 million for the year ended December 31, 2012, as compared to $13.9 million for the year ended December 31, 2011.
The following table summarizes information relating to our provision for loan and lease losses for the periods presented (in thousands):

	Years Ended December 31,	
	2012	2011
CRE loan portfolio	$5,225	$6,478
Bank loan portfolio	11,593	7,418
Total provision for loan losses	$16,818	$13,896

CRE Loan Portfolio
The principal reason for the decrease during the year ended December 31, 2012 as compared to the year ended December 31, 2011 was improved credit conditions for the borrowers in our CRE portfolio with the exception of three positions for which we took provisions. The positions had a total par value of $41.8 million and were written down to $37.3 million for a weighted average write down percentage of 10.9% of par.
Bank Loan Portfolio
The bank loan provision increased by $4.2 million for the year ended December 31, 2012 to $11.6 million as compared to $7.4 million for the year ended December 31, 2011. The principal reason for the increase was the recognition of impairment on four non-performing loans in our bank loan portfolio for the year ended December 31, 2012 as a result of new defaults and an increase in our general reserve related primarily to the acquisition of our new CLO, Whitney CLO I.
Other Revenue (Expense)
The following table sets forth information relating to our other income (expense) incurred for the periods presented (in thousands):

	Years Ended December 31,		
	2013	2012	2011
Other Revenue (Expense)			
Gain on consolidation	$—	$2,498	$—
Gain on the extinguishment of debt	—	16,699	3,875
Gain on sale of real estate	16,616	—	—
Other income (expense)	391	—	(6)
Total other revenue	$17,007	$19,197	$3,869

Year Ended December 31, 2013 as compared to Year Ended December 31, 2012
Gain on consolidation of $2.5 million during the year ended December 31, 2012 is related to the consolidation of Whitney CLO I as a result of our acquisition of a controlling financial interest where the net fair value of the assets acquired exceeded our purchase price.
Gain on the extinguishment of debt during the year ended December 31, 2012 of $17.0 million is from the repurchase of a portion of the debt issued by RREF CDO 2006-1, RREF CDO 2007-1 and Apidos CDO I at discounts during the period. The notes, issued at par, were bought back as an investment by us at a weighted average price of 88.7%.
The gain on the sale of real estate is related to the sale of a multi-family apartment building. During the three months ended June 30, 2013, we entered into a listing agreement for this property. The sale settled on September 30, 2013 for a gain of $16.6 million.
Year Ended December 31, 2012 as compared to Year Ended December 31, 2011
Gain on consolidation of $2.5 million is related to the consolidation of Whitney CLO I as a result of our acquisition of a controlling financial interest where the net fair value of the assets acquired exceeded our purchase price.

Gain on the extinguishment of debt was $16.7 million for the year ended December 31, 2012 and is due to the repurchase of a portion of the debt issued by RREF CDO 2006-1, RREF CDO 2007-1 and Apidos CDO I during the period. The notes, issued at par, were bought back as an investment by us at a weighted average price of 88.7%. Gain on the extinguishment of debt was $3.9 million for the year ended December 31, 2011 due to the repurchase of a portion of the debt issued by RREF CDO 2006-1 and RREF CDO 2007-1 during the period. The notes, issued at par, were bought back as an investment by us at a weighted average price of 61.3%.

Financial Condition

Summary.

Our total assets at December 31, 2013 were $2.2 billion as compared to $2.5 billion at December 31, 2012. The decrease in total assets was principally due to the liquidation of Apidos CLO VIII and Whitney CLO I and consequent liquidation of their assets, partially offset by an increase in CRE and CMBS investments.

Investment Portfolio.

The table below summarizes the amortized cost and net carrying amount of our investment portfolio as of December 31, 2013 and 2012, classified by interest rate type. The following table includes both (i) the amortized cost of our investment portfolio and the related dollar price, which is computed by dividing amortized cost by par amount, and (ii) the net carrying amount of our investment portfolio and the related dollar price, which is computed by dividing the net carrying amount by par amount (in thousands, except percentages):

	Amortized cost	Dollar price	Net carrying amount	Dollar price	Net carrying amount less amortized cost	Dollar price
December 31, 2013						
Floating rate						
RMBS	$1,919	20.76 %	$451	4.88 %	$(1,468)	(15.88)%
CMBS-private placement	27,138	92.39 %	16,496	56.16 %	(10,642)	(36.23)%
Structured notes	8,057	34.49 %	11,107	47.55 %	3,050	13.06 %
Mezzanine loans (1)	12,455	98.97 %	12,455	98.97 %	—	— %
Whole loans (1)	745,789	99.56 %	736,106	98.27 %	(9,683)	(1.29)%
Bank loans (2)	544,923	99.27 %	541,532	98.65 %	(3,391)	(0.62)%
Middle-market loans	10,250	100.00 %	10,250	100.00 %	—	— %
Loans held for sale (3)	6,850	94.82 %	6,850	94.82 %	—	— %
ABS Securities	25,406	91.39 %	26,656	95.88 %	1,250	4.50 %
Corporate bonds	2,517	29.32 %	2,463	28.69 %	(54)	(0.63)%
Total floating rate	1,385,304	96.71 %	1,364,366	95.25 %	(20,938)	(1.46)%
Fixed rate						
CMBS-private placement	158,040	77.87 %	164,222	80.91 %	6,182	3.04 %
CMBS-linked transactions	35,736	106.07 %	30,066	89.24 %	(5,670)	(16.83)%
B notes (1)	16,205	99.49 %	16,031	98.42 %	(174)	(1.07)%
Mezzanine loans (1)	51,862	100.06 %	51,303	98.98 %	(559)	(1.08)%
Residential mortgage loans	1,849	66.27 %	1,849	66.27 %	—	— %
Loans held for sale (3)	15,066	100.00 %	15,066	100.00 %	—	— %
Loans receivable-related party	6,966	100.00 %	6,966	100.00 %	—	— %
Total fixed rate	285,724	86.69 %	285,503	86.62 %	(221)	(0.07)%
Other (non-interest bearing)						
Investment in real estate	29,778	100.00 %	29,778	100.00 %	—	— %
Property available-for-sale	25,346	100.00 %	25,346	100.00 %	—	— %
Investment in unconsolidated entities	74,438	100.00 %	74,438	100.00 %	—	— %
Total other	129,562	100.00 %	129,562	100.00 %	—	— %
Grand total	$1,800,590	95.19 %	$1,779,431	94.07 %	$(21,159)	(1.12)%

	Amortized cost	Dollar price		Net carrying amount	Dollar price		Net carrying amount less amortized cost		Dollar price	
December 31, 2012										
Floating rate										
RMBS	$6,047	36.14	%	$5,564	33.25	%	$(483	)	(2.89	)%
CMBS-private placement	28,147	100.00	%	12,814	45.52	%	(15,333	)	(54.48	)%
Structured notes	9,413	26.67	%	19,279	54.62	%	9,866		27.95	%
Other ABS	—	—	%	23	0.27	%	23		0.27	%
Mezzanine loans (1)	15,845	99.95	%	15,644	98.68	%	(201	)	(1.27	)%
Whole loans (1)	533,938	99.64	%	527,018	98.35	%	(6,920	)	(1.29	)%
Bank loans (2)	1,178,420	97.09	%	1,168,715	97.08	%	(9,705	)	(0.01	)%
Loans held for sale (3)	48,894	92.42	%	48,894	92.38	%	—		(0.04	)%
ABS Securities	25,885	89.20	%	26,470	91.21	%	585		2.02	%
Corporate bonds	34,361	101.80	%	34,282	101.57	%	(79	)	(0.23	)%
Total floating rate	1,880,950	95.98	%	1,858,703	94.85	%	(22,247	)	(1.13	)%
Fixed rate										
CMBS-private placement	154,681	68.14	%	158,001	69.61	%	3,320		1.47	%
CMBS-linked transactions	6,677	111.39	%	6,835	114.03	%	158		2.64	%
B notes (1)	16,327	99.30	%	16,121	98.05	%	(206	)	(1.25	)%
Mezzanine loans (1)	66,941	99.70	%	66,282	98.73	%	(659	)	(0.97	)%
Loans receivable-related party	8,324	100.00	%	8,324	100.00	%	—		—	%
Total fixed rate	252,950	77.23	%	255,563	78.00	%	2,613		0.77	%
Other (non-interest bearing)										
Investment in real estate	75,386	100.00	%	75,386	100.00	%	—		—	%
Investment in unconsolidated entities	45,413	100.00	%	45,413	100.00	%	—		—	%
Total other	120,799	100.00	%	120,799	100.00	%	—		—	%
Grand total	$2,254,699	93.70	%	$2,235,065	92.87	%	$(19,634	)	(0.83	)%

(1) Net carrying amount includes allowance for loan losses of $10.4 million at December 31, 2013, allocated as follows: B notes $174,000, mezzanine loans $559,000 and whole loans $9.7 million. Net carrying amount includes allowance for loan losses of $8.0 million at December 31, 2012, allocated as follows: B notes $206,000, mezzanine loans $860,000 and whole loans $6.9 million.

(2) Net carrying amount includes allowance for loan losses of $3.4 million and $9.7 million at December 31, 2013 and 2012, respectively.

(3) Loans held for sale are carried at the lower of cost or market. Amortized cost is equal to fair value.

Commercial Mortgage-Backed Securities-Private Placement. In the aggregate, we purchased our CMBS-private placement portfolio at a net discount. At December 31, 2013 and 2012, the remaining discount to be accreted into income over the remaining lives of the securities was $7.2 million and $9.3 million, respectively. At December 31, 2013 and 2012, the remaining premium to be amortized into income over the remaining lives of the securities was $645,000 and $2.0 million, respectively. These securities are classified as available-for-sale and, as a result, are carried at their fair value.

During the years ended December 31, 2013, 2012 and 2011, we recognize other-than-temporary impairment losses of $328,000, $42,000 and $4.6 million respectively, on positions that supported our CMBS investments. Securities classified as available-for-sale have increased on a net basis as of December 31, 2013 as compared to December 31, 2012 primarily due to new purchases in 2013. We perform an on-going review of third-party reports and updated financial data on the underlying property financial information to analyze current and projected loan performance. Rating agency downgrades are considered with respect to our income approach when determining other-than-temporary impairment and, when inputs are stressed, the resulting projected cash flows reflect a full recovery of principal.

The following table summarizes our CMBS-private placement at fair value (in thousands, except percentages):

	December 31, 2012	Net Purchases	Upgrades/Downgrades	MTM Change/ Paydowns Same Ratings	December 31, 2013
Moody's Ratings Category:					
Aaa	$66,830	$23,664	$ —	$(40,657)	$49,837
Aa1 through Aa3	4,926	—	—	430	5,356
A1 through A3	8,944	5,421	2,354	(2,108)	14,611
Baa1 through Baa3	44,624	4,108	5,216	(15,237)	38,711
Ba1 through Ba3	3,737	6,812	(10,147)	13,336	13,738
B1 through B3	7,315	4,238	(3,150)	4,978	13,381
Caa1 through Caa3	8,052	5,621	—	1,071	14,744
Ca through C	8,168	—	2,765	(2,319)	8,614
Non-Rated	18,219	6,297	—	(2,790)	21,726
Total	$170,815	$56,161	$ (2,962)	$(43,296)	$180,718
S&P Ratings Category:					
AAA	$52,640	$29,889	$ —	$(29,290)	$53,239
A+ through A-	7,433	—	—	566	7,999
BBB+ through BBB-	13,248	—	—	1,055	14,303
BB+ through BB-	31,691	9,261	—	(8,157)	32,795
B+ through B-	15,963	16,672	(6,720)	7,247	33,162
CCC+ through CCC-	8,959	—	—	3,217	12,176
D	1,150	—	—	830	1,980
Non-Rated	39,731	680	—	(15,347)	25,064
Total	$170,815	$56,502	$ (6,720)	$(39,879)	$180,718

Investment Securities, Trading. The following table summarizes our structured notes and RMBS securities, which are classified as investment securities, trading, and are carried at fair value (in thousands):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
December 31, 2013:				
Structured notes	$8,057	$4,050	$(1,000)	$11,107
RMBS	1,919	—	(1,468)	451
Total	$9,976	$4,050	$(2,468)	$11,558
December 31, 2012:				
Structured notes	$9,413	$10,894	$(1,028)	$19,279
RMBS	6,047	858	(1,341)	5,564
Total	$15,460	$11,752	$(2,369)	$24,843

We purchased four securities and sold nine securities during the year ended December 31, 2013, for a net realized gain of $7.5 million. We held eight and 13 investment securities, trading as of December 31, 2013 and 2012, respectively. We purchased two securities and sold 15 securities during the year ended December 31, 2012, for a net realized gain of $5.5 million. We also had one position liquidate during the year ended December 31, 2012 which resulted in a gain of $224,000.

Real Estate Loans. The following table is a summary of the loans in our commercial real estate loan portfolio at the dates indicated (in thousands):

Description	Quantity	Amortized Cost	Contracted Interest Rates	Maturity Dates (3)
December 31, 2013:				
Whole loans, floating rate (1) (4) (5)	52	$745,789	LIBOR plus 2.68% to LIBOR plus 12.14%	March 2014 to February 2019
B notes, fixed rate	1	16,205	8.68%	April 2016
Mezzanine loans, floating rate	1	12,455	LIBOR plus 13.53%	April 2016
Mezzanine loans, fixed rate (7)	3	51,862	0.50% to 18.72%	September 2014 to September 2019
Total (2)	57	$826,311		
December 31, 2012:				
Whole loans, floating rate (1) (4) (6)	37	$567,938	LIBOR plus 2.50% to LIBOR plus 5.50%	June 2013 to February 2019
B notes, fixed rate	1	16,327	8.68%	April 2016
Mezzanine loans, floating rate	2	15,845	LIBOR plus 2.50% to LIBOR plus 7.45%	August 2013 to December 2013
Mezzanine loans, fixed rate (7)	3	66,941	0.50% to 20.00%	September 2014 to September 2019
Total (2)	43	$667,051		

(1) Whole loans had $13.7 million and $8.9 million in unfunded loan commitments as of December 31, 2013 and 2012, respectively. These unfunded commitments are advanced as the borrowers formally request additional funding as permitted under the loan agreement and any necessary approvals have been obtained.

(2) The total does not include an allowance for loan loss of $10.4 million and $8.0 million as of December 31, 2013 and 2012, respectively.

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

(4) Floating rate whole loans include a combined $11.4 million mezzanine component of two whole loans, which have a fixed rate of 12.0% as of December 31, 2013, and includes a $2.0 million mezzanine component of a whole loan that has a fixed rate of 15.0% at December 31, 2012.

(5) Floating rate whole loans include a $799,000 junior mezzanine tranche of a whole loan that has a fixed rate of 10.0% as of December 31, 2013.

(6) Amount includes $34.0 million from two whole loans that are classified as loans held for sale at December 31, 2012.

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

Bank Loans. At December 31, 2013, our consolidated securitizations, Apidos CDO I, Apidos CDO III, Apidos Cinco CDO, Apidos CDO VIII and Whitney CLO I, held a total of $552.7 million of bank loans at fair value. The bank loans held by these entities secure the CDO notes they issued and are not available to satisfy the claims of our creditors. The aggregate fair value of bank loans held decreased by $649.5 million over their holdings at December 31, 2012. This decrease was primarily due to the liquidation of Apidos CDO VIII and Whitney CLO during the year ended December 31, 2013.

We have determined that Apidos CDO I, Apidos CDO III, Apidos Cinco CDO, Apidos CDO VIII and Whitney CLO I are variable interest entities, or VIEs, and that we are the primary beneficiary of each. As of December 31, 2013, Apidos CDO I, Apidos CDO III, Apidos Cinco CDO, Apidos CLO VIII and Whitney CLO I were consolidated. We own 100% of the equity of Apidos CDO I, Apidos CDO III and Apidos CDO Cinco. We own approximately 43% of the equity of Apidos CLO VIII and 68.3% of the equity of Whitney CLO I. In September 2013, we liquidated Whitney CLO I, and as a result substantially all of the assets were sold. Total proceeds from the sale of these assets, plus proceeds from previous sales and paydowns in the CLO were used to pay down the remaining balance on the outstanding notes of $103.7 million. In October 2013, we liquidated Apidos CLO VIII, and as a result all of the assets were sold. Total proceeds from the sale of these assets, plus proceeds from previous sales and paydowns in the CLO were used to pay down the remaining balance on the outstanding notes of $317.6 million.

The following table summarizes our bank loan investments (in thousands):

	December 31, 2013		December 31, 2012	
	Amortized cost	Fair Value (1)	Amortized cost	Fair Value (1)
Moody's ratings category:				
Baa1 through Baa3	$10,885	$10,936	$41,831	$42,337
Ba1 through Ba3	263,589	265,945	645,502	655,039
B1 through B3	216,995	217,517	443,775	449,232
Caa1 through Caa3	24,224	22,702	27,523	23,869
Ca	667	332	6,819	3,582
No rating provided	35,413	35,277	27,864	28,154
Total	$551,773	$552,709	$1,193,314	$1,202,213
S&P ratings category:				
BBB+ through BBB-	$46,201	$46,562	$128,072	$129,648
BB+ through BB-	224,246	224,442	483,091	490,823
B+ through B-	228,707	231,135	529,331	535,632
CCC+ through CCC-	15,059	14,838	28,567	25,522
CC+ through CC-	—	—	2,831	1,451
C+ through C-	—	—	—	—
D	2,251	723	2,021	1,237
No rating provided	35,309	35,009	19,401	17,900
Total	$551,773	$552,709	$1,193,314	$1,202,213
Weighted average rating factor	1,936		1,974	

(1) The bank loan portfolio's fair value is determined using dealer quotes.

The following table provides information as to the lien position and status of our bank loans, which we consolidate (in thousands):

	Amortized Cost					
	Apidos I	Apidos III	Apidos Cinco	Apidos VIII	Whitney CLO I	Total
December 31, 2013:						
Loans held for investment:						
First lien loans	$79,483	$126,890	$296,368	$72	$21,724	$524,537
Second lien loans	—	—	1,139	—	7,805	8,944
Third lien loans	3,020	2,475	2,463	—	—	7,958
Defaulted first lien loans	1,206	1,124	486	—	—	2,816
Defaulted second lien loans	334	334	—	—	—	668
Total	84,043	130,823	300,456	72	29,529	544,923
First lien loans held for sale at fair value	537	651	1,189	—	4,473	6,850
Total	$84,580	$131,474	$301,645	$72	$34,002	$551,773
December 31, 2012:						
Loans held for investment:						
First lien loans	$174,208	$206,960	$298,885	$321,022	$147,791	$1,148,866
Second lien loans	3,559	3,237	8,306	9,035	729	24,866
Subordinated second lien loans	2,207	1,200	615	—	—	4,022

Defaulted first lien loans	333	333	—	—	—	666
Total	180,307	211,730	307,806	330,057	148,520	1,178,420
First lien loans held for sale at fair value	2,671	2,770	3,657	5,796	—	14,894
Total	$182,978	$214,500	$311,463	$335,853	$148,520	$1,193,314

Asset-backed securities. In November 2011, the investment securities held-to-maturity portfolio was reclassified to investment securities available-for-sale since management no longer intended to hold these positions until maturity. These investments are now held at fair value with any unrealized gain or loss reported in the stockholder's equity section of the balance sheet. At December 31, 2013, we held a total of $26.7 million of ABS at fair value through Apidos CDO I, Apidos CDO III and Apidos Cinco CDO, all of which secure the debt issued by these entities. At December 31, 2012, we held a total of $26.5 million fair value of ABS through Apidos CDO I, Apidos CDO III and Apidos Cinco CDO, all of which secure the debt issued by these entities. The increase in total ABS was due to a purchase which was partially offset by a sale during the year ended December 31, 2013.

The following table summarizes our ABS at fair value (in thousands):

	December 31, 2013		December 31, 2012	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Moody's ratings category:				
Aaa	$4,650	$5,058	$5,856	$6,416
Aa1 through Aa3	8,097	7,469	1,086	1,192
A1 through A3	1,263	3,801	6,590	7,116
Baa1 through Baa3	2,737	2,736	2,790	3,108
Ba1 through Ba3	8,021	6,981	5,115	4,614
B1 through B3	638	611	3,618	3,140
Caa1 through Caa3	—	—	—	—
No rating provided	—	—	830	884
Total	$25,406	$26,656	$25,885	$26,470
S&P ratings category:				
AA+ through AA-	$8,030	$7,259	$6,943	$7,608
A+ through A-	5,107	8,094	6,539	7,319
BBB+ through BBB-	—	—	300	327
BB+ through BB-	4,868	4,019	7,518	7,054
B+ through B-	1,577	1,578	1,545	1,510
CCC+ through CCC-	—	—	—	—
No rating provided	5,824	5,706	3,040	2,652
Total	$25,406	$26,656	$25,885	$26,470
Weighted average rating factor	416		642	

Corporate bonds. At December 31, 2013, our consolidated securitization, Apidos Cinco CDO, held a total of $2.5 million of corporate bonds at fair value, which secure the debt issued by this entity. These investments are held at fair value with any unrealized gain or loss reported in the stockholder's equity section of the balance sheet. The aggregate fair value of corporate bonds held decreased by $31.8 million over those held at December 31, 2012. This decrease was primarily due to the sale of our bonds in Whitney CLO I and Apidos CDO VIII which were called and liquidated during the year.

The following table summarizes our corporate bonds at fair value (in thousands):

	December 31, 2013		December 31, 2012	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Moody’s ratings category:				
Aaa	$—	$—	$4,345	$4,359
Aa1 through Aa3	—	—	2,068	2,063
A1 through A3	—	—	5,606	5,582
Baa1 through Baa3	—	—	721	707
Ba1 through Ba3	—	—	4,491	4,445
B1 through B3	—	—	9,271	9,296
Caa1 through Caa3	2,441	1,598	80	81
No rating provided	932	865	7,779	7,749
Total	$3,373	$2,463	$34,361	$34,282
S&P ratings category:				
AAA	$—	$—	$4,345	$4,359
AA+ through AA-	—	—	2,068	2,063
A+ through A-	—	—	3,144	3,110
BBB+ through BBB-	—	—	1,239	1,227
BB+ through BB-	—	—	1,414	1,407
B+ through B-	869	873	14,844	14,823
CCC+ through CCC-	2,504	1,590	80	81
No rating provided	—	—	7,227	7,212
Total	$3,373	$2,463	$34,361	$34,282
Weighted average rating factor	6,500		1,080	

Investment in Unconsolidated Entities. In May, June and July 2013, we invested $15.0 million into a limited partnership agreement with CVC Global Credit Opportunities Fund, L.P., or the Partnership, a Delaware limited partnership which generally invests in assets through a master-feeder fund structure, or the Master Fund. The General Partner of the Partnership and the Master Fund is CVC Global Credit Opportunities Fund GP, LLC, a Delaware limited liability company. The investment manager of the partnership and the Master Fund is CVC Credit Partners, LLC. CVC Capital Partners SICAV-FIS, S.A., a Luxembourg company, together with its affiliates, and Resource America, own a majority and a significant minority, respectively, of the investment manager. The fund will pay the investment manager a quarterly management fee in advance calculated at the rate of 1.5% annually based on the balance of each limited partner's capital account. Our management fee was waived upon entering the agreement given that we are a related party of CVC Credit Partners, LLC. For the year ended December 31, 2013, we recorded earnings of $1.2 million, which was recorded in equity in net earnings (losses) of unconsolidated subsidiaries on the consolidated statements of income statement. The Company's investment balance of $16.2 million at December 31, 2013 is recorded as an investment in unconsolidated entities on our consolidated balance sheet using the equity method.

In January 2013, LTCC, one of our wholly-owned subsidiaries, invested $2.0 million into LCF for the purpose of originating and acquiring life settlement contracts. Using the equity method, we recognized a loss of $470,000 during the year ended December 31, 2013, which was recorded in equity in net earnings (losses) of unconsolidated subsidiaries on the consolidated statement of income. Our investment in LCF was $1.5 million at December 31, 2013 and is recorded as an investment in unconsolidated entities on our consolidated balance sheet using the equity method.

On June 19, 2012, we entered into a joint venture with Värde Investment Partners, LP acting as lender, to purchase two condominium developments. We purchased a 7.5% equity interest in the venture. RREM, was appointed as the asset manager of the venture to perform lease review and approval, debt service collection, loan workout, foreclosure, disposition and permitting, as applicable. RREM is also responsible for engaging third parties to perform day-to-day property management, property leasing, rent collection, maintenance, and capital improvements. RREM receives an annual asset management fee equal to 1% of outstanding contributions. For the years ended December 31, 2013 and 2012, we paid RREM management fees of $38,000 and $39,000, respectively. For the years ended December 31, 2013 and 2012, we recorded income of $148,000 and losses of $135,000, respectively, which were recorded in equity in net earnings (losses) of unconsolidated subsidiaries on the consolidated statement of income. The investment balance of $674,000 and $526,000 at December 31, 2013 and 2012, respectively, is recorded as an investment in unconsolidated entities on our consolidated balance sheet using the equity method.

On November 16, 2011, we, together with LEAF Financial and LCC, a commercial finance company specializing in equipment leasing formed in January 2011, each of which is a subsidiary of Resource America, entered into a SPA with Eos Partners, L.P., or Eos, a private investment firm, and its affiliates Eos. Our resulting interest is accounted for under the equity method. We recorded losses of $183,000 and $3.3 million for the years ended December 31, 2013 and 2012, respectively, which was recorded in equity in net earnings (losses) of unconsolidated subsidiaries on the consolidated statement of income. No such loss was recorded at December 31, 2011. Our investment in LCC was valued at $41.0 million and $33.1 million as of December 31, 2013 and 2012, respectively, and is recorded as an investment in unconsolidated entities on our consolidated balance sheet using the equity method.

On December 1, 2009, we purchased a membership interest in RRE VIP Borrower, LLC (an unconsolidated VIE that holds our interests in a real estate joint venture) from Resource America at book value. RREM, an affiliate of Resource America, acts as asset manager of the venture and receives a monthly asset management fee equal to 1% of the combined investment calculated as of the last calendar day of the month. For the years ended December 31, 2013, 2012 and 2011, we paid RREM management fees of $28,000, $45,000 and $55,000 respectively. For the years ended December 31, 2013, 2012 and 2011, we recorded income of $278,000, $683,000 and $112,000, respectively, which was recorded in equity in net earnings (losses) of unconsolidated subsidiaries on the consolidated statement of income. The investment balance of zero and $2.3 million at December 31, 2013 and 2012, respectively, is recorded as an investment in unconsolidated entities on our consolidated balance sheet using the equity method.

We have a 100% interest valued at $1.5 million in the common shares (3% of the total equity) in two trusts, RCT I and RCT II. We record our investments in RCT I and RCT II’s common shares of $774,000 each as investments in unconsolidated trusts using the cost method and record dividend income upon declaration by RCT I and RCT II. For the years ended December 31, 2013, 2012, and 2011, we recognized $2.4 million, $2.5 million and $3.3 million, respectively, of interest expense with respect to the subordinated debentures it issued to RCT I and RCT II which included $191,000, $183,000 and $277,000, respectively, of amortization of deferred debt issuance costs.

Financing Receivables

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

	Commercial Real Estate Loans	Bank Loans	Residential Mortgage Loans	Loans Receivable-Related Party	Total
December 31, 2013:					
Allowance for Loan Losses:					
Allowance for losses at January 1, 2013	$7,986	$9,705	$—	$ —	$17,691
Provision for loan loss	2,686	334	—	—	3,020
Loans charged-off	(256)	(6,648)	—	—	(6,904)
Allowance for losses at December 31, 2013	$10,416	$3,391	$—	$ —	$13,807
Ending balance:					
Individually evaluated for impairment	$4,572	$2,621	$—	$ —	$7,193
Collectively evaluated for impairment	$5,844	$770	$—	$ —	$6,614
Loans acquired with deteriorated credit quality	$—	$—	$—	$ —	$—
Loans:					
Ending balance:					
Individually evaluated for impairment	$194,403	$3,554	$—	$ 6,966	$204,923
Collectively evaluated for impairment	$631,908	$548,219	$16,915	$ —	$1,197,042
Loans acquired with deteriorated credit quality	$—	$—	$—	$ —	$—
December 31, 2012:					
Allowance for Loan Losses:					
Allowance for losses at January 1, 2012	$24,221	$3,297	$—	$ —	$27,518
Provision for loan loss	5,225	11,593	—	—	16,818
Loans charged-off	(21,460)	(5,185)	—	—	(26,645)
Allowance for losses at December 31, 2012	$7,986	$9,705	$—	$ —	$17,691
Ending balance:					
Individually evaluated for impairment	$2,142	$3,236	$—	$ —	$5,378
Collectively evaluated for impairment	$5,844	$6,469	$—	$ —	$12,313
Loans acquired with deteriorated credit quality	$—	$—	$—	$ —	$—
Loans:					
Ending balance:					
Individually evaluated for impairment	$177,055	$4,689	$—	$ 8,324	$190,068
Collectively evaluated for impairment	$489,996	$1,187,874	$—	$ —	$1,677,870
Loans acquired with deteriorated credit quality	$—	$751	$—	$ —	$751

Credit quality indicators

Bank Loans

We use a risk grading matrix to assign grades to bank loans. Loans are graded at inception and updates to assigned grades are made continually as new information is received. Loans are graded on a scale of 1-5 with 1 representing our highest rating and 5 representing our lowest rating. We consider such things as performance of the underlying company, liquidity, collectability of interest, enterprise valuation, default probability, ratings from rating agencies, and industry dynamics.

Credit risk profiles of bank loans were as follows (in thousands):

	Rating 1	Rating 2	Rating 3	Rating 4	Rating 5	Held for Sale	Total
As of December 31, 2013:							
Bank loans	$477,754	$42,476	$18,806	$2,333	$3,554	$6,850	$551,773
As of December 31, 2012:							
Bank loans	$1,095,148	$33,677	$27,837	$16,318	$5,440	$14,894	$1,193,314

All of our bank loans are performing with the exception of three loans with an amortized cost of $3.6 million as of December 31, 2013, one of which defaulted in 2012, one of which defaulted as of March 31, 2013 and one of which defaulted as of June 30, 2013. As of December 31, 2012, all of our bank loans were performing with the exception of five loans with an amortized cost of $5.4 million, one of which defaulted as of December 31, 2012, three of which defaulted as of March 31, 2012, (including a loan acquired with deteriorated credit quality as a result of the acquisition of Whitney CLO I) and one of which defaulted as of December 31, 2011.

Commercial Real Estate Loans

We use a risk grading matrix to assign grades to commercial real estate loans. Loans are graded at inception and updates to assigned grades are made continually as new information is received. Loans are graded on a scale of 1-4 with 1 representing our highest rating and 4 representing our lowest rating. We designate loans that are sold after the period end at the lower of our fair market value or cost, net of any allowances and costs associated with the loan sales. In addition to the underlying performance of the loan collateral, we consider such things as the strength of underlying sponsorship, payment history, collectability of interest, structural credit enhancements, market trends and loan terms in grading our commercial real estate loans.

Credit risk profiles of commercial real estate loans were as follows (in thousands):

	Rating 1	Rating 2	Rating 3	Rating 4	Held for Sale	Total
As of December 31, 2013:						
Whole loans	$680,718	$32,500	$32,571	$—	$—	$745,789
B notes	16,205	—	—	—	—	16,205
Mezzanine loans	51,862	12,455	—	—	—	64,317
	$748,785	$44,955	$32,571	$—	$—	$826,311
As of December 31, 2012:						
Whole loans	$427,456	$—	$106,482	$—	$34,000	$567,938
B notes	16,327	—	—	—	—	16,327
Mezzanine loans	38,296	—	44,490	—	—	82,786
	$482,079	$—	$150,972	$—	$34,000	$667,051

All of our commercial real estate loans were performing as of December 31, 2013 and 2012.

Residential Mortgage Loans

Residential mortgage loans are reviewed periodically for collectability in light of historical experience, the nature and amount of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing underlying conditions. The Company also designates loans that are sold after the period end as held for sale at the lower of their fair market value or cost.

Loan Portfolios Aging Analysis

The following table shows the loan portfolio aging analysis for the years indicated at cost basis (in thousands):

	30-59 Days	60-89 Days	Greater than 90 Days	Total Past Due	Current	Total Loans Receivable	Total Loans > 90 Days and Accruing
December 31, 2013:							
Whole loans	$—	$—	$—	$—	$745,789	$745,789	$—
B notes	—	—	—	—	16,205	16,205	—
Mezzanine loans	—	—	—	—	64,317	64,317	—
Bank loans	—	—	3,554	3,554	548,219	551,773	—
Residential mortgage loans	234	91	268	593	16,322	16,915	—
Loans receivable- related party	—	—	—	—	6,966	6,966	—
Total loans	$234	$91	$3,822	$4,147	$1,397,818	$1,401,965	$—
December 31, 2012:							
Whole loans	$—	$—	$—	$—	$567,938	$567,938	$—
B notes	—	—	—	—	16,327	16,327	—
Mezzanine loans	—	—	—	—	82,786	82,786	—
Bank loans	1,549	—	3,891	5,440	1,187,874	1,193,314	—
Loans receivable- related party	—	—	—	—	8,324	8,324	—
Total loans	$1,549	$—	$3,891	$5,440	$1,863,249	$1,868,689	$—

Impaired Loans

The following tables show impaired loans indicated (in thousands):

	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment in Impaired Loans	Interest Income Recognized
December 31, 2013:					
Loans without a specific valuation allowance:					
Whole loans	$130,759	$137,959	$—	$123,495	$8,439
B notes	$—	$—	$—	$—	$—
Mezzanine loans	$38,072	$38,072	$—	$38,072	$1,615
Bank loans	$—	$—	$—	$—	$—
Residential mortgage loans	$315	$268	$—	$—	$—
Loans receivable - related party	$5,733	$5,733	$—	$—	$—
Loans with a specific valuation allowance:					
Whole loans	$25,572	$25,572	$(4,572)	$24,748	$1,622
B notes	$—	$—	$—	$—	$—
Mezzanine loans	$—	$—	$—	$—	$—
Bank loans	$3,554	$3,554	$(2,621)	$—	$—
Residential mortgage loans	$—	$—	$—	$—	$—
Loans receivable - related party	$—	$—	$—	$—	$—
Total:					
Whole loans	$156,331	$163,531	$(4,572)	$148,243	$10,061
B notes	—	—	—	—	—
Mezzanine loans	38,072	38,072	—	38,072	1,615
Bank loans	3,554	3,554	(2,621)	—	—
Residential mortgage loans	315	268	—	—	—
Loans receivable - related party	5,733	5,733	—	—	—
	$204,005	$211,158	$(7,193)	$186,315	$11,676
December 31, 2012:					
Loans without a specific valuation allowance:					
Whole loans	$115,841	$115,841	$—	$114,682	$3,436
B notes	$—	$—	$—	$—	$—
Mezzanine loans	$38,072	$38,072	$—	$38,072	$367
Bank loans	$—	$—	$—	$—	$—
Loans receivable - related party	$6,754	$6,754	$—	$—	$851
Loans with a specific valuation allowance:					
Whole loans	$23,142	$23,142	$(2,142)	$22,576	$801
B notes	$—	$—	$—	$—	$—
Mezzanine loans	$—	$—	$—	$—	$—
Bank loans	$5,440	$5,440	$(3,236)	$—	$—
Loans receivable - related party	$—	$—	$—	$—	$—
Total:					
Whole loans	$138,983	$138,983	$(2,142)	$137,258	$4,237
B notes	—	—	—	—	—

Mezzanine loans	38,072	38,072	—	38,072	367
Bank loans	5,440	5,440	(3,236)	—	—
Loans receivable - related party	6,754	6,754	—	—	851
	$189,249	$189,249	$(5,378)	$175,330	$5,455

Troubled-Debt Restructurings

The following tables show troubled-debt restructurings in our loan portfolio (in thousands):

	Number of Loans	Pre-Modification Outstanding Recorded Balance	Post-Modification Outstanding Recorded Balance
Year Ended December 31, 2013:			
Whole loans	5	$143,484	$147,826
B notes	—	—	—
Mezzanine loans	—	—	—
Bank loans	—	—	—
Residential mortgage loans	—	—	—
Loans receivable - related party	1	6,592	6,592
Total loans	6	$150,076	$154,418
Year Ended December 31, 2012:			
Whole loans	6	$143,261	$126,946
B notes	—	—	—
Mezzanine loans	1	38,072	38,072
Bank loans	—	—	—
Loans receivable - related party	1	7,797	7,797
Total loans	8	$189,130	$172,815

As of December 31, 2013 and 2012, there were no troubled-debt restructurings that subsequently defaulted.

Investments in Real Estate

The table below summarizes our investments in real estate (in thousands, except number of properties):

	December 31, 2013		December 31, 2012	
	Book Value	Number of Properties	Book Value	Number of Properties
Multi-family property	$22,107	1	$42,179	2
Office property	10,273	1	10,149	1
Hotel property	—	—	25,608	1
Subtotal	32,380		77,936	
Less: Accumulated depreciation	(2,602)		(2,550)	
Investments in real estate	$29,778		$75,386	

During the year ended December 31, 2013, we made no acquisitions and sold one of our multi-family properties. The gain from the sale of this property is recorded on the statement of income in gain on sale of real estate. We also confirmed the intent and ability to sell one of our investments in real estate. This asset has been reclassified to property available-for-sale on the balance sheet at December 31, 2013.

During the year ended December 31, 2012, we foreclosed on one self-originated loan and converted the loan to equity with a fair value of $25.5 million at acquisition. The loan was collateralized by a 179 unit hotel property in Coconut Grove, Florida. The property had a hotel occupancy rate of 75% at acquisition.

We made no acquisitions during the year ended December 31, 2013. The following table is a summary of the aggregate estimated fair value of the assets and liabilities acquired on the respective date of acquisition during the year ended December 31, 2012 (in thousands):

Description	December 31, 2012
Assets acquired:	
Investments in real estate	$25,500
Other assets	(89)
Total assets acquired	25,411
Liabilities assumed:	
Accounts payable and other liabilities	3,750
Total liabilities assumed	3,750
Estimated fair value of net assets acquired	$21,661

Restricted cash. At December 31, 2013, we had restricted cash of $63.3 million, which consisted of $61.4 million of restricted cash on our eight securitizations, $771,000 held in a margin account related to our swap portfolio, $847,000 held in restricted accounts at our investment properties and $318,000 held primarily in a pledged account at our subsidiary, PCA. At December 31, 2012, we had restricted cash of $94.1 million, which consisted of $90.0 million of restricted cash on our seven CDOs, $500,000 held in a margin account related to our swap portfolio and $3.6 million held in restricted accounts at our real estate assets. The decrease of $30.8 million is primarily related to new loan settlements in our CDOs, which were a result of the use of restricted cash available for reinvestment prior to the expiration of the reinvestment period for four of our CDOs, Apidos CDO I, Apidos CDO III, RREF CDO 2006-1 and RREF CDO 2007-1. Any subsequent loan paydown proceeds in these CDOs are now used to repay the notes outstanding as stipulated in the indenture.

Interest Receivable. At December 31, 2013, we had interest receivable of $9.0 million, which consisted of $9.0 million of interest on our securities and loans and $6,000 of interest earned on escrow and sweep accounts. At December 31, 2012, we had interest receivable of $7.8 million, which consisted of $7.8 million of interest on our securities and loans and $6,000 of interest earned on escrow and sweep accounts. The increase resulted from an increase in interest receivable on mezzanine loans of $2.7 million, partially offset by a decrease of $1.1 million in interest receivable on bank loans and a decrease of $500,000 in interest receivable on structured notes due to the increase in CRE loan and holdings and decreases in our structured notes and bank loan holdings.

Prepaid Expenses. The following table summarizes our prepaid expenses as of December 31, 2013 and 2012 (in thousands):

	December 31,	
	2013	2012
Prepaid taxes	$2,004	$9,546
Prepaid insurance	281	425
Other prepaid expenses	586	425
Total	$2,871	$10,396

Prepaid expenses decreased $7.5 million to $2.9 million as of December 31, 2013 from $10.4 million as of December 31, 2012. The decrease resulted primarily from a decrease of $7.5 million in prepaid taxes offset partially by an increase of $161,000 in other prepaid expenses.

Other Assets. The following table summarizes our other assets as of December 31, 2013 and 2012 (in thousands):

	December 31,	
	2013	2012
Management fees receivable	$970	$1,253
Other receivables	858	1,542
Preferred stock proceeds receivable	207	1,248
Fixed assets - non-real estate	1,069	66
Investment in life settlement contracts	1,107	—

Other assets	6,515	—
Total	$10,726	$4,109

Other assets increased $6.6 million to $10.7 million as of December 31, 2013 from $4.1 million as of December 31, 2012. This increase resulted primarily from the acquisition of PCA which included $4.5 million in servicing rights. In addition, we had $1.1 million in life settlement contracts due to our new investment in LCF in 2013.

Hedging Instruments. Our hedges at December 31, 2013 and 2012 were fixed-for-floating interest rate swap agreements whereby we swapped the floating rate of interest on the liabilities we hedged for a fixed rate of interest. With interest rates at historically low levels and the forward curve projecting steadily increasing rates as well as the scheduled maturity of two hedges and continued amortization of our swaps during 2014, we expect that the fair value of our hedges will modestly improve in 2014. We intend to continue to seek such hedges for our floating rate debt in the future. Our hedges at December 31, 2013 were as follows (in thousands):

	Benchmark rate	Notional value	Strike rate	Effective date	Maturity date	Fair value
CRE Swaps						
Interest rate swap	1 month LIBOR	$29,949	4.13%	01/10/08	05/25/16	$(1,186)
Interest rate swap	1 month LIBOR	1,681	5.72%	07/12/07	10/01/16	(173)
Interest rate swap	1 month LIBOR	1,880	5.68%	07/13/07	03/12/17	(288)
Interest rate swap	1 month LIBOR	79,418	5.58%	06/26/07	04/25/17	(7,769)
Interest rate swap	1 month LIBOR	1,726	5.65%	07/05/07	07/15/17	(196)
Interest rate swap	1 month LIBOR	3,850	5.65%	07/26/07	07/15/17	(435)
Interest rate swap	1 month LIBOR	4,023	5.41%	08/10/07	07/25/17	(432)
Total CRE Swaps		122,527				(10,479)
CMBS Swaps						
Interest rate swap	1 month LIBOR	1,865	1.11%	04/26/2011	01/15/2014	—
Interest rate swap	1 month LIBOR	357	0.84%	03/31/2011	01/18/2014	—
Interest rate swap	1 month LIBOR	2,646	1.93%	02/14/2011	05/01/2015	(49)
Interest rate swap	1 month LIBOR	391	1.30%	07/19/2011	03/18/2016	(7)
Interest rate swap	1 month LIBOR	1,711	1.95%	04/11/2011	03/18/2016	(51)
Total CMBS Swaps		6,970				(107)
Total Interest Rate Swaps		$129,497	5.03%			$(10,586)

Repurchase and Credit Facilities. Borrowings under the repurchase agreements were guaranteed by us or one of our subsidiaries. The following table sets forth certain information with respect to the our borrowings at December 31, 2013 and 2012 (dollars in thousands):

	December 31, 2013				December 31, 2012			
	Outstanding Borrowings	Value of Collateral	Number of Positions as Collateral	Weighted Average Interest Rate	Outstanding Borrowings	Value of Collateral	Number of Positions as Collateral	Weighted Average Interest Rate
CMBS Term Repurchase Facility								
Wells Fargo Bank (1)	$47,601	$56,949	44	1.38%	$42,530	$51,636	33	1.52%
CRE Term Repurchase Facilities								
Wells Fargo Bank (2) (3)	30,003	48,186	3	2.67%	58,834	85,390	8	2.89%
Deutsche Bank AG (3)	(300)	—	—	—	N/A	N/A	N/A	N/A

Short-Term Repurchase Agreements - CMBS								
Wells Fargo Securities, LLC	—	—	—	—	1,862	3,098	1	1.46%
Deutsche Bank Securities, LLC	—	—	—	—	3,077	5,111	1	1.46%
Residential Mortgage Financing Agreements								
New Century Bank	11,916	13,089	74	4.17%	N/A	N/A	N/A	N/A
ViewPoint Bank, NA	2,711	3,398	17	4.58%	N/A	N/A	N/A	N/A
Totals	$91,931	$121,622			$106,303	$145,235		

(1) The CMBS Wells Fargo term facility borrowing includes $12,000 and $23,000, of deferred debt issuance costs as of December 31, 2013 and 2012, respectively.

(2) The Wells Fargo CRE term repurchase facility borrowing includes $732,000 and $348,000 of deferred debt issuance costs as of December 31, 2013 and 2012, respectively.

(3) The Deutsche Bank term repurchase facility has not been utilized through December 31, 2013 and borrowing includes $300,000 of deferred debt issuance costs as of December 31, 2013.

The assets in the following table are accounted for as linked transactions. These linked repurchase agreements are not included in borrowings on our consolidated balance sheets (see Note 21).

	December 31, 2013				December 31, 2012			
	Borrowings Under Linked Transactions (1)	Value of Collateral Under Linked Transactions	Number of Positions as Collateral Under Linked Transactions	Weighted Average Interest Rate of Linked Transactions	Borrowings Under Linked Transactions (1)	Value of Collateral Under Linked Transactions	Number of Positions as Collateral Under Linked Transactions	Weighted Average Interest Rate of Linked Transactions
CMBS Term Repurchase Facility								
Wells Fargo Bank	$6,506	$ 8,345	7	1.65%	$12,180	$ 14,586	6	1.40%
CRE Term Repurchase Facilities								
Wells Fargo Bank	—	—	—	—%	—	—	—	—%
Short-Term Repurchase Agreements - CMBS								
JP Morgan Securities, LLC	17,020	24,814	4	0.99%	4,703	7,221	1	1.01%
Wells Fargo Securities, LLC	21,969	30,803	9	1.19%	3,533	5,444	1	1.46%
Deutsche Bank Securities, LLC	18,599	29,861	9	1.43%	—	—	—	—%
Totals	$64,094	$ 93,823			$20,416	$ 27,251		

CMBS – Term Repurchase Facility

In February 2011, our wholly-owned subsidiaries, RCC Real Estate and RCC Commercial, entered into a master repurchase agreements with Wells Fargo to be used as a warehouse facility to finance the purchase of highly-rated CMBS. The maximum amount of the facility is $100.0 million with a 0.25% structuring fee and an initial two year term that has been extended through January 31, 2015 and an interest rate equal to one-month LIBOR plus 1.00%. We guaranteed RCC Real Estate's and RCC Commercial's performance of their obligations under the repurchase

agreement.
CRE – Term Repurchase Facilities
On February 27, 2012, RCC Real Estate entered into a master repurchase and securities agreement with Wells Fargo to finance the origination of commercial real estate loans. The facility has a maximum amount of $150.0 million and with a maturity of February 27, 2015. We also have two one-year extension options at our discretion. We paid an origination fee of 37.5 basis points (0.375%). We guaranteed RCC Real Estate's performance of its obligations under the repurchase agreement.
On July 19, 2013, RCC Real Estate's wholly-owned subsidiary, RCC Real Estate SPE 5 LLC, entered into a master repurchase and securities agreement with Deutsche Bank AG, Cayman Islands Branch to finance the origination of commercial real estate loans. The facility has a maximum amount of $200.0 million and an initial 12 month term, ending on July 19, 2014, with 2 one-year extensions at our option and subject further to our right to repurchase the assets held in the facility earlier. We paid a structuring fee of 0.25% of the maximum facility amount, as well as other closing costs. We guaranteed RCC Real Estate SPE 5's performance of its obligations under the facility. There were no outstanding borrowings under this facility as of December 31, 2013 or 2012.
The facility contains provisions allowing RCC Real Estate SPE 5, if certain credit events have occurred with respect to one or more assets financed on the facility, to either repay a portion of the advance on such asset(s) or repay such advance in full (by repurchase of such asset(s)). Depending on the nature of the credit event, such repayment may be required notwithstanding the availability of interest and principal payments from assets financed on the facility, or may only be required to the extent of the availability of such payments.

Short-Term Repurchase Agreements - CMBS

On March 8, 2005, RCC Real Estate entered into a master repurchase and securities agreement with Deutsche Bank Securities Inc. to finance the origination of commercial real estate loans and the purchase of CMBS. There is no stated maximum amount of the facility and the repurchase agreement has an initial 12 month term with monthly resets of interest rates. We guaranteed RCC Real Estate's performance of its obligations under the repurchase agreement.

On February 14, 2012, RCC Real Estate entered into a master repurchase and securities agreement with Wells Fargo Securities, LLC to finance the purchase of CMBS. There is no stated maximum amount of the facility and the repurchase agreement has no stated maturity date with monthly resets of interest rates. We guaranteed RCC Real Estate's performance of our obligations under the repurchase agreement.

On November 6, 2012, RCC Real Estate entered into a master repurchase and securities agreement with JP Morgan Securities LLC to finance the purchase of CMBS. There is no stated maximum amount of the facility and the repurchase agreement has no stated maturity. Interest rates reset monthly.

Residential Mortgage Financing Agreements

On February 17, 2011, Primary Capital Advisors, or PCA, entered into a master repurchase agreement with New Century Bank d/b/a Customer's Bank, or New Century, to finance the acquisition of residential mortgage loans. The facility has a maximum amount of $30.0 million with a termination date of July 2, 2014. At December 31, 2013, PCA had borrowed $11.9 million. The facility bears interest at one month LIBOR plus 3.50%. We did not own PCA, nor were we a party to the agreement with New Century at December 31, 2012.

On November 8, 2012, our recently acquired subsidiary, PCA entered into a loan participation agreement with ViewPoint Bank, NA, or ViewPoint, to finance the acquisition of residential mortgage loans. The facility has a maximum amount of $15.0 million and a termination date of December 30, 2014. At December 31, 2013, PCA had borrowed $2.7 million. The facility bears interest at one-month LIBOR with a 4.00% floor. We did not own PCA or was party to the agreement with ViewPoint at December 31, 2012.

On August 1, 2011, we, through RCC Real Estate, purchased Whispertree Apartments, a 504 unit multi-family property located in Houston, Texas, for $18.1 million. The property was 95% occupied at acquisition. In conjunction with the purchase of the property, we entered into a seven year mortgage of $13.6 million with a lender. The mortgage bore interest at a rate of one-month LIBOR plus 3.95%. At December 31, 2012, the borrowing rate was 4.17%. At December 31, 2013, there were no outstanding borrowings under this agreement as the property was sold and the underlying mortgage was repaid.

Securitizations

As of December 31, 2013, we had executed seven and retained equity in six securitizations as follows:

- In December 2013, we closed CRE Notes 2013, a $307.8 million CRE securitization transaction that provided financing for transitional CRE loans. The investments held by RCC CRE Notes 2013 collateralized $260.8 million of senior notes issued by the securitization, of which RCC Real Estate, a subsidiary of ours, purchased 100% of the Class D senior notes, Class E senior notes, and Class F senior notes for $30.0 million at closing. In addition, RCC CRE Notes 2013 Investor, LLC, a subsidiary of RCC Real Estate, purchased a $16.9 million equity interest representing 100% of the outstanding preference shares. At December 31, 2013, the notes issued to outside investors, had a weighted average borrowing rate of 2.03%. There is no reinvestment period for CRE Notes 2013, which will result in the sequential pay down of notes as underlying collateral matures and pays down. As of December 31, 2013, none of the notes have been paid down.
- In June 2007, we closed RREF CDO 2007-1, a $500.0 million CDO transaction that provided financing for commercial real estate loans. The investments held by RREF CDO 2007-1 collateralized $458.8 million of senior notes issued by the CDO vehicle, of which RCC Real Estate, a subsidiary of ours, purchased 100% of the class H senior notes, class K senior notes, class L senior notes and class M senior notes for $68.0 million at closing, $5.0 million of the Class J senior notes in February 2008, an additional $2.5 million of the Class J senior notes in November 2009, and $11.9 million of the Class E senior notes, $11.9 million of the Class F senior notes and $7.3 million of the Class G senior notes in December 2009, $250,000 of the Class J senior notes in January 2010, $5.0 million of the Class A-2 senior notes in August 2011, $5.0 million of the Class A-2 senior notes in September 2011 and $50.0 million of the A1-R notes in June 2012. In addition, RREF 2007-1 CDO Investor, LLC, a subsidiary of

RCC Real Estate, purchased a $41.3 million equity interest representing 100% of the outstanding preference shares. At December 31, 2013, the notes issued to outside investors, net of repurchased notes, had a weighted average borrowing rate of 0.84%. The reinvestment period expired in June 2012 and the CDO has begun paying down the senior notes as principal is collected. Through December 31, 2013, $63.4 million of the Class A-1 and $50.0 million of the Class A-1R senior notes had been paid down.

- In May 2007, we closed Apidos Cinco CDO, a $350.0 million CDO transaction that provided financing for bank loans. The investments held by Apidos Cinco CDO collateralized $322.0 million of senior notes issued by the CDO vehicle. RCC Commercial II, a subsidiary of ours, holds a $28.0 million equity interest representing 100% of the outstanding preference shares. At December 31, 2013, the notes issued to outside investors had a weighted average borrowing rate of 0.74%.
- In August 2006, we closed RREF CDO 2006-1, a $345.0 million CDO transaction that provided financing for commercial real estate loans. The investments held by RREF CDO 2006-1 collateralized $308.7 million of senior notes issued by the CDO vehicle. RCC Real Estate purchased 100% of the class J senior notes and class K senior notes for $43.1 million at closing and $7.5 million of the Class F senior notes in September 2009, $3.5 million of the Class E senior notes and $4.0 million of the Class F senior notes in September 2009, $20.0 million of the Class A-1 senior notes in February 2010, $4.3 million of the Class A-1 senior notes in May 2012 and $4.0 million of the Class C senior notes in May 2012. In addition, RREF 2006-1 CDO Investor, LLC, a subsidiary of RCC Real Estate, purchased a $36.3 million equity interest representing 100% of the outstanding preference shares. At December 31, 2013, the notes issued to outside investors, net of repurchased notes, had a weighted average borrowing rate of 1.87%. The reinvestment period expired in September 2011 and the CDO has begun paying down the senior notes as principal is collected. Through December 31, 2013, $110.0 million of the Class A-1 senior notes had been paid down.
- In May 2006, we closed Apidos CDO III, a $285.5 million CDO transaction that provided financing for bank loans. The investments held by Apidos CDO III collateralized $262.5 million of senior notes issued by the CDO vehicle. RCC Commercial purchased a $23.0 million equity interest representing 100% of the outstanding preference shares. At December 31, 2013, the notes issued to outside investors had a weighted average borrowing rate of 0.88%. The reinvestment period expired in June 2012 and the CDO has begun paying down the senior notes as principal is collected. Through December 31, 2013, $129.2 million of the Class A-1 senior notes had been paid down.
- In August 2005, we closed Apidos CDO I, a $350.0 million CDO transaction that provided financing for bank loans. The investments held by Apidos CDO I collateralize $321.5 million of senior notes issued by the CDO vehicle. RCC Commercial originally purchased a $28.5 million equity interest representing 100% of the outstanding preference shares and during the three months ended June 30, 2012 sold 10% or $2.85 million to our subsidiary RSO Equity Co, LLC in connection with the sale of CVC Credit Partners, formerly Apidos Capital Management, by the Manager. Our subsidiary, RCC Commercial II, repurchased $2.0 million of the Class B notes in May 2012. At December 31, 2013, the notes issued to outside investors had a weighted average borrowing rate of 1.68%. The reinvestment period expired in July 2011 and the CDO has begun paying down the senior notes as principal is collected. Through December 31, 2013, $232.4 million of the Class A-1 senior notes had been paid down.

6.0% Convertible Senior Notes

On October 21, 2013, we issued and sold in a public offering $115.0 million aggregate in principal amount of our 6.0% Convertible Senior Notes due 2018. After deducting the underwriting discount and the estimated offering costs, we received approximately $111.1 million of net proceeds. The discount of $4.9 million on the 6.0% Convertible Senior notes reflects the difference between the stated value of the debt and the fair value of the notes as if they were issued without a conversion feature and at a higher rate of interest that we estimated would have been applicable without the conversion feature. The discount will be amortized on a straight-line basis as additional interest expense through maturity on December 1, 2018. Interest on the 6.0% Convertible Senior Notes is paid semi-annually. Prior to December 1, 2018, the 6.0% Convertible Senior Notes are not redeemable at our option, except to preserve our status as a REIT. On or after December 1, 2018, we may redeem all or a portion of the 6.0% Convertible Senior Notes at a redemption price equal to the principal amount plus accrued and unpaid interest.

The 6.0% Convertible Senior Notes are convertible at the option of the holder at a current conversion rate of 150.1502 common shares per $1,000 principal amount of 6.0% Convertible Senior Notes (equivalent to a current conversion price of $6.66 per common share). Upon conversion of 6.0% Convertible Senior Notes by a holder, the holder will receive cash, our common shares or a combination of cash and our common shares, at our election.

Trust Preferred Securities

In May 2006 and September 2006, we formed RCT I and RCT II, respectively, for the sole purpose of issuing and selling capital securities representing preferred beneficial interests. Although we owns $774,000 of the common securities of RCT I and RCT II, RCT I and RCT II are not consolidated into our consolidated financial statements because the we do not deem it to be the primary beneficiary of these entities. In connection with the issuance and sale of the capital securities, we issued junior subordinated debentures to RCT I and RCT II of $25.8 million each, representing our maximum exposure to loss. The debt issuance costs associated with the junior subordinated debentures for RCT I and RCT II are included in borrowings and are being amortized into interest expense in the consolidated statements of income using the effective yield method over a ten year period.

The debt issuance costs associated with the junior subordinated debentures for RCT I and RCT II at December 31, 2013 were $261,000 and $282,000, respectively. The debt issuance costs associated with the junior subordinated debentures for RCT I and RCT II at December 31, 2012, were $358,000 and $377,000, respectively. The rates for RCT I and RCT II, at December 31, 2013, were 4.20% and 4.19%, respectively. The rates for RCT I and RCT II, at December 31, 2012, were 4.26% and 4.26%, respectively.

The rights of holders of common securities of RCT I and RCT II are subordinate to the rights of the holders of capital securities only in the event of a default; otherwise, the common securities' economic and voting rights are pari passu with the capital securities. The capital and common securities of RCT I and RCT II are subject to mandatory redemption upon the maturity or call of the junior subordinated debentures held by each. Unless earlier dissolved, RCT I will dissolve on May 25, 2041 and RCT II will dissolve on September 29, 2041. The junior subordinated debentures are the sole assets of RCT I and RCT II, mature on September 30, 2036 and October 30, 2036, respectively, and may be called at par by us at any time after September 30, 2011 and October 30, 2011, respectively. We record our investments in RCT I and RCT II's common securities of $774,000 each as investments in unconsolidated trusts and records dividend income upon declaration by RCT I and RCT II.

Stockholders' Equity

Stockholders' equity at December 31, 2013 was $773.9 million and gave effect to $11.2 million of unrealized losses on our cash flow hedges and $3.1 million of unrealized losses on our available-for-sale portfolio, shown as a component of accumulated other comprehensive loss. Stockholders' equity at December 31, 2012 was $613.3 million and gave the effect to $15.6 million of unrealized losses on cash flow hedges and $11.5 million of unrealized losses on our available-for-sale portfolio, shown as a component of accumulated other comprehensive income. The increase in stockholder's equity during the year ended December 31, 2013 was principally due to the proceeds from sales of our common stock through a public offering and our DRIP as well as the issuance by our at-the market offering of Series B 8.25% Preferred Stock.

Funds from Operations

We evaluate our performance based on several performance measures, including funds from operations, or FFO, and Adjusted Funds from Operations, or AFFO, in addition to net income. Historically, we have calculated distributions to our shareholders based on our estimate of REIT taxable income. Because of our investments in CRE and the resulting significant tax depreciation charges, we now compute and present FFO, and use AFFO, as our primary operating measures to determine distributions to shareholders, in addition to net income and REIT taxable income. We expect that our FFO will be greater than our net income under generally accepted accounting principles, or GAAP, primarily because real estate related depreciation and amortization and other non-cash charges are not deducted in the calculation of these measures. We compute FFO in accordance with the standards established by the National Association of Real Estate Investment Trusts as net income (computed in accordance with GAAP), excluding gains or losses on the sale of depreciable real estate, the cumulative effect of changes in accounting principles, real estate-related depreciation and amortization, and after adjustments for unconsolidated/uncombined partnerships and joint ventures.

AFFO is a computation made by analysts and investors to measure a real estate company's cash flow generated by operations. We calculate AFFO by adding or subtracting from FFO the non-cash impacts of the following: non-cash impairment losses resulting from fair value adjustments on financial instruments, provision for loan losses, equity investment gains and losses, straight-line rental effects, share based compensation, amortization of various deferred items and intangible assets, gains on sales of property that are wholly owned or through a joint venture in addition to the cash impact of capital expenditures that are related to our real estate owned. In addition, we calculate AFFO by adding and subtracting from FFO the cash impacts of the following: extinguishment of debt, sales of property and capital expenditures.

Management believes that FFO and AFFO are appropriate measures of our operating performance in that they are frequently used by analysts, investors and other parties in the evaluation of REITs. Management uses FFO and AFFO as measures of our operating performance, and believes they are also useful to investors, because they facilitate an understanding of our operating performance after adjustment for certain non-cash items, such as real estate depreciation, share-based compensation and various other items required by GAAP, and capital expenditures, that may not necessarily be indicative of current operating performance and that may not accurately compare our operating performance between periods.

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

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

	Three Months Ended December 31,		Years Ended December 31,	
	2013	2012	2013	2012
Net (loss) income allocable to common shares - GAAP	$(948)	$14,141	$39,232	$63,199
Adjustments:				
Real estate depreciation and amortization	381	661	2,122	2,686
Gains on sale of property (1)	(333)	(224)	(14,588)	(1,664)
FFO	(900)	14,578	26,766	64,221
Adjustments:				
Non-cash items:				
Adjust for impact of imputed interest on VIE accounting	899	(3,049)	899	(3,049)
(Benefit) provision for loan losses	(1,186)	7,900	(3,325)	12,408
Amortization of deferred costs (non real estate) and intangible assets	1,151	3,140	6,060	8,896
Equity investment (earnings) losses	(195)	956	183	3,256
Share-based compensation	2,605	1,224	10,472	4,636
Impairment losses	52	—	863	180
Unrealized loss on CMBS marks - linked transactions	195	—	6,018	—
Straight line rental adjustments	(6)	1	(12)	15
Add-back interest related to Whitney note discount amortization	—	—	2,549	—
Loss on liquidation and deconsolidation of Apidos VIII	16,036	—	16,036	—
Gain on the extinguishment of debt	—	(11,235)	—	(13,070)
Incentive Management Fee adjustment related to extinguishment of debt	—	2,614	—	2,614
REIT tax planning adjustments	(2,189)	6,810	890	6,810
Cash items:				
Gains on sale of property (1)	333	224	14,588	1,664
Gain on the extinguishment of debt	561	7	7,810	670
Capital expenditures	(140)	(826)	(1,149)	(3,081)
AFFO	$17,216	$22,344	$88,648	$86,170
Weighted average shares – diluted	124,436	100,959	120,039	89,284
AFFO per share – diluted	$0.14	$0.22	$0.74	$0.97

(1) Amount represents gains/losses on sales of joint venture real estate interests that were recorded by us on an equity basis. Amounts for the year ended December 31, 2013 also includes a net gain on sale of property of $16.6 million after deducting incentive management fees paid to the manager of $1.9 million.

Liquidity and Capital Resources

For the year ended December 31, 2013, our principal sources of liquidity were proceeds from the sale of common stock through our common stock offering in April, our DRIP and proceeds from our ATM program with respect to our 8.25% Series B Preferred Stock as well as funds available in existing CDO financings of $35.1 million and cash flow from operations. For the year ended December 31, 2013, we received $114.5 million of net proceeds from our common stock offering, $19.2 million of DRIP proceeds, and $56.8 million of preferred stock sales proceeds, remaining proceeds of which are included in our $262.4 million of unrestricted cash at December 31, 2013. In addition, we had capital available through a CMBS term facility to help finance the purchase of CMBS securities of $52.4 million and two CRE term facilities for the origination of commercial real estate loans of $219.3 million and $200.0 million. As of December 31, 2012, our principal sources of current liquidity were proceeds from the sale of common stock through our DRIP, proceeds from our offerings of 8.5% Series A Preferred Stock and 8.25% Series B Preferred Stock as well as funds available in existing CDO financings of $78.5 million and cash flow from operations. For the year ended December 31, 2012, we received $73.0 million of DRIP proceeds and $43.1 million of preferred stock sales proceeds, the remainder of which are included in our $85.3 million of unrestricted cash at December 31, 2012. In addition, we had capital available through two CRE term facilities to help finance the purchase of CMBS securities and the origination of commercial real estate loans of $45.3 million and $90.9 million, respectively.

In October 2013, we closed and issued $115.0 million aggregate principal amount of our 6.0% Convertible Senior Notes due 2018. We received net proceeds of approximately $111.1 million after payment of underwriting discounts and commissions and other offering expenses, all of which is included in our $262.4 million of unrestricted cash.

Our on-going liquidity needs consist principally of funds to make investments, make debt repurchases, make distributions to our stockholders and pay our operating expenses, including our management fees. Our ability to meet our on-going liquidity needs will be subject to our ability to generate cash from operations and, with respect to our investments, our ability to maintain and/or obtain additional debt financing and equity capital together with the funds referred to above. Historically, we have financed a substantial portion of our portfolio investments through CDOs that essentially match the maturity and repricing dates of these financing vehicles with the maturities and repricing dates of our investments. We derive substantial operating cash from our equity investments in our CDOs which, if the CDOs fail to meet certain tests, will cease. Through December 31, 2013, we have not experienced difficulty in maintaining our existing CDO financing and have passed all of the critical tests required by these financings. However, we cannot assure you that we will continue to meet all such critical tests in the future. If we are unable to renew, replace or expand our sources of existing financing on substantially similar terms, we may be unable to implement our investment strategies successfully and may be required to liquidate portfolio investments. If required, a sale of portfolio investments could be at prices lower than the carrying value of such assets, which would result in losses and reduced income.

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

Name	Cash Distributions		Annualized Interest Coverage Cushion	Overcollateralization Cushion	
	Year Ended December 31, 2013 (1) (actual)	Year Ended December 31, 2012 (1) (actual)	As of December 31, 2013 (2) (3)	As of December 31, 2013 (4)	As of Initial Measurement Date
Apidos CDO I (5)	$4,615	$7,971	$1,583	$13,252	$17,136
Apidos CDO III (6)	$6,495	$8,742	$2,385	$9,700	$11,269
Apidos Cinco CDO (7)	$12,058	$11,109	$5,451	$19,639	$17,774
Apidos CLO VIII (8)	$20,021	$2,992	$—	$—	$—
Whitney CLO I (9)	$13,470	$802	$—	$—	$—

RREF 2006-1 (10)	$36,828	$15,050	$5,675	$67,512	$24,941
RREF 2007-1 (11)	$10,880	$13,226	$7,418	$43,803	$26,032

(1) Distributions on retained equity interests in CDOs (comprised of note investments and preference share ownership) and principal paydowns on notes owned; RREF CDO 2006-1 includes $28.1 million and $2.3 million of paydowns as of December 31, 2013 and 2012, respectively.
(2) Interest coverage includes annualized amounts based on the most recent trustee statements.
(3) Interest coverage cushion represents the amount by which annualized interest income expected exceeds the annualized amount payable on all classes of CDO notes senior to our preference shares.
(4) Overcollateralization cushion represents the amount by which the collateral held by the CDO issuer exceeds the maximum amount required.

(5) Apidos CDO I's reinvestment period expired in July 2011.
(6) Apidos CDO III's reinvestment period expired in June 2012.
(7) Apidos Cinco CDO's reinvestment period ends in May 2014.
(8) Distributions from Apidos CLO VIII, include $1.3 million and $752,000 in collateral management fees for the years ended December 31, 2013 and 2012, respectively, RSO's contribution of $15.0 million represents 43% of the subordinated debt. Apidos CLO VIII’s non-call period ended on October 17, 2013, at which time all assets were liquidated and all outstanding notes were paid off.
(9) Whitney CLO I was acquired in October 2012. Distributions from Whitney CLO I include $442,000 and $236,000 of collateral management fees for the years ended December 31, 2013 and 2012, respectively. We held 68.3% of the outstanding preference shares before Whitney CLO I was called and substantially liquidated in September 2013.
(10) RREF CDO 2006-1's reinvestment period expired in September 2011.
(11) RREF CDO 2007-1's reinvestment period expired in June 2012.

At January 31, 2014, after paying our fourth quarter 2013 common and preferred stock dividends, our liquidity is derived from three primary sources:

- unrestricted cash and cash equivalents of $199.2 million, restricted cash of $500,000 in margin call accounts and $998,000 in the form of real estate escrows, reserves and deposits;
- capital available for reinvestment in its eight securitizations of $40.5 million, of which $6.4 million is designated to finance future funding commitments on CRE loans; and
- loan principal repayments that will pay down outstanding CLO notes of $18.9 million and $5.0 million in interest collections.

In addition, we have funds available through three term financing facilities to finance the origination of CRE loans of $207.6 million and $200.0 million, respectively, and to finance the purchase of CMBS of $43.3 million.

Our leverage ratio may vary as a result of the various funding strategies we use. As of December 31, 2013 and 2012, our leverage ratio was 1.7 times and 2.9 times, respectively. The decrease in leverage ratio was primarily due to the repayment of our CDO notes and equity offering proceeds received through our DRIP and preferred stock issuances which were partially offset by borrowings under our Wells Fargo CMBS and Deutsche Bank CRE repurchase facilities.

Distributions

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

The following tables presents dividends declared (on a per share basis) for the years ended December 31, 2013:

Common Stock

	Date Paid	Total Dividend Paid (in thousands)	Dividend Per Share
December 31, 2013			
March 31	April 26	$21,634	$0.20
June 30	July 26	$25,399	$0.20
September 30	October 28	$25,447	$0.20
December 31	January 28	$25,536	$0.20
December 31, 2012			
March 31	April 27	$16,921	$0.20
June 30	July 26	$17,253	$0.20
September 30	October 26	$19,897	$0.20
December 31	January 28	$21,024	$0.20

Preferred Stock

Series A	Date Paid	Total Dividend Paid (in thousands)	Dividend Per Share	Series B	Date Paid	Total Dividend Paid (in thousands)	Dividend Per Share
2013				2013			
March 31	April 30	$359	$0.53125	March 31	April 30	$1,152	$0.515625
June 30	July 30	$359	$0.53125	June 30	July 30	$1,584	$0.515625
September 30	October 30	$362	$0.53125	September 30	October 30	$1,662	$0.515625
December 31	January 30	$362	$0.53125	December 31	January 30	$1,797	$0.515625

Contractual Obligations and Commitments

	Contractual Commitments (dollars in thousands) Payments due by Period				
	Total	Less than 1 year	1 – 3 years	3 – 5 years	More than 5 years
CDOs (1)	$813,768	$—	$—	$—	$813,768
CRE Securitization	256,571	—	—	—	256,571
Repurchase Agreements (2)	91,931	91,931	—	—	—
Unsecured junior subordinated debentures (3)	51,005	—	—	—	51,005
6.0% Convertible Senior Notes (4)	111,386	—	—	—	111,386
Joint ventures (5)	176	—	176	—	—
Unfunded commitments on CRE loans (6)	13,656	—	13,656	—	—
Base management fees (7)	11,967	11,967	—	—	—
Total	$1,350,460	$103,898	$13,832	$—	$1,232,730

(1) Contractual commitments does not include $1.2 million, $3.8 million, $2.0 million, $6.8 million, and $10.9 million of interest expense payable through the stated maturity dates of July 2014, May 2015, May 2015, August 2016, and June 2017, respectively, on Apidos CDO I, Apidos Cinco CDO, Apidos CDO III, RREF 2006-1, and RREF 2007-1. The maturity date represents the time at which the CDO assets can be sold, resulting in repayment of the CDO notes.

(2) Contractual commitments include $48,000 of interest expense payable through the maturity date of January 20, 2014 on our repurchase agreements.

(3) Contractual commitments do not include $45.6 million and $46.5 million of estimated interest expense payable through the maturity dates of June 2036 and October 2036, respectively, on our trust preferred securities.

(4) Contractual commitments do not include $35.0 million of interest expense payable through the maturity date of December 1, 2018 on our 6.0% convertible senior notes.

(5) The joint venture agreement requires us to contribute 3% to 5% (depending on the terms of the agreement pursuant to which the particular asset is being acquired) of the total funding required for each asset acquisition as needed, up to a specified amount. We expect that all remaining assets will be sold within two years.

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

(7)

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

At December 31, 2013, we had 12 interest rate swap contracts with a notional value of $129.5 million. These contracts are fixed-for-floating interest rate swap agreements under which we contracted to pay a fixed rate of interest for the term of the hedge and will receive a floating rate of interest. As of December 31, 2013, the average fixed pay rate of our interest rate hedges was 5.03% and our receive rate was one-month LIBOR, or 0.16%.

Off-Balance Sheet Arrangements

General

As of December 31, 2013, we did not maintain any relationships with unconsolidated entities or financial partnerships that were established for the purpose of facilitating off-balance sheet arrangements or contractually narrow or limited purposes, although we do have interests in unconsolidated entities not established for those purposes. Except as set forth below, as of December 31, 2013, we had not guaranteed obligations of any such unconsolidated entities or entered into any commitment or letter of intent to provide additional funding to any such entities.

Unfunded Loan Commitments

In the ordinary course of business, we make commitments to borrowers whose loans are in our commercial real estate loan portfolio to provide additional loan funding in the future. These commitments generally fall into two categories: (1) pre-approved capital improvement projects; and (2) new or additional construction costs. Disbursement of funds pursuant to these commitments is subject to the borrower meeting pre-specified criteria. Upon disbursement of funds, we receive loan interest income on any such advanced funds. As of December 31, 2013, we had 19 loans with unfunded commitments totaling $13.7 million, of which $7.1 million will be funded by restricted cash in RCC CRE Notes 2013 and $430,000 will be funded by restricted cash in RREF CDO 2007-1; we intend to fund the remaining $6.2 million through cash flow from normal operating activities and principal repayments on other loans in our portfolio. These commitments are subject to the same underwriting requirements and ongoing portfolio maintenance as are the on-balance sheet financial instruments that we hold. Since these commitments may expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements.

Guarantees and Indemnifications

In the ordinary course of business, we may provide guarantees and indemnifications that contingently obligate us to make payments to the guaranteed or indemnified party based on changes in the value of an asset, liability or equity security of the guaranteed or indemnified party. As such, we may be obligated to make payments to a guaranteed party based on another entity's failure to perform or achieve specified performance criteria, or we may have an indirect guarantee of the indebtedness of others. On November 16, 2011, as set forth in " -Financial Condition", as part of the LCC transaction, we and Resource America become jointly and severally liable to contribute cash to LCC, to the extent that the value of the equity on the balance sheet of LRF 3 is less than $18.7 million (the value of LRF 3's equity when it was contributed to LCC by RCC) as of a specified final testing date within 90 days following December 31, 2013. The LRF 3 equity as of December 31, 2013 was in excess of this commitment.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared by management in accordance with GAAP. The preparation of financial statements in conformity with GAAP requires that we make estimates and assumptions that may affect the value of our assets or liabilities and our financial results. We believe that certain of our policies are critical because they require us to make difficult, subjective and complex judgments about matters that are inherently uncertain. The critical policies summarized below relate to valuation of investment securities, accounting for derivative financial instruments and hedging activities, income taxes, allowance for loan and lease losses and variable interest entities. We have reviewed these accounting policies with our board of directors and believe that all of the decisions and assessments upon which our financial statements are based were reasonable at the time made based upon information available to us at the time. We rely on the Manager's experience and analysis of historical and current market data in order to arrive at what we believe to be reasonable estimates.

Valuation of Investment Securities

We classify our investment portfolio as either available-for-sale investments or trading investments. For a discussion of the basis of fair value analysis, and of the determination of whether an asset's valuation should be characterized as Level 1, Level 2 or Level 3, see Note 21, "Fair Value of Financial Instruments" in the notes to consolidated financial statements.

We report securities available-for-sale at fair value, with unrealized gains and losses reported as a component of accumulated other comprehensive income (loss) in stockholders' equity. We also report investment securities, trading at fair value with unrealized gains and losses reported on the statement of income as net realized and unrealized gain on investment securities, trading. As of December 31, 2013 and 2012, we had aggregate unrealized losses on our available-for-sale securities of $3.1 million and $11.5 million, respectively, which, if not recovered, may result in the recognition of future losses. To determine fair value, we use an independent third-part valuation firm. These valuations are validated using a quote from a dealer, which typically will be the dealer who sold us the security. If there is a material difference between the value indicated by the third-party valuation firm and the dealer quote, we will evaluate the difference which could result in an updated valuation from the third-party firm or a revised dealer quote. Based on the market color available for each position, we categorize these investments as either 2, or 3 in the fair value hierarchy.

We are required to determine when an investment is considered impaired (i.e., decline in fair value below its amortized cost), evaluate whether the impairment is other than temporary (i.e., the investment value will not be recovered over its remaining life), and, if the impairment is other than temporary, recognize an impairment loss equal to the difference between the investment's cost and its fair value.

We record investment securities transactions on the trade date. We record purchases of newly issued securities when all significant uncertainties regarding the characteristics of the securities are removed, generally shortly before settlement date. We determine realized gains and losses on investment securities on the specific identification method.

Accounting for Derivative Financial Instruments and Hedging Activities

Our policies permit us to enter into derivative contracts, including interest rate swaps and interest rate caps, as a means of mitigating our interest rate risk on forecasted interest expense associated with the benchmark rate on forecasted rollover/reissuance of repurchase agreements or the interest rate repricing of repurchase agreements, or other similar hedged items, for a specified future time period.

As of December 31, 2013, we had engaged in 12 interest rate swaps with a notional value of $129.5 million and a fair value of $(10.6) million to seek to mitigate our interest rate risk for specified future time periods as defined in the terms of the hedge contracts. As of December 31, 2012, we had engaged in 16 interest rate swaps with a notional value of $135.2 million and a fair value of $(14.7) million to seek to mitigate our interest rate risk for specified future time periods as defined in the terms of the hedge contracts. The contracts we have entered into have been designated as cash flow hedges and are evaluated at inception and on an ongoing basis in order to determine whether they qualify for hedge accounting. The hedge instrument must be highly effective in achieving offsetting changes in the hedged item attributable to the risk being hedged in order to qualify for hedge accounting. A hedge instrument is highly effective if changes in the fair value of the derivative provide an offset to at least 80% and not more than 125% of the changes in fair value or cash flows of the hedged item attributable to the risk being hedged. The interest rate swap contracts are carried on our consolidated balance sheets at fair value. Any ineffectiveness which arises during the hedging relationship must be recognized in interest expense or income during the period in which it arises. Before the end of the specified hedge time period, the effective portion of all contract gain and losses (whether realized or unrealized) is recorded in other comprehensive income or loss. Realized gains and losses on the interest rate hedges are reclassified into earnings as an adjustment to interest expense during the period after the swap repricing date through the remaining maturity of the swap. For taxable income purposes, realized gains and losses on interest rate cap and swap contracts are reclassified into earnings over the term of the hedged transactions as designated for tax.

We are not required to account for derivative contracts using hedge accounting as described above. If we decided not to designate the derivative contracts as hedges and to monitor their effectiveness as hedges, or if we entered into other types of financial instruments that did not meet the criteria to be designated as hedges, changes in the fair values of these instruments would be recorded in our statement of income, potentially resulting in increased volatility in our earnings. We had no interest rate cap agreements at December 31, 2013 and 2012.

We may also enter into forward contracts for the sale of mortgage-backed securities for the purpose of hedging our closed residential mortgage loans held for sale and our pipeline of residential mortgage loans expected to close. As residential mortgage loans are closed, they are typically sold at prices specified in the forward contracts. Gains or losses may arise if the yields of the loans delivered vary from those specified in the forward contracts. Derivative mortgage loan commitments, or interest rate locks, may also be utilized and relate to the origination of a mortgage that will be held for sale upon funding.

Income Taxes

The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and the future tax consequences of events that have been recognized in our consolidated financial statements or tax returns.

The tax rates we use to determine deferred tax assets or liabilities are the enacted tax rates in effect for the year in which we expect the differences to reverse. We recognize effects of tax rate changes on deferred tax liabilities and deferred tax assets, as well as other changes in income tax laws in net earnings in the period during which such changes are enacted. The future realization of deferred tax assets depends upon the generation of future taxable income during the periods in which those temporary differences become deductible. We continually evaluate our ability to realize the tax benefits associated with deferred tax assets by analyzing forecasted taxable income using both historical and projected future operating results, the reversal of existing temporary differences, taxable income in prior carryback years (if permitted) and the availability of tax planning strategies. We must establish a valuation allowance unless we determine that it is more likely than not that we will ultimately realize the tax benefit associated with a deferred tax asset.

We account for taxes assessed by a governmental authority that is directly imposed on a revenue-producing transaction (e.g., sales, use, value added) on a net (excluded from revenue) basis.

Allowance for Loan Losses
We maintain an allowance for loan losses. Loans held for investment are first individually evaluated for impairment, and then evaluated as a homogeneous pool as loans with substantially similar characteristics for impairment. We perform the reviews at least quarterly.
We consider an individual loan to be impaired when, based on current information and events, management believes it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement. When a loan is impaired, we increase the allowance for loan losses by the amount of the excess of the amortized cost basis of the loan over its fair value. Fair value may be determined based on the present value of estimated cash flows; on market price, if available; or the fair value of the collateral less estimated disposition costs. When we consider a loan, or a portion thereof, uncollectible and pursuit of the collection is not warranted, we will record a charge-off or write-down of the loan against the allowance for credit losses.
Variable Interest Entities
We consolidate entities that are variable interest entities, or VIEs where we have determined that we are the primary beneficiary of such entities. Once it is determined that we hold a variable interest in a VIE, management performs a qualitative analysis to determine (i) if we have the power to direct the matters that most significantly impact the VIE's financial performance; and (ii) if we have the obligation to absorb the losses of the VIE that could potentially be significant to the VIE or the right to receive the benefits of the VIE that could potentially be significant to the VIE. If our variable interest possesses both of these characteristics, we are deemed to be the primary beneficiary and would be required to consolidate the VIE. This assessment must be done on an ongoing basis. As of December 31, 2013, we determined that RCC CRE Notes 2013, RREF CDO 2007-1, RREF CDO 2006-1, Apidos CDO I, Apidos CDO III and Apidos Cinco CDO and Apidos CLO VIII and Whitney CLO I are VIEs and that we are the primary beneficiary.
Recent Accounting Pronouncements
In January 2014, the FASB issued guidance that clarifies when a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan. Furthermore, the guidance requires interim and annual disclosure of the amount of foreclosed residential real estate property held by the creditor and the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction. This guidance is effective or annual periods, and interim periods within those annual periods, beginning after December 15, 2014. We are currently evaluating the effect of adoption, but do not expect adoption will have a material impact on our consolidated financial statements.
In July 2013, the FASB issued guidance which permits the Federal Funds Effective Swap Rate (OIS) to be used as a U.S. benchmark interest rate for hedge accounting purposes. This guidance is effective prospectively for qualifying new or redesignated hedging relationships entered into on or after July 17, 2013. Adoption did not have a material impact on our consolidated financial statements.
In June 2013, the FASB issued guidance which clarifies the characteristics of an investment company, provides comprehensive guidance for assessing whether an entity is an investment company and requires an investment company to measure noncontrolling ownership interests in other investment companies at fair value rather than using the equity method of accounting. The guidance also requires additional disclosure. This guidance is effective for an entity’s interim and annual reporting periods in fiscal years that begin after December 15, 2013. Earlier application is prohibited. We are currently evaluating the effect of adoption, but do not expect adoption will have a material impact on our consolidated financial statements.
In February 2013, the FASB issued guidance which amends required information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under GAAP that provide additional detail about those amounts. The amendments in this guidance were effective for reporting periods beginning after December 15, 2012. We provided

the enhanced footnote disclosure required by this guidance in our consolidated financial statements.

In January 2013, the FASB issued guidance which clarifies the scope of accounting for certain derivatives including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset or subject to an enforceable master netting arrangement or similar agreement. The amendments in this guidance were effective for interim and annual reporting periods beginning on or after January 1, 2013 and will be applied retrospectively for all comparative periods presented. We provided the enhanced footnote disclosure required by this guidance in our consolidated financial statements.

Inflation

Virtually all of our assets and liabilities are interest rate sensitive in nature. As a result, interest rates and other factors influence our performance far more than does inflation. Changes in interest rates do not necessarily correlate with inflation rates or changes in inflation rates. Our financial statements are prepared in accordance with GAAP and our distributions are determined by our board of directors based primarily on adjusted funds from operations, a non-GAAP measure; in each case, our activities and balance sheet are measured with reference to historical cost and/or fair market value without considering inflation.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this Annual Report:

1. Financial Statements - See Item 8 of Resource Capital Corp.'s Annual Report on Form 10-K filed on March 3, 2014.
2. Financial Statement Schedules - See "Schedule II - Valuation and Qualifying Accounts" and "Schedule III - Real Estate and Accumulated Depreciation" and "Schedule IV - Mortgage Loans on Real Estate" of Resource Capital Corp.'s Annual Report on Form 10-K filed on March 3, 2014.
3. Exhibits

Exhibit No.	Description
3.1(a)	Restated Certificate of Incorporation of Resource Capital Corp. (1)
3.1(b)	Articles Supplementary 8.50% Series A Cumulative Redeemable Preferred Stock. (16)
3.1(c)	Articles Supplementary 8.50% Series A Cumulative Redeemable Preferred Stock. (17)
3.1(d)	Articles Supplementary 8.25% Series B Cumulative Redeemable Preferred Stock. (18)
3.1(e)	Articles Supplementary 8.25% Series B Cumulative Redeemable Preferred Stock. (22)
3.2	Amended and Restated Bylaws of Resource Capital Corp. (1)
4.1(a)	Form of Certificate for Common Stock for Resource Capital Corp. (1)
4.1(b)	Form of Certificate for 8.50% Series A Cumulative Redeemable Preferred Stock. (27)
4.1(c)	Form of Certificate for 8.25% Series B Cumulative Redeemable Preferred Stock (18)
4.2(a)	Junior Subordinated Indenture between Resource Capital Corp. and Wells Fargo Bank, N.A., dated May 25, 2006. (2)
4.2(b)	Amendment to Junior Subordinated Indenture and Junior Subordinated Note due 2036 between Resource Capital Corp. and Wells Fargo Bank, N.A., dated October 26, 2009 and effective September 30, 2009. (6)
4.3(a)	Amended and Restated Trust Agreement among Resource Capital Corp., Wells Fargo Bank, N.A., Wells Fargo Delaware Trust Company and the Administrative Trustees named therein, dated May 25, 2006. (2)
4.3(b)	Amendment to Amended and Restated Trust Agreement and Preferred Securities Certificate among Resource Capital Corp., Wells Fargo Bank, N.A. and the Administrative Trustees named therein, dated October 26, 2009 and effective September 30, 2009. (6)
4.4	Amended Junior Subordinated Note due 2036 in the principal amount of $25,774,000, dated October 26, 2009. (6)
4.5(a)	Junior Subordinated Indenture between Resource Capital Corp. and Wells Fargo Bank, N.A., dated September 29, 2006. (3)
4.5(b)	Amendment to Junior Subordinated Indenture and Junior Subordinated Note due 2036 between Resource Capital Corp. and Wells Fargo Bank, N.A., dated October 26, 2009 and effective September 30, 2009. (6)
4.6(a)	Amended and Restated Trust Agreement among Resource Capital Corp., Wells Fargo Bank, N.A., Wells Fargo Delaware Trust Company and the Administrative Trustees named therein, dated September 29, 2006. (3)
4.6(b)	Amendment to Amended and Restated Trust Agreement and Preferred Securities Certificate among Resource Capital Corp., Wells Fargo Bank, N.A. and the Administrative Trustees named therein, dated October 26, 2009 and effective September 30, 2009. (6)
4.7	Amended Junior Subordinated Note due 2036 in the principal amount of $25,774,000, dated October 26, 2009. (6)
4.8(a)	Senior Indenture between the Company and Wells Fargo Bank, National Association, as Trustee, dated October 21, 2013. (25)
4.8(b)	First Supplemental Indenture between the Company and Wells Fargo Bank, National Association, as Trustee. (25)

4.8(c)	Form of 6.00% Convertible Senior Note due 2018 (included in Exhibit 4.8(b)). (28)
10.1(a)	Amended and Restated Management Agreement between Resource Capital Corp., Resource Capital Manager, Inc. and Resource America, Inc. dated as of June 30, 2008. (4)

10.1(b)	First Amendment to Amended and Restated Management Agreement between Resource Capital Corp., Resource Capital Manager, Inc. and Resource America, Inc. dated as of June 30, 2008. (5)
10.1(c)	Second Amendment to Amended and Restated Management Agreement between Resource Capital Corp., Resource Capital Manager, Inc. and Resource America, Inc. dated as of August 17, 2010. (8)
10.1(d)	Third Amendment to Amended and Restated Management Agreement between Resource Capital Corp., Resource Capital Manager, Inc. and Resource America, Inc. dated as of February 24, 2011. (11)
10.1(e)	Fourth Amendment to Amended and Restated Management Agreement. (12)
10.1(f)	Second Amended and Restated Management Agreement between Resource Capital Corp, Resource Capital Manager, Inc. and Resource America, Inc. dated as of June 13, 2012. (15)
10.2(a)	Master Repurchase and Securities Contract by and among RCC Commercial, Inc., RCC Real Estate Inc. and Wells Fargo Bank, National Association, dated February, 1, 2011. (10)
10.2(b)	Guarantee Agreement made by Resource Capital Corp. in favor of Wells Fargo Bank, National Association, dated February 1, 2011. (10)
10.3	2005 Stock Incentive Plan. (1)
10.4	Amended and Restated 2007 Omnibus Equity Compensation Plan. (7)
10.5	Services Agreement between Resource Capital Asset Management, LLC and Apidos Capital Management, LLC, dated February 24, 2011. (11)
10.6	Revolving Judgment Note and Security Agreement between Resource Capital Corp and RCC Real Estate and the Bancorp Bank, dated July 7, 2011. (13)
10.7	At-the-Market Issuance Sale Agreement, dated June 28, 2012 among Resource Capital Corp. Resource Capital Manager and MLV & Co. LLC. (20)
10.8(a)	Master Repurchase and Securities Contract for $150 million between RCC Real Estate SPE 4, LLC, as seller, and Wells Fargo Bank, National Association, as buyer, dated February 27, 2012. (19)
10.8(b)	Guaranty Agreement made by Resource Capital Corp., as guarantor, in favor of Wells Fargo Bank, National Association. (19)
10.8(c)	First Amendment to Master Repurchase and Securities Contract and Other Documents between RCC Real Estate SPE 4, LLC, as seller, and Wells Fargo Bank, National Association, as buyer, dated April 2, 2013. (23)
10.8	Transfer and Contribution Agreement by and among LEAF Financial Corporate, Resource TRS, Inc., Resource Capital Corp. and LEAF Commercial Capital, Inc. dated January 4, 2011. (9)
10.9	At-the-Market Issuance Sale Agreement, dated November 19, 2012 among Resource Capital Corp. Resource Capital Manager and MLV & Co. LLC. (21)
10.10	At the Market Issuance Sales Agreement, dated as of March 3, 2013, among Resource Capital Corp., Resource Capital Manager, Inc. and MLV & Co. LLC. (22)
10.11(a)	Master Purchase Agreement by and between RCC Real Estate SPE 5, LLC, as, master seller, and Deutsche Bank AG, Cayman Islands Branch, as buyer, dated as of July 19, 2013. (24)
10.11(b)	Guaranty made by the Company for the benefit of Deutsche Bank AG, Cayman Islands Branch, dated July 19, 2013. (24)
10.12	8.50% Series A Cumulative Redeemable Preferred Stock At-the-Market Issuance Sales Agreement, dated December 17, 2013 among the Company, Resource Capital Manager Inc. and MLV & Co., LLC. (26)
10.13	8.25% Series B Cumulative Redeemable Preferred Stock At-the-Market Issuance Sales Agreement, dated December 17, 2013 among the Company, Resource Capital Manager Inc. and MLV & Co., LLC. (26)
12.1	Statements re Computation of Ratios.
21.1	List of Subsidiaries of Resource Capital Corp. (28)
23.1	Consent of Grant Thornton LLP (28)
31.1	Rule 13a-14(a)/Rule 15d-14(a) Certification of Chief Executive Officer.

31.2	Rule 13a-14(a)/Rule 15d-14(a) Certification of Chief Financial Officer.
32.1	Certification Pursuant to 18 U.S.C. Section 1350.
32.2	Certification Pursuant to 18 U.S.C. Section 1350.
99.1	Master Repurchase and Securities Contract for $150,000,000 between RCC Real Estate SPE 4, LLC, as Seller, and Wells Fargo Bank, National Association, as Buyer, Dated February 27, 2012. (14)
99.2	Guaranty made by Resource Capital Corp. as guarantor, in favor of Wells Fargo Bank, National Association, dated February 27, 2012 (14)
99.3	Federal Income Tax Consequences of our Qualification as a REIT (28)

101 Interactive Data Files [28]

(1) Filed previously as an exhibit to the Company’s registration statement on Form S-11, Registration No. 333-126517.
(2) Filed previously as an exhibit to the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2006.
(3) Filed previously as an exhibit to the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2006.
(4) Filed previously as an exhibit to the Company’s Current Report on Form 8-K filed on July 3, 2008.
(5) Filed previously as an exhibit to the Company’s Current Report on Form 8-K filed on October 20, 2009.
(6) Filed previously as an exhibit to the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2009.
(7) Filed previously as an exhibit to the Company’s Annual Report on Form 10-K for the year ended December 31, 2008.
(8) Filed previously as an exhibit to the Company’s Current Report on Form 8-K filed on August 19, 2010.
(9) Filed previously as an exhibit to the Company’s Current Report on Form 8-K filed on January 6, 2011.
(10) Filed previously as an exhibit to the Company’s Annual Report on Form 10-K for the year ended December 31, 2010.
(11) Filed previously as an exhibit to the Company’s Current Report on Form 8-K filed on March 2, 2011.
(12) Filed previously as an exhibit to the Company’s Current Report on Form 8-K filed on March 20, 2012.
(13) Filed previously as an exhibit to the Company’s Current Report on Form 8-K filed on July 7, 2011.
(14) Filed previously as an exhibit to the Company’s Current Report on Form 8-K filed on March 2, 2012.
(15) Filed previously as an exhibit to the Company’s Current Report on Form 8-K filed on June 13, 2012.
(16) Filed previously as an exhibit to the Company’s registration statement on Form 8-A filed on June 8, 2012.
(17) Filed previously as an exhibit to the Company’s Current Report on Form 8-K filed on June 29, 2012.
(18) Filed previously as an exhibit to the Company's Current Report on Form 8-K filed on September 28, 2012.
(19) Filed previously as an exhibit to the Company's Current Report on Form 8-K filed on March 2, 2012.
(20) Filed previously as an exhibit to the Company's Current Report on Form 8-K filed on June 29, 2012.
(21) Filed previously as an exhibit to the Company's Current Report on Form 8-K filed on October 1, 2012.
(22) Filed previously as an exhibit to the Company Current Report on Form 8-K filed on March 19, 2013.
(23) Filed previously as an exhibit to the Company's Current Report on Form 8-K filed on April 8, 2013.
(24) Filed previously as an exhibit to the Company's Current Report on Form 8-K filed on July 25, 2013.
(25) Filed previously as an exhibit to the Company's Current Report on Form 8-K filed on October 21, 2013.
(26) Filed previously as an exhibit to the Company's Current Report on Form 8-K filed on December 17, 2013.
(27) Filed previously as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2012 filed on March 18, 2013.
(28) Filed previously as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2013 filed on March 3, 2014.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

		RESOURCE CAPITAL CORP. (Registrant)
March 21, 2014	By:	/s/ Jonathan Z. Cohen
		Jonathan Z. Cohen
		Chief Executive Officer and President