ANNUAL REPORT 2016

Board of Directors

Alan Fishman
Non-Executive Chairman, Retired

Brian Harris
Chief Executive Officer

Mark Alexander
Director
Senior Advisor in the Financial Services Industry

Douglas Durst
Director
Chairman, Durst Organization

Richard O'Toole
Director
General Counsel, The Related Companies

Howard Park
Director
Managing Director, GI Partners

Executive Officers

Brian Harris
Chief Executive Officer

Michael Mazzei
President

Pamela McCormack
Chief Operating Officer

Marc Fox
Chief Financial Officer

Thomas Harney
Head of Merchant Banking & Capital Markets

Robert Perelman
Head of Asset Management

Kelly Porcella
General Counsel

Corporate Information

Corporate Headquarters
345 Park Avenue, 8th Floor
New York, NY 10154

Independent Auditor
PricewaterhouseCoopers LLP

Legal Counsel
Skadden, Arps, Slate, Meagher & Flom LLP

Investor Relations
investor.relations@laddercapital.com
(917) 369-3207

Stock Listing

Symbol: LADR
New York Stock Exchange

Transfer Agent and Registrar

American Stock Transfer & Trust Company, LLC
Shareholder Services Department
6201 15th Avenue
Brooklyn, NY 11219
(800) 937-5449
www.amstock.com

Annual Report on Form 10-K

Ladder Capital Corp's Annual Report on Form 10-K for the year ended December 31, 2016 is included in this annual report. The exhibits accompanying the report are filed with the Securities and Exchange Commission and can be accessed via the Securities and Exchange Commission's website, www.sec.gov, or through Ladder Capital Corp's website in the "Investor Relations" section at www.laddercapital.com. We will provide these items to stockholders upon request. The information contained on our website is not incorporated by reference into this Annual Report.

Certifications

Ladder Capital Corp has filed with the Securities and Exchange Commission as exhibits to its Form 10-K for the fiscal year ended December 31, 2016 the certifications required pursuant to Section 302 of the Sarbanes-Oxley Act of its Chief Executive Officer and Chief Financial Officer relating to the quality of our public disclosure.

Forward Looking Statements

In accordance with the Private Securities Litigation Reform Act of 1995, Ladder Capital Corp notes that this annual report contains forward-looking statements that involve risks and uncertainties, including those related to Ladder Capital Corp's future success and growth. Actual results may differ materially due to risks and uncertainties as described in Ladder Capital Corp's fillings with the Securities and Exchange Commission. Ladder Capital does not intend to update these forward-looking statements.

Annual Meeting of Stockholders

Stockholders of Ladder Capital Corp are cordially invited to attend the 2017 Annual Meeting of Stockholders on June 6, 2017 via live webcast at www.virtualshareholdermeeting.com/LADR2017

Dear Fellow Stockholders,

Ladder Capital extended its track record as a leading commercial real estate finance company in 2016.

For the year ended December 31, 2016, Ladder earned $158.2 million of core earnings, or $1.48 of core EPS, generating a return on average equity of 10.7%. Our strong financial results were attributable to disciplined investment activity across all of our complementary commercial real estate business lines – loans, securities, and real estate equity. We originated $2.1 billion of commercial mortgage loans, invested in $1.0 billion of securities, and acquired $62.5 million of net leased and other real estate equity during the year.

As of December 31, 2016, we had total assets of $5.6 billion. Our assets at year-end were comprised of $2.4 billion of commercial real estate loans, $2.1 billion of commercial real estate-related securities, $822.3 million of real estate equity, $64.0 million of cash and $237.1 million of other assets. Book value per share at December 31, 2016 was $13.57 per share on a GAAP basis and $14.76 per share on an undepreciated basis.

Ladder increased its regular quarterly cash dividend by 9.1% in the fourth quarter of 2016 to $0.30 cash per quarter, or $1.20 on an annualized basis.

Looking forward into 2017, Ladder continues to be well-positioned to offer our customers a wide range of financing solutions and to flexibly allocate capital to capture value for our investors.

On behalf of everyone at Ladder, I would like to thank you for investing alongside us. We look forward to you sharing in our continued success.

Sincerely,

Brian Harris
Chief Executive Officer
Ladder Capital Corp

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

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2016

Or

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

For the transition period from to

Commission file number:
001-36299

Ladder Capital Corp

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**80-0925494** (IRS Employer Identification No.)
345 Park Avenue, New York (Address of principal executive offices)	**10154** (Zip Code)

(212) 715-3170
(Registrant's telephone number, including area code)

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

Class A common stock, $0.001 par value (Title of Each Class)	**New York Stock Exchange** (Name of Each Exchange on Which Registered)

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☐ No ☒

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 ☒

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) 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. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one):

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

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

The aggregate market value of the Class A common stock held by non-affiliates of the registrant was $469,299,779 as of June 30, 2016, based on the closing price of the registrant's Class A common stock reported on the New York Stock Exchange on such date of $12.20 per share. The registrant has no non-voting common stock.

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

Class	Outstanding at February 23, 2017
Class A Common Stock, $0.001 par value	72,291,533
Class B Common Stock, $0.001 par value	38,434,658

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement for the Company's 2017 Annual Meeting of Shareholder have been incorporated by reference into Part III of this Report.

LADDER CAPITAL CORP

FORM 10-K
December 31, 2016

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

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

REFERENCES TO LADDER CAPITAL CORP

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

Part I

Item 1. Business

Overview

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

Our businesses, including conduit lending, balance sheet lending, securities investments, and real estate investments, provide for a stable base of net interest and rental income. We have originated $17.2 billion of commercial real estate loans from our inception through December 31, 2016. During this timeframe, we also acquired $9.6 billion of investment grade-rated securities secured by first mortgage loans on commercial real estate and $1.3 billion of selected net leased and other real estate assets.

As part of our commercial mortgage lending operations, we originate conduit loans, which are first mortgage loans on stabilized, income producing commercial real estate properties that we intend to make available for sale in commercial mortgage-backed securities ("CMBS") securitizations. From our inception in October 2008 through December 31, 2016, we originated $12.7 billion of conduit loans, $12.6 billion of which were sold into 43 CMBS securitizations, making us, by volume, the second largest non-bank contributor of loans to CMBS securitizations in the United States in such period. Our sales of loans into securitizations are generally accounted for as true sales, not financings, and we generally retain no ongoing interest in loans which we securitize. The securitization of conduit loans enables us to reinvest our equity capital into new loan originations or allocate it to other investments.

As of December 31, 2016, we had $5.6 billion in total assets and $1.5 billion of total equity. As of that date, our assets included $2.4 billion of loans, $2.1 billion of securities, and $822.3 million of real estate.

We have a diversified and flexible financing strategy supporting our business operations, including significant committed term financing from leading financial institutions. As of December 31, 2016, we had $3.9 billion of debt financing outstanding. This financing comprised $1.7 billion of financing from the Federal Home Loan Bank (the "FHLB"), $795.5 million committed secured term repurchase agreement financing, $311.7 million of other securities financing, $590.1 million of third-party, non-recourse mortgage debt, $297.7 million in aggregate principal amount of 7.375% senior notes due October 1, 2017 (the "2017 Notes") and $266.2 million in aggregate principal amount of 5.875% senior notes due 2021 (the "2021 Notes," collectively with the 2017 Notes, the "Notes"). There were $25.0 million of borrowings outstanding under our Revolving Credit Facility. In addition, as of December 31, 2016, we had $1.7 billion of committed, undrawn funding capacity available, consisting of $118.0 million of availability under our $143.0 million Revolving Credit Facility, $338.9 million of undrawn committed FHLB financing and $1.3 billion of other undrawn committed financings. As of December 31, 2016, our debt-to-equity ratio was 2.6:1.0, as we employ leverage prudently to maximize financial flexibility.

Ladder was founded in October 2008. As of December 31, 2016, we were capitalized by public investors, our management team and a group of leading global institutional investors, including affiliates of Alberta Investment Management Corp., GI Partners, Ontario Municipal Employees Retirement System and TowerBrook Capital Partners. We employ 69 full-time industry professionals.

We are led by a disciplined and highly aligned management team. As of December 31, 2016, our management team and directors held interests in our Company comprising 11.9% of our total equity. On average, our management team members have 28 years of experience in the industry. Our management team includes Brian Harris, Chief Executive Officer; Michael Mazzei, President; Pamela McCormack, Chief Operating Officer; Marc Fox, Chief Financial Officer; Thomas Harney, Head of Merchant Banking & Capital Markets; and Robert Perelman, Head of Asset Management. Additional officers of Ladder include Kelly Porcella, General Counsel and Secretary, and Kevin Moclair, Chief Accounting Officer.

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

Recent Developments

Senior Unsecured Notes

During the period from January 1, 2017 through February 24, 2017, the Company retired $6.1 million of principal of the 2017 Notes for a repurchase price of $6.2 million recognizing a $55,155 net loss on extinguishment of debt after recognizing $24,455 of unamortized debt issuance costs associated with the retired debt. The remaining $291.5 million in aggregate principal amount of the 2017 Notes is due October 2, 2017.

Our Businesses

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

	December 31, 2016		December 31, 2015	
Loans				
Conduit first mortgage loans	$ 357,882	6.4 %	$ 571,764	9.7 %
Balance sheet first mortgage loans	1,828,961	32.8 %	1,453,120	24.6 %
Other commercial real estate-related loans	167,134	3.0 %	285,525	4.8 %
Total loans	2,353,977	42.2 %	2,310,409	39.1 %
Securities				
CMBS investments	2,043,566	36.6 %	2,335,930	39.7 %
U.S. Agency Securities investments	57,381	1.1 %	71,287	1.2 %
Total securities	2,100,947	37.7 %	2,407,217	40.9 %
Real Estate				
Real estate and related lease intangibles, net	822,338	14.7 %	834,779	14.2 %
Total real estate	822,338	14.7 %	834,779	14.2 %
Other Investments				
Investments in unconsolidated joint ventures	34,025	0.6 %	33,797	0.6 %
FHLB stock	77,915	1.4 %	77,915	1.3 %
Total other investments	111,940	2.0 %	111,712	1.9 %
Total investments	5,389,202	96.6 %	5,664,117	96.1 %
Cash, cash equivalents and cash collateral held by broker	64,017	1.1 %	139,770	2.4 %
Other assets	125,118	2.3 %	91,325	1.5 %
Total assets	**$ 5,578,337**	**100.0%**	**$ 5,895,212**	**100.0%**

We invest in the following types of assets:

Loans

Conduit First Mortgage Loans. We originate conduit loans, which are first mortgage loans that are secured by cash-flowing commercial real estate and are available for sale to securitizations. These first mortgage loans are typically structured with fixed interest rates and generally have five- to ten-year terms. Our loans are directly originated by an internal team that has longstanding and strong relationships with borrowers and mortgage brokers throughout the United States. We follow a rigorous investment process, which begins with an initial due diligence review; continues through a comprehensive legal and underwriting process incorporating multiple internal and external checks and balances; and culminates in approval or disapproval of each prospective investment by our Investment Committee. Conduit first mortgage loans in excess of $50.0 million also require approval of our board of directors' Risk and Underwriting Committee.

Although our primary intent is to sell our conduit first mortgage loans to CMBS trusts, we generally seek to maintain the flexibility to keep them on our balance sheet, sell participation interests or “b-notes” in our conduit first mortgage loans or sell conduit first mortgage loans as whole loans. From our inception in 2008 through December 31, 2016, we have originated and funded $12.7 billion of conduit first mortgage loans and securitized $12.6 billion of such mortgage loans in 43 separate transactions, including two securitizations in 2010, three securitizations in 2011, six securitizations in 2012, six securitizations in 2013, 10 securitizations in 2014, 10 securitizations in 2015 and six securitizations in 2016. We generally securitize our loans together with certain financial institutions, which to date have included affiliates of Deutsche Bank Securities Inc., J.P. Morgan Securities LLC, UBS Securities LLC and Wells Fargo Securities, LLC, and we have also completed three single-asset securitizations. As of December 31, 2016, we held 10 first mortgage loans that were substantially available for contribution into a securitization with an aggregate book value of $357.9 million. Based on the loan balances and the “as-is” third-party Financial Institutions Reform, Recovery and Enforcement Act of 1989 (“FIRREA”) appraised values at origination, the weighted average loan- to-value ratio of this portfolio was 62.9% at December 31, 2016. The Company holds these conduit loans in its taxable REIT subsidiary (“TRS”).

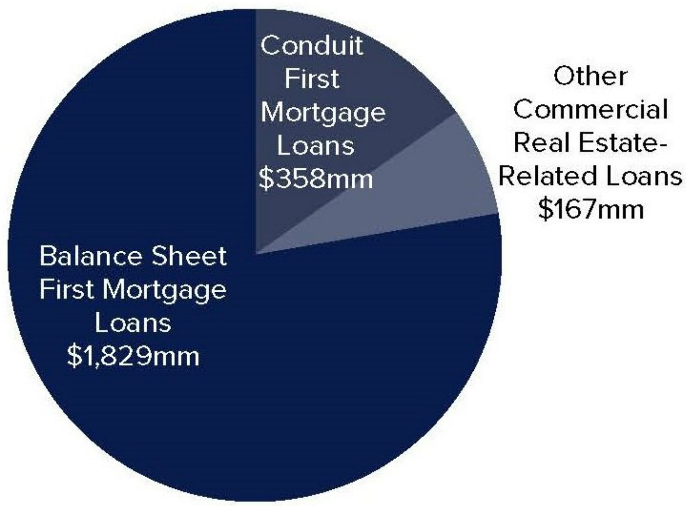
Balance Sheet First Mortgage Loans. We also originate and invest in balance sheet first mortgage loans secured by commercial real estate properties that are undergoing transition, including lease-up, sell-out, and renovation or repositioning. These mortgage loans are structured to fit the needs and business plans of the property owners, and generally have LIBOR based floating rates and terms (including extension options) ranging from one to five years. Balance sheet first mortgage loans are originated, underwritten, approved and funded using the same comprehensive legal and underwriting approach, process and personnel used to originate our conduit first mortgage loans. Balance sheet first mortgage loans in excess of $20.0 million also require the approval of our board of directors’ Risk and Underwriting Committee.

We generally seek to hold our balance sheet first mortgage loans for investment although we also maintain the flexibility to contribute such loans into a collateralized loan obligation (“CLO”) or similar structure, sell participation interests or “b-notes” in our mortgage loans or sell such mortgage loans as whole loans. These investments have been typically repaid at or prior to maturity (including by being refinanced by us into a new conduit first mortgage loan upon property stabilization). As of December 31, 2016, we held a portfolio of 84 balance sheet first mortgage loans with an aggregate book value of $1.8 billion. Based on the loan balances and the “as-is” third-party FIRREA appraised values at origination, the weighted average loan-to-value ratio of this portfolio was 64.3% at December 31, 2016.

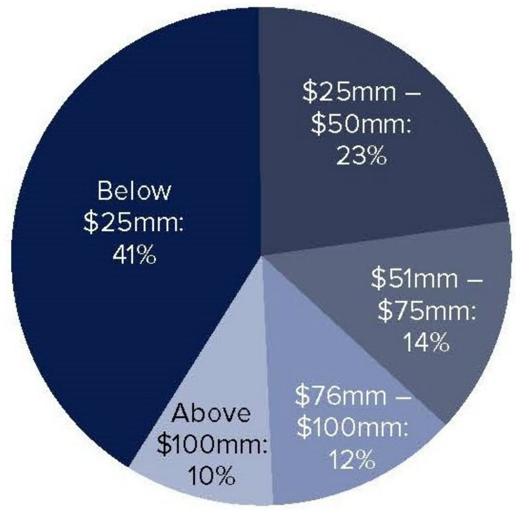
Other Commercial Real Estate-Related Loans. We selectively invest in note purchase financings, subordinated debt, mezzanine debt and other structured finance products related to commercial real estate that are generally held for investment. As of December 31, 2016, we held a portfolio of 35 other commercial real estate-related loans with an aggregate book value of $167.1 million. Based on the loan balance and the “as-is” third-party FIRREA appraised values at origination, the weighted average loan-to-value ratio of the portfolio was 74.0% at December 31, 2016.

The following charts set forth our total outstanding conduit first mortgage loans, balance sheet first mortgage loans and other commercial real estate-related loans as of December 31, 2016 and a breakdown of our loan portfolio by loan size and geographic location and asset type of the underlying real estate.

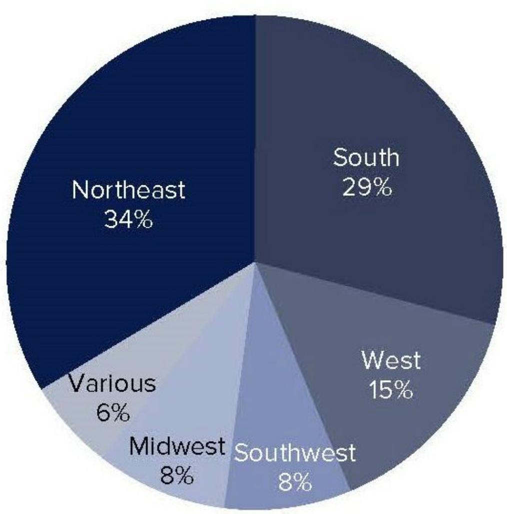
Loan Type



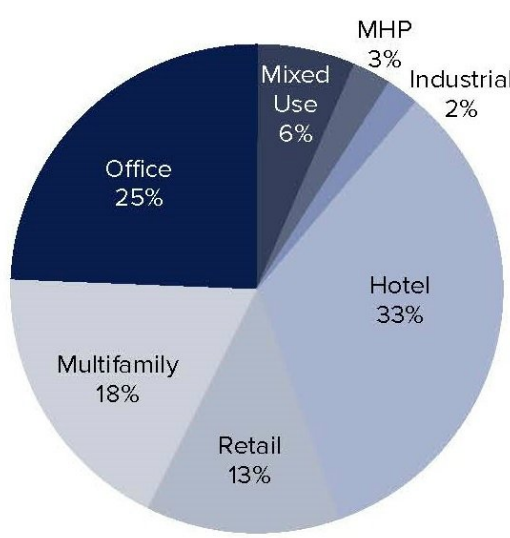
Loan Size



Geographic Location



Asset Type



Securities

CMBS Investments. We invest in CMBS secured by first mortgage loans on commercial real estate and own predominantly AAA-rated securities. These investments provide a stable and attractive base of net interest income and help us manage our liquidity. We have significant in-house expertise in the evaluation and trading of CMBS, due in part to our experience in originating and underwriting mortgage loans that comprise assets within CMBS trusts, as well as our experience in structuring CMBS transactions. AAA-rated CMBS investments in excess of $50.0 million and all other investment grade securities positions in excess of $26.0 million require the approval of our board of directors' Risk and Underwriting Committee. The Risk and Underwriting Committee also must approve the lesser of (x) $21,000,000 and (y) 10% of the total net asset value of the respective Ladder investment company for non-rated or sub-investment grade securities. As of December 31, 2016, the estimated fair value of our portfolio of CMBS investments totaled $2.0 billion in 191 CUSIPs ($10.7 million average investment per CUSIP). As of that date, 100% of our CMBS investments were rated investment grade by Standard & Poor's Ratings Group, Moody's Investors Service, Inc. or Fitch Ratings Inc., consisting of 82.7% AAA/Aaa-rated securities and 17.3% of other investment grade-rated securities, including 14.7% rated AA/Aa, 1.3% rated A/A and 1.3% rated BBB/Baa. In the future, we may invest in CMBS securities or other securities that are unrated. As of December 31, 2016, our CMBS investments had a weighted average duration of 3.5 years. The commercial real estate collateral underlying our CMBS investment portfolio is located throughout the United States. As of December 31, 2016, by property count and market value, respectively, 53.6% and 74.8% of the collateral underlying our CMBS investment portfolio was distributed throughout the top 25 metropolitan statistical areas ("MSAs") in the United States, with 3.4% and 34.4% of the collateral located in the New York-Newark-Edison MSA, and the concentrations in each of the remaining top 24 MSAs ranging from 0.2% to 10% by property count and 0.1% to 10.8% by market value.

U.S. Agency Securities Investments. Our U.S. Agency Securities portfolio consists of securities for which the principal and interest payments are guaranteed by a U.S. government agency, such as the Government National Mortgage Association ("GNMA"), or by a government-sponsored enterprise ("GSE"), such as the Federal National Mortgage Association ("Fannie Mae") or the Federal Home Loan Mortgage Corporation ("Freddie Mac"). In addition, these securities are secured by first mortgage loans on commercial real estate. As of December 31, 2016, the estimated fair value of our portfolio of U.S. Agency Securities was $57.4 million in 28 CUSIPs ($2.0 million average investment per CUSIP), with a weighted average duration of 8.5 years. The commercial real estate collateral underlying our U.S. Agency Securities portfolio is located throughout the United States. As of December 31, 2016, by market value, 68.2%, 16.3%, and 3.3% of the collateral underlying our U.S. Agency Securities, excluding the collateral underlying our Agency interest-only securities, was located in New York, California, and Georgia, respectively, with no other state having a concentration greater than 10.0%. By property count, California represented 62.9%, Georgia represented 11.4% and New York represented 2.9% of such collateral. While the specific geographic concentration of our Agency interest-only securities portfolio as of December 31, 2016 is not obtainable, risk relating to any such possible concentration is mitigated by the interest payments of these securities being guaranteed by a U.S. government agency or a GSE.

Real Estate

Commercial Real Estate Properties. As of December 31, 2016, we owned 115 single tenant net leased properties with an aggregate book value of $543.6 million. These properties are fully leased on a net basis where the tenant is generally responsible for payment of real estate taxes, property, building and general liability insurance and property and building maintenance expenses. As of December 31, 2016, our net leased properties comprised a total of 4.1 million square feet and had a 100% occupancy rate, an average age since construction of 8.4 years and a weighted average remaining lease term of 14.1 years.

In addition, as of December 31, 2016, we owned 31 other properties with an aggregate book value of $239.5 million. Through separate joint ventures, we owned a portfolio of 13 office buildings in Richmond, VA with a book value of $92.9 million, a portfolio of four office buildings in St. Paul, MN with a book value of $54.7 million, an office building in Ewing, NJ with a book value of $30.8 million, a portfolio of seven office buildings in Richmond, VA with a book value of $17.1 million, a 13-story office building in Oakland County, MI with a book value of $10.4 million, a two-story office building in Grand Rapids, MI with a book value of $9.1 million and a warehouse in Grand Rapids, MI with a book value of $5.8 million. We also own a two-story office building in Wayne, NJ with a book value of $9.1 million, a shopping center in Carmel, NY with a book value of $6.8 million and an office building in Peoria, IL with a book value of $2.9 million.

For further details regarding our portfolio of commercial real estate properties, including state of operation, see "Properties."

Residential Real Estate. We sold 73 condominium units at Veer Towers in Las Vegas, NV, during the year ended December 31, 2016, generating aggregate gains on sale of $15.1 million. As of December 31, 2016, we owned 59 residential condominium units at Veer Towers in Las Vegas, NV with a book value of $16.7 million through a joint venture, and we intend to sell these remaining units over time. As of December 31, 2016, 10 condominium units were under contract for sale with a book value of $3.5 million. As of December 31, 2016, the remaining condominium units we hold were 32.3% rented and occupied. During the year ended December 31, 2016, the Company recorded $0.8 million of rental income from the condominium units.

We sold 65 condominium units at Terrazas River Park Village in Miami, FL, during the year ended December 31, 2016, generating aggregate gains on sale of $4.3 million. As of December 31, 2016, we owned 88 residential condominium units at Terrazas River Park Village in Miami, FL with a book value of $22.4 million, and we intend to sell these remaining units over time. As of December 31, 2016, 10 condominium units were under contract for sale with a book value of $2.2 million. As of December 31, 2016, the remaining condominium units we hold were 80.9% rented and occupied. During the year ended December 31, 2016, the Company recorded $2.2 million of rental income from the condominium units.

The Company holds these residential condominium units in its TRS.

Other Investments

Institutional Bridge Loan Partnership. In 2011, we established Ladder Capital Realty Income Partnership I LP ("LCRIP I"), an institutional partnership, with a Canadian sovereign pension fund to invest in first mortgage bridge loans that meet predefined criteria. Our partner owns 90% of the limited partnership interest, and we own the remaining 10% on a pari passu basis and act as general partner. We retain discretion over which loans to present to LCRIP I, and our partner retains the discretion to accept or reject individual loans. As the general partner, we have engaged our advisory entity to manage the assets of LCRIP I and earn management fees and incentive fees from LCRIP I. In addition, we are entitled to retain origination fees of up to 1% on loans that we sell to LCRIP I and on a case-by-case basis as approved by our partner, may retain certain exit fees. During the quarter ended June 30, 2015, the last loan held by LCRIP I was repaid. The term of the partnership expired on April 15, 2016. At that time, LCRIP I made distributions to the partners in the aggregate amounts determined by the general partner in accordance with the Limited Partnership Agreement.

Unconsolidated Joint Venture. In connection with the origination of a loan in April 2012, we received a 25% equity kicker with the right to convert upon a capital event. On March 22, 2013, we refinanced the loan, and we converted our equity kicker interest into a 25% limited liability company membership interest in Grace Lake JV, LLC ("Grace Lake LLC"). As of December 31, 2016, Grace Lake LLC owned an office building campus with a carrying value of $62.4 million, which is net of accumulated depreciation of $19.1 million, that is financed by $71.4 million of long-term debt. Debt of Grace Lake LLC is nonrecourse to the limited liability company members, except for customary nonrecourse carve-outs for certain actions and environmental liability. As of December 31, 2016, the book value of our investment in Grace Lake LLC was $3.7 million.

Unconsolidated Joint Venture. On August 7, 2015, the Company entered into a joint venture, 24 Second Avenue Holdings LLC ("24 Second Avenue"), with an operating partner to invest in a ground-up condominium construction and development project located at 24 Second Avenue, New York, NY. The Company contributed $31.1 million for a 73.8% interest, with the operating partner holding the remaining 26.2% interest. The Company is entitled to income allocations and distributions based upon its membership interest of 73.8% until the Company achieves a 1.70x profit multiple, after which, ultimately, income is allocated and distributed 50% to the Company and 50% to the operating partner. As of December 31, 2016, the existing building has been demolished and we are anticipating completion in 2018. Our operating partner entered into a construction loan with Ladder in the amount of $50.5 million to fund the project. As of December 31, 2016, draws of $21.6 million have been taken against the construction loan. The Company has no remaining capital commitment to our operating partner. As of December 31, 2016, the book value of our investment in 24 Second Avenue was $30.3 million.

FHLB Stock. Tuebor Captive Insurance Company LLC ("Tuebor") is a member of the FHLB. Each member of the FHLB must purchase and hold FHLB stock as a condition of initial and continuing membership, in proportion to their borrowings from the FHLB and levels of certain assets. Members may need to purchase additional stock to comply with these capital requirements from time to time. FHLB stock is redeemable by Tuebor upon five years' prior written notice, subject to certain restrictions and limitations. Under certain conditions, the FHLB may also, at its sole discretion, repurchase FHLB stock from its members.

Our Financing Strategies

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

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

We finance our portfolio of commercial real estate loans using committed term facilities provided by multiple financial institutions, with total commitments of $1.7 billion at December 31, 2016, a $143.0 million Revolving Credit Facility and through our FHLB membership. As of December 31, 2016, there was $567.2 million outstanding under the committed term facilities. We finance our securities portfolio, including CMBS and U.S. Agency Securities, through our FHLB membership, a $400.0 million committed term master repurchase agreement from a leading domestic financial institution and uncommitted master repurchase agreements with numerous counterparties. As of December 31, 2016, we had total outstanding balances of $540.0 million under all securities master repurchase agreements. We finance our real estate investments with nonrecourse first mortgage loans. As of December 31, 2016, we had outstanding balances of $590.1 million on these nonrecourse mortgage loans.

In addition to the amounts outstanding on our other facilities, we had $1.7 billion of borrowings from the FHLB outstanding at December 31, 2016. As of December 31, 2016, we also had a $143.0 million Revolving Credit Facility, with $25.0 million borrowings outstanding, and $563.9 million of Notes issued and outstanding. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources” and Note 7, Debt Obligations, Net in our combined consolidated financial statements included elsewhere in this Annual Report for more information about our financing arrangements.

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

We generally seek to maintain a debt-to-equity ratio of approximately 3.0:1.0 or below. We expect this ratio to fluctuate during the course of a fiscal year due to the normal course of business in our conduit lending operations, in which we generally securitize our inventory of conduit loans at intervals, and also because of changes in our asset mix, due in part to such securitizations. As of December 31, 2016, our debt-to-equity ratio was 2.6:1.0. We believe that our predominantly senior secured assets and our moderate leverage provide financial flexibility to be able to capitalize on attractive market opportunities as they arise.

From time to time, we may add financing counterparties that we believe will complement our business, although the agreements governing our indebtedness may limit our ability and the ability of our present and future subsidiaries to incur additional indebtedness. Our amended and restated charter and by-laws do not impose any threshold limits on our ability to use leverage.

Business Outlook

We believe the commercial real estate finance market is currently characterized by stable property values and strong demand for both acquisition loans and refinancings. According to Real Capital Analytics, U.S. commercial property transaction volume in 2016 represented the third strongest year on record, although transaction volume was down 11% compared to 2015. In addition, according to Trepp, more than $1.8 trillion of commercial real estate debt is scheduled to mature over the next five years. These positive factors are somewhat offset by expectations of an increasing interest rate environment and potential regulatory changes by the new U.S. presidential administration. New risk retention regulations required by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“Dodd-Frank Act”) went into effect on December 24, 2016, which may affect CMBS pricing and liquidity conditions. See Item 1A. “Risk Factors-Risks Related to Our Portfolio-Our participation in the market for mortgage loan securitizations may expose us to risks that could result in losses to us” in this Annual Report.

In 2016, new CMBS issuance totaled $76.0 billion, a 24.8% decrease versus 2015. We believe the market disruptions experienced in the first half of 2016 were caused by domestic and international macro-market factors rather than underlying fundamental issues within the commercial real estate sector. The overall tone of the CMBS market improved in the latter half of 2016, with increased transaction volume and more muted credit-spread volatility. For the year ended December 31, 2015, new CMBS issuance totaled $101.0 billion, a 7.4% increase over the same period in 2014. While CMBS volumes have been affected by market volatility and uncertainty related to the effects of the pending regulatory changes, we believe the CMBS market will continue to play an important role in the financing of commercial real estate in the U.S. Additionally, our ability to offer borrowers balance sheet loans on transitional properties enables us to remain an active lender even when the conduit lending for securitization market experiences a period of slower activity.

We believe our ability to quickly and efficiently rotate our focus between lending, investing in securities, and making real estate equity investments allows us to take advantage of attractive investment opportunities under a variety of market conditions. When the conduit lending and securitization market conditions are favorable, we are capable of shifting our focus and equity allocation toward that market. At other times, especially when conduit lending and securitization market conditions are disrupted, originating balance sheet loans and investing in securities and real estate equity can be more attractive and we are able to shift our focus and investment allocation accordingly.

Factors impacting operating results

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

Investment Process

Origination

Our team of originators is responsible for sourcing and directly originating new commercial first mortgage loans from the brokerage community and directly from real estate owners, operators, developers and investors. The extensive industry experience of our management team and origination team have enabled us to build a strong network of mortgage brokers and direct borrowers throughout the commercial real estate community in the United States.

We seek to align our interests and those of our originators by awarding our originators annual discretionary bonuses that are closely correlated with loan performance and realized profits, rather than loan volumes or other metrics. For the year ended December 31, 2016, we paid $11.0 million in discretionary bonuses to originators.

Credit and Underwriting

Our underwriting and credit process commences upon receipt of a potential borrower's executed loan application and non-refundable deposit.

Our underwriters conduct a thorough due diligence process for each prospective investment. The team coordinates in-house and third-party due diligence for each prospective loan as part of a checklist-based process that is designed to ensure that each loan receives a systematic evaluation. Elements of the underwriting process generally include:

Cash Flow Analysis. We create an estimated cash flow analysis and underwriting model for each prospective investment. Creation of the cash flow analysis generally draws on an assessment of current and historical data related to the property's rent roll, operating expenses, net operating income, leasing cost, and capital expenditures. Underwriting is expected to evaluate and factor in assumptions regarding current market rents, vacancy rates, operating expenses, tenant improvements, leasing commissions, replacement reserves, renewal probabilities and concession packages based on observable conditions in the subject property's sub-market at the time of underwriting. The cash flow analysis may also rely upon third-party environmental and engineering reports to estimate the cost to repair or remediate any identified environmental and/or property-level deficiencies. The final underwritten cash flow analysis is used to estimate the property's overall value and its ability to produce cash flow to service the proposed loan.

Borrower Analysis. Careful attention is also paid to the proposed borrower, including an analysis based on available information of its credit history, financial standing, existing portfolio and sponsor exposure to leverage and contingent liabilities, capacity and capability to manage and lease the collateral, depth of organization, knowledge of the local market, and understanding of the proposed product type. We also generally commission and review a third party background check of our prospective borrower and sponsor.

Site Inspection. A Ladder underwriter typically conducts a physical site inspection of each property. The site inspection gives the underwriter insights into the local market and the property's positioning within it, confirms that tenants are in-place, and generally helps to ensure that the property has the characteristics, qualities, and potential value represented by the borrower.

Legal Due Diligence. Our in-house transaction management team, comprised of experienced attorneys, manages, negotiates, structures and closes all transactions and completes legal due diligence on each property, borrower, and sponsor, including the evaluation of documents such as leases, title, title insurance, opinion letters, tenant estoppels, organizational documents, and other agreements and documents related to the property or the loan.

Third-party Appraisal. We generally commission an appraisal from a member of the Appraisal Institute to provide an independent opinion of value as well as additional supporting property and market data. Appraisals generally include detailed data on recent property sales, local rents, vacancy rates, supply, absorption, demographics and employment, as well as a detailed projected cash flow and valuation analysis. We typically use the independent appraiser's valuation to calculate ratios such as loan-to-value and loan-to-stabilized-value ratio, as well as to serve as an independent source to which the in-house cash flow and valuation model can be compared.

Third-party Engineering Report. We generally engage an approved licensed engineer to complete property condition/engineering reports and a seismic report for applicable properties. The engineering report is intended to identify any issues with respect to the safety and soundness of a property that may warrant further investigation, and provide estimates of ongoing replacement reserves, overall replacement cost, and the cost to bring a property into good repair.

Third-party Environmental Report. We also generally engage an approved environmental consulting firm to complete a Phase I Environmental Assessment to identify and evaluate potential environmental issues at the property and may also order and review Phase II Environmental Assessments and/or Operations & Maintenance plans if applicable. Environmental reports and supporting documentation are typically reviewed in-house as well as by our dedicated outside environmental counsel who prepares a summary report on each property.

Third-party Insurance Review. A third-party insurance specialist reviews each prospective borrower's existing insurance program to analyze the specific risk exposure of each property and to ensure that coverage is in compliance with our standard insurance requirements. Our transaction management team oversees this third-party review and makes the conclusions of their analysis available to the underwriting team.

A credit memorandum is prepared to summarize the results of the underwriting and due diligence process for the consideration of the Investment Committee. We thoroughly document the due diligence process up to and including the credit memorandum and maintain an organized digital archive of our work.

Transaction Management

The transaction management team is generally responsible for coordinating and managing outside counsel, working directly with originators, underwriters and borrowers to manage, structure, negotiate and close all transactions, including the securitization of our loans. The transaction management team plays an integral role in the legal underwriting of each property, consults with outside counsel on significant business, credit and/or legal issues, and facilitates the funding and closing of all investments and dispositions. The transaction management team also supports asset management and investment realization activities, including coordination of post-closing issues and assistance with loan sales, financings, refinancing and repayments.

Investment Committee Approval

All investments require approval from our Investment Committee, comprised of Brian Harris, CEO; Michael Mazzei, President; and Pamela McCormack, Chief Operating Officer. The Investment Committee generally requires each investment to be fully described in a comprehensive Investment Committee memorandum that identifies the investment, the due diligence conducted and the findings, as well as all identified related risks and mitigants. The Investment Committee meets regularly to ensure that all investments are fully vetted prior to issuance of Investment Committee approval.

In addition to Investment Committee approval, the Risk and Underwriting Committee of our board of directors approves all investments above certain thresholds, which are currently set at $50.0 million for fixed-rate loans and AAA-rated securities, and lower levels for all other types of investments.

Financing

Prior to securitization or other disposition, or in the case of balance sheet loans, maturity, we finance most of the loans we originate using our multiple committed term facilities from leading financial institutions and our membership in the FHLB. Our finance team endeavors to match the characteristics and expected holding periods of the assets being financed with the characteristics of the financing options available and our short and long term cash needs in determining the appropriate financing approaches to be applied. The approaches we apply to financing our assets are a key component of our asset/liability risk management strategy with respect to managing liquidity risk. These approaches, supplemented by the use of hedging primarily via the use of standard derivative instruments, facilitate the prudent management of our interest rate and credit spread exposures.

Asset Management

The asset management team, together with our third-party servicers, monitors the credit performance of our investment portfolio, working closely with borrowers and/or their partners to monitor performance of our collateral assets and overseeing our real estate portfolio. Asset management focuses on careful asset specific and market surveillance, active enforcement of loan and security rights, and regular review of potential disposition strategies. Loan modifications, asset recapitalizations and other necessary variations to a borrower's or partner's business plan or budget will generally be vetted through the asset management team with a recommended course of action presented to the Investment Committee for approval.

Specific responsibilities of the asset management team include:

- coordinating cash processing and cash management for collections and distributions through lock box accounts that are set up to trap all cash flow from a property;
- monitoring tax and insurance administration to ensure timely payments to appropriate authorities and maintenance or placement of applicable insurance coverages;
- assisting with escrow analysis to maintain appropriate balances in required accounts;
- monitoring UCC administration for continued compliance with lien laws in various jurisdictions;
- assisting with reserve and draw management from pre-funded accounts including monitoring draw requests for legitimacy and budget accuracy;
- coordinating and conducting site inspections and surveillance activities including periodic analysis of financial statements;
- reviewing rent rolls and operating statements;
- reviewing available information for any material variances; and
- completing and updating asset summary reviews and providing active portfolio management reporting to ensure that borrowers remain compliant with the terms of their loans and remain on target for established budgets and business plans.

Disposition and Distribution

Our securitization team works with our transaction management and underwriting teams to realize our disposition strategy of selling certain first mortgage loans into CMBS securitization trusts. We typically partner with other leading financial institutions to contribute loans to multi-asset securitizations. We have also led single asset securitizations on single loans we have originated.

From time to time, our registered broker-dealer subsidiary, Ladder Capital Securities LLC ("LCS"), may act as a co-manager for the underwriting syndicate of public and private CMBS securitizations where an affiliate of LCS is contributing collateral to the CMBS deal as a loan seller. In such instances, LCS, as a co-manager, will participate in the underwriting syndicate, on a best efforts basis, to structure and arrange the bond issuance and participate in the associated investor meetings and road shows. LCS generally does not receive any allocation of securities in these offerings for distribution to investor accounts and, as such, has not participated in the direct sale of any CMBS to institutional and/or retail investors. LCS did not participate in any securitizations during the year ended December 31, 2016.

In addition, Ladder has from time to time purchased predominantly AAA-rated CMBS from securitizations into which we have sold conduit first mortgage loans, generally as one of several loan contributors. In such instances, however, we have not participated as a co-manager in the underwriting syndicates. As of December 31, 2016, we owned $37.6 million of such CMBS, representing less than 0.7% of the $5.5 billion of CMBS issued by the related securitization trusts. As with our other CMBS investments, we purchased these securities in both primary and secondary market transactions over time.

In June 2016, our subsidiary, Ladder Capital Commercial Mortgage Securities LLC, successfully had its shelf registration statement declared effective with the SEC which permits us to act as an issuer in a public securitization of first mortgage loans contributed by us (and/or a third party loan contributor). We may, in the future, contribute first mortgage loans to a securitization utilizing this shelf registration statement.

In addition to contributing first mortgage loans into CMBS securitization trusts, we also maintain the flexibility to keep such loans on our balance sheet, contribute loans into a collateralized loan obligation (CLO) or similar structure, sell participation interests or "b-notes" in our first mortgage loans or sell first mortgage loans as whole loans. Balance sheet loans that are refinanced by us into a new conduit first mortgage loan upon property stabilization and intended for securitization are re-underwritten and structured by our origination, underwriting and transaction management teams.

Our asset management team also manages sales of our real property and works with our trading and finance teams on sales of securities.

Competition

The commercial real estate finance markets are highly competitive. We face competition for lending and investment opportunities from a variety of institutional lenders and investors and many other market participants, including specialty finance companies, other REITs, commercial banks and thrift institutions, investment banks, insurance companies, hedge funds and other financial institutions. Many of these competitors enjoy competitive advantages over us, including greater name recognition, established lending relationships with customers, financial resources, and access to capital.

We compete on the basis of relationships, product offering, loan structure, terms, pricing and customer service. Our success depends on our ability to maintain and capitalize on relationships with borrowers and brokers, offer attractive loan products, remain competitive in pricing and terms, and provide superior service.

Taxation

We and certain of our subsidiaries intend to be subject to tax as REITs under Sections 856 through 860 of the Code, commencing with the taxable years ending December 31, 2015 and December 31, 2016, respectively. To qualify as REITs, we must make qualifying distributions to shareholders and satisfy, on a continuing basis, through actual investment and operating results, certain asset, income, organizational, distribution, stock ownership and other REIT requirements. If we fail to qualify as REITs, and do not qualify for certain statutory relief provisions, we will be subject to U.S. federal, state and local income taxes and may be precluded from qualifying as REITs for the subsequent four taxable years following the year in which we lost our REIT qualification. The failure to qualify as REITs could have a material adverse impact on our results of operations and amounts available for distribution to shareholders.

We utilize TRSs to reduce the impact of the prohibited transaction tax and to avoid penalty for the holding of assets not qualifying as real estate assets for purposes of the REIT asset tests. Any income associated with a TRS is fully taxable because a TRS is subject to federal and state income taxes as a domestic C corporation based upon its net income. See "Risk factors—Risks related to our taxation as a REIT."

Regulation

Our operations are subject, in certain instances, to supervision and regulation by state and U.S. federal governmental authorities and may be subject to various laws and judicial and administrative decisions imposing various requirements and restrictions. In addition, certain of our subsidiaries' businesses may rely on exemptions from various requirements of the Securities Act, the Exchange Act, the Investment Company Act, and the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"). These exemptions are sometimes highly complex and may in certain circumstances depend on compliance by third-parties who we do not control.

Regulatory Reform

The Dodd-Frank Act, which went into effect on July 21, 2010, is intended to make significant structural reforms to the financial services industry. For example, pursuant to the Dodd-Frank Act, various federal agencies have promulgated, or are in the process of promulgating, regulations and rules with respect to various issues that affect securitizations, including: (i) a rule that went into effect December 2016 requiring that sponsors in securitizations retain 5% of the credit risk associated with securities they issue; (ii) requirements for additional disclosure; (iii) requirements for additional review and reporting (including revisions to Regulation AB under the Securities Act ("Regulation AB"); (iv) margin rules for swaps (including those used by securitizations) that will require the exchange of mark-to-market margin and possible initial margin; and (v) certain restrictions designed to prohibit conflicts of interest. Other regulations have been and may ultimately be adopted.

The risk retention rule ("Risk Retention Rule") took effect December 24, 2016 and requires retention of at least 5% of the fair value of all securities issued in connection with a securitization for a certain period of time and, depending upon the party that will retain the risk, can be satisfied by (i) retention of a horizontal tranche (i.e., in one or more subordinate classes) in which case the 5% retention is measured as 5% of the principal or notional amount of each class of securities issued; (ii) retention of a vertical slice of the risk (interests in each class of securities issued in connection with the securitization) in which case the 5% retention is to be based on fair market value of all the securities issued; or (iii) a combination of vertical and horizontal strips. The risk (with respect to CMBS) must be retained by a sponsor (generally an issuer or certain mortgage loan originators) or, upon satisfaction of certain requirements, up to two third-party purchasers.

The Risk Retention Rule and other rules and regulations that have been adopted or may be adopted under the Dodd-Frank Act could alter the structure of securitizations in the future and could pose additional risks to or reduce or eliminate the economic benefits of our participation in future securitizations. In addition, such rules and regulations could reduce or eliminate the economic benefits of securitization in general or discourage traditional issuers, underwriters, b-piece buyers or other participants from participating in future securitizations and affect the availability of securitization platforms into which we can contribute mortgage loans, which may require that we take on additional roles and risks in connection with effectuating securitizations of mortgage loans.

Certain other recent and anticipated federal, state and municipal rules could also impact our business. These include (1) recent rules issued by the U.S. Commodity and Futures Trading Commission ("CFTC") regarding commodity pool operator ("CPO") and commodity trading advisor ("CTA") registration and compliance obligations, (2) recent regulatory, reporting and compliance requirements applicable to swap dealers, security based swaps dealers and major swap participants under the Dodd-Frank Act, (3) recent Dodd-Frank Act regulations on derivative transactions, (4) changes to bank capital rules proposed by international regulators under the Fundamental Review of Trading Book ("FRTB"), which could require certain banks to maintain higher levels of capital when trading in securitization positions, (5) changes in capital requirements announced by the Basel Committee on Banking Supervision, and (6) requirements of certain states and municipalities, such as California and New York City, that require placement agents who solicit funds from the retirement and public pension systems to register as lobbyists. Although some of the rules may not affect us directly, the rules may affect issuers that sponsor securitizations in which we may sell commercial mortgage loans thereby potentially affecting the structure and/or profitability of this part of our business. Because some of the rules are not yet final or are in the process of being implemented, the full effect of the rules may not be known for some time. In addition, the SEC and other agencies continue to generate new rules. See also "Risk factors-Risks related to regulatory and compliance matters" and "Risk Factors-Risks related to hedging."

Regulation of Commercial Real Estate Lending Activities

Although most states do not regulate commercial finance, certain states impose limitations on interest rates and other charges and on certain collection practices and creditor remedies, and require licensing of lenders and financiers and adequate disclosure of certain contract terms. We also are required to comply with certain provisions of, among other statutes and regulations, certain provisions of the Equal Credit Opportunity Act that are applicable to commercial loans, the USA PATRIOT Act, regulations promulgated by the Office of Foreign Asset Control and U.S. federal and state securities laws and regulations.

Regulation as an Investment Adviser

We conduct investment advisory activities in the United States through our subsidiary, Ladder Capital Asset Management LLC ("LCAM"), which is regulated by the SEC as a registered investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). A registered investment adviser is subject to U.S. federal and state laws and regulations primarily intended to benefit its clients. These laws and regulations include requirements relating to, among other things, fiduciary duties to clients, maintaining an effective compliance program, solicitation agreements, conflicts of interest, record keeping and reporting requirements, disclosure requirements, custody arrangements, limitations on agency cross and principal transactions between an investment adviser and its advisory clients and general anti-fraud prohibitions. In addition, these laws and regulations generally grant supervisory agencies and bodies broad administrative powers, including the power to limit or restrict us from conducting our advisory activities in the event we fail to comply with those laws and regulations. Sanctions that may be imposed for a failure to comply with applicable legal requirements include the suspension of individual employees, limitations on our engaging in various advisory activities for specified periods of time, disgorgement, the revocation of registrations, and other censures and fines.

We may become subject to additional regulatory and compliance burdens as our investment adviser subsidiary expands its product offerings and investment platform. For example, our investment adviser is currently an investment adviser to a mutual fund registered under the Investment Company Act. The mutual fund and our subsidiary that serves as its investment adviser are subject to regulation under the Investment Company Act and the rules thereunder, which, among other things, govern the relationship between a mutual fund and its investment adviser and prohibit or severely restrict principal transactions and joint transactions and regulate the fees our subsidiary may earn from the mutual fund. This additional regulation could increase our compliance costs and create the potential for additional liabilities and penalties.

The SEC and its staff continue to engage in various initiatives that may change the regulations governing our investment adviser subsidiary and its clients, particularly the mutual fund. In 2016, the SEC adopted a rule governing the liquidity requirements applicable to mutual funds. We may incur additional expense in connection with ensuring the mutual fund complies with the new rule, which is expected to become effective in 2018.

In 2016, the Department of Labor adopted a new regulation defining the term "fiduciary" for purposes of the fiduciary responsibility provisions of Title I of the Employee Retirement Income Security Act of 1974 ("ERISA") and the prohibited transaction excise tax provisions of the IRS. It is anticipated that the rule will create compliance and operational challenges for companies that distribute investment products and may make it more difficult for our investment adviser to raise capital for clients that it manages.

Regulation as a Broker-Dealer

We have a subsidiary, Ladder Capital Securities LLC, that is registered as a broker-dealer with the SEC and in all 50 states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands, and is a member of the Financial Industry Regulatory Authority ("FINRA"). This subsidiary, which from time to time co-manages the CMBS securitizations to which an affiliate contributes collateral as loan seller, is subject to regulations that cover all aspects of its business, including sales methods, trade practices, use and safekeeping of clients' funds and securities, the capital structure of the subsidiary, recordkeeping, the financing of clients' purchases and the conduct of directors, officers and employees. Violations of these regulations can result in the revocation of its broker-dealer license (which could result in our having to hire new licensed investment professionals before continuing certain operations), the imposition of censure or fines and the suspension or expulsion of the subsidiary, its officers or employees from FINRA. The subsidiary also may be required to maintain certain minimum net capital. Rule 15c3-1 of the Exchange Act specifies the minimum level of net capital a broker-dealer must maintain and also requires that a significant part of a broker-dealer's assets be kept in relatively liquid form. The SEC and FINRA impose rules that require notification when net capital falls below certain predefined criteria, limit the ratio of subordinated debt to equity in the regulatory capital composition of a broker-dealer and constrain the ability of a broker-dealer to expand its business under certain circumstances. Additionally, the SEC's uniform net capital rule imposes certain requirements that may have the effect of prohibiting a broker-dealer from distributing or withdrawing capital and requiring prior notice to the SEC for certain withdrawals of capital. As of December 31, 2016, Ladder Capital Securities LLC was in compliance with the minimum net capital requirements.

Regulation as a Captive Insurance Company

We maintain a captive insurance company, Tuebor to provide coverage previously self insured by us, including nuclear, biological or chemical coverage, excess property coverage and excess errors and omissions coverage. It is regulated by the state of Michigan and is subject to regulations that cover all aspects of its business. Violations of these regulations can result in revocation of its authorization to do business as a captive insurer or result in censures or fines. The subsidiary is also subject to insurance laws of states other than Michigan (i.e., states where the insureds are located). See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and capital resources."

Investment Company Act Exemption

We intend to conduct our operations so that neither we nor any of our subsidiaries (including any series thereof) are required to register as an investment company under the Investment Company Act.

If we or any of our subsidiaries (including any series thereof) fail to qualify for and maintain an exemption from registration under the Investment Company Act, or an exclusion from the definition of an investment company, we could, among other things, be required either to (a) substantially change the manner in which we conduct our operations to avoid being required to register as an investment company, (b) effect sales of our assets in a manner that, or at a time when, we would not otherwise choose to do so, or (c) register as an investment company under the Investment Company Act, any of which could have an adverse effect on us, our financial results, the sustainability of our business model or the value of our securities.

If we or any of our subsidiaries (including any series thereof) were required to register as an investment company under the Investment Company Act, the registered entity would become subject to substantial regulation with respect to capital structure (including the ability to use leverage), management, operations, transactions with affiliated persons (as defined in the Investment Company Act), portfolio composition, including restrictions with respect to diversification and industry concentration, compliance with reporting, record keeping, voting, proxy disclosure and other rules and regulations that would significantly change its operation and we would not be able to conduct our business as described in this Annual Report. For example, because affiliate transactions are generally prohibited under the Investment Company Act, we would not be able to enter into certain transactions with any of our affiliates if we are required to register as an investment company, which could have a material adverse effect on our ability to operate our business.

If we were required to register as an investment company but failed to do so, we would be prohibited from engaging in our business, and criminal and civil actions could be brought against us. In addition, our contracts would be unenforceable unless a court required enforcement, and a court could appoint a receiver to take control of us and liquidate our business.

Section 3(a)(1)(A) of the Investment Company Act defines an investment company as any issuer that is or holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities. Section 3(a)(1)(C) of the Investment Company Act defines an investment company as any issuer which is engaged or proposes to engage in the business of investing, reinvesting, owning, holding or trading in securities, and owns or proposes to acquire investment securities having a value exceeding 40% of the value of such issuer's total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis. Excluded from the term "investment securities," among other things, are U.S. government securities and securities issued by majority-owned subsidiaries that are not themselves investment companies and are not relying on the exception from the definition of investment company for certain privately-offered investment vehicles set forth in Section 3(c)(1) or 3(c)(7) of the Investment Company Act.

We are organized as a holding company and conduct our businesses primarily through our majority-owned subsidiaries (including any series thereof). We intend to conduct our operations so that we do not come within the definition of an investment company under Section 3(a)(1)(C) of the Investment Company Act because less than 40% of the value of our total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis will consist of "investment securities." We will monitor our holdings to ensure continuing and ongoing compliance with this test. In addition, we believe that we will not be considered an investment company under Section 3(a)(1)(A) of the Investment Company Act because we will not engage primarily, hold ourselves out as being engaged primarily, or propose to engage primarily, in the business of investing, reinvesting or trading in securities. Rather, we will be engaged primarily in the business of holding securities of our majority-owned subsidiaries (including any series thereof).

We expect that certain of our subsidiaries (including any series thereof) may rely on the exclusion from the definition of an "investment company" under the Investment Company Act pursuant to Section 3(c)(5)(C) of the Investment Company Act, which is available for entities "primarily engaged" in the business of "purchasing or otherwise acquiring mortgages and other liens on and interests in real estate." This exclusion, as interpreted by the staff of the SEC, requires that an entity invest at least 55% of its assets in "qualifying real estate assets" and at least 80% of its assets in qualifying real estate assets and "real estate-related assets."

Although we reserve the right to modify our business methods at any time, as of December 31, 2016, we expect each of our subsidiaries (including any series thereof) relying on Section 3(c)(5)(C) to primarily hold assets in one or more of the following categories, which are comprised primarily of "qualifying real estate assets": commercial mortgage loans, investments in securities secured by first mortgage loans, and investments in selected net leased and other real estate assets. We expect each of our subsidiaries (including any series thereof) relying on Section 3(c)(5)(C) to rely on guidance published by the SEC or its staff or on our analyses of such guidance to determine which assets are qualifying real estate assets and real estate-related assets. To the extent that the SEC or its staff publishes new or different guidance with respect to these matters, we may be required to adjust our strategies accordingly. In addition, we may be limited in our ability to make certain investments and these limitations could result in a subsidiary holding assets we might wish to sell or selling assets we might wish to hold.

Any of the Company or our subsidiaries (including any series thereof) may rely on the exemption provided by Section 3(c)(6) of the Investment Company Act to the extent that they primarily engage, directly or through majority-owned subsidiaries (including any series thereof), in the businesses described in Sections 3(c)(3), 3(c)(4) and 3(c)(5) of the Investment Company Act. The SEC staff has issued little interpretive guidance with respect to Section 3(c)(6) and any guidance published by the staff could require us to adjust our strategies accordingly.

In 2011, the SEC solicited public comment on a wide range of issues relating to Section 3(c)(5)(C) of the Investment Company Act, including the nature of the assets that qualify for purposes of the exemption and whether companies that are engaged in the business of acquiring mortgages and mortgage-related instruments should be regulated in a manner similar to investment companies. There can be no assurance that the laws and regulations governing the Investment Company Act status of such companies, including the SEC or its staff providing more specific or different guidance regarding Section 3(c)(5)(C), will not change in a manner that adversely affects our operations.

Qualification for exclusion from the definition of an investment company under the Investment Company Act may limit our ability to make certain investments. In addition, complying with the tests for such exclusion may restrict the time at which we can acquire and sell assets. To the extent that the SEC or its staff provides more specific guidance regarding any of the matters bearing upon such exclusions, we may be required to adjust our strategies accordingly. Any additional guidance from the SEC or its staff could provide additional flexibility to us, or it could further inhibit our ability to pursue the strategies we have chosen. See "Risk factors—Risks related to our Investment Company Act exemption—Maintenance of our exemption from registration under the Investment Company Act imposes significant limits on our operations."

Employees

As of December 31, 2016, we employed 69 full-time persons. All employees are employed by our operating subsidiary, Ladder Capital Finance LLC. None of our employees are represented by a union or subject to a collective bargaining agreement and we have never experienced a work stoppage. We believe that our employee relations are good.

Our Corporate Information

Our principal executive offices are located at 345 Park Avenue, 8th Floor, New York, New York 10154, and our telephone number is (212) 715-3170. We maintain a website on the Internet at http://www.laddercapital.com. The information contained in our website is not incorporated by reference into this Annual Report. We make available on or through our website certain reports and amendments to those reports that we file with or furnish to the SEC in accordance with the Exchange Act. These include our annual reports on Form 10-K, our quarterly reports on Form 10-Q and our current reports on Form 8-K. We make this information available on our website free of charge as soon as reasonably practicable after we electronically file the information with, or furnish it to, the SEC.

Item 1A. Risk Factors

The following risk factors and other information included in this Annual Report on Form 10-K should be carefully considered. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may adversely impact our business. If any of the following risks occur, our business, financial condition, operating results, cash flows and liquidity could be materially adversely affected. The market price of our Class A common stock could decline if one or more of these risks or uncertainties actually occur, causing you to lose all or part of your investment in our Class A common stock. Certain statements in "Risk Factors" are forward-looking statements. See "Information Regarding Forward-Looking Statements" included elsewhere in this Annual Report.

Risks Related to Our Operations

Our business model may not be successful. We may change our investment strategy and financing policy in the future without stockholder consent and any such changes may not be successful.

Our management team is authorized to follow broad investment guidelines that have been approved by our board of directors and has great latitude within those guidelines to determine which assets make proper investments for us. Those investment guidelines, as well as our financing strategy or hedging policies with respect to investments, originations, acquisitions, growth, operations, indebtedness, capitalization and distributions, may be changed at any time without the consent of our stockholders. There can be no assurance that any business model or business plan of ours will prove accurate, that our management team will be able to implement such business model or business plan successfully in the future or that we will achieve our performance objectives. Any business model of ours, including any underlying assumptions and predictions, merely reflect our assessment of the short- and long-term prospects of the business, finance and real estate markets in which we operate and should not be relied upon in determining whether to invest in our Class A common stock.

We are dependent on our management team, and the loss of any of these individuals could adversely affect our ability to operate profitably.

We heavily depend upon the skills and experience of our management team. The loss of the services of one or more of such individuals could have an adverse effect on our operations, and in such case we will be subject to the risk that no suitable replacement can be found. Furthermore, any termination of a member of the management team may be difficult and costly for us and create obligations for us to the departing individual. If we are unable to staff our management team fully with individuals who possess the skills and experience necessary to excel in their positions our business may be adversely affected. Furthermore, if one or more members of our management team is no longer employed by us, our ability to obtain future financing could be affected which could materially and adversely affect our business.

We may not be able to hire and retain qualified loan originators or grow and maintain our relationships with key loan brokers, and if we are unable to do so, our ability to implement our business and growth strategies could be limited.

We depend on our loan originators to generate borrower clients by, among other things, developing relationships with commercial property owners, real estate agents and brokers, developers and others, which we believe leads to repeat and referral business. Accordingly, we must be able to attract, motivate and retain skilled loan originators. The market for loan originators is highly competitive and may lead to increased costs to hire and retain them. We cannot guarantee that we will be able to attract or retain qualified loan originators. If we cannot attract, motivate or retain a sufficient number of skilled loan originators, at a reasonable cost or at all, our business could be materially and adversely affected. We also depend on our network of loan brokers, who generate a significant portion of our loan originations. While we strive to cultivate long-standing relationships that generate repeat business for us, brokers are free to transact business with other lenders and have done so in the past and will do so in the future. Our competitors also have relationships with some of our brokers and actively compete with us in bidding on loans shopped by these brokers. We also cannot guarantee that we will be able to maintain or develop new relationships with additional brokers.

The allocation of capital among our business lines may vary, which may adversely affect our financial performance.

In executing our business plan, we regularly consider the allocation of capital to our various commercial real estate business lines, including commercial mortgage lending, investments in securities secured by first mortgage loans, and investments in selected net leased and other real estate assets. The allocation of capital among such business lines may vary due to market conditions, the expected relative return on equity of each activity, the judgment of our management team, the demand in the marketplace for commercial real estate loans and securities and the availability of specific investment opportunities. We also consider the availability and cost of our likely sources of capital. If we fail to appropriately allocate capital and resources across our business lines or fail to optimize our investment and capital raising opportunities, our financial performance may be adversely affected.

Our access to the CMBS securitization market and the timing of our securitization activities and other factors may greatly affect our quarterly financial results.

We expect to distribute certain of the first mortgage loans that we originate through securitizations and, upon completion of a securitization, we will recognize certain non-interest revenues which will be included in total other income on our combined consolidated statements of income and cease to earn net interest income on the securitized loans. Our quarterly revenue, operating results and profitability have varied substantially from quarter to quarter based on the frequency, pricing, volume and timing of our securitizations. Our securitization activities will be affected by a number of factors, including our loan origination volumes, changes in loan values, quality and performance during the period such loans are on our books and conditions in the securitization and credit markets generally and at the time we seek to launch and complete our securitizations. Although due to potential changes resulting from the risk retention rules required by the Dodd-Frank Act described elsewhere in this Annual Report, Ladder may potentially be required to defer income over the life of the securitization, thereby reducing such volatility in earnings, as a result of these quarterly variations, quarter-to-quarter comparisons of our operating results may not provide an accurate comparison of our current period results of operations. If securities analysts or investors focus on such comparative quarter-to-quarter performance, our stock price performance may be more volatile than if such persons compared a wider period of results of operations.

We may not be able to maintain our joint ventures and strategic business alliances.

We often rely on other third-party companies for assistance in origination, warehousing, distribution, securitization and other finance-related and loan-related activities. Some of our business may be conducted through non-wholly-owned subsidiaries, joint ventures in which we share control (in whole or in part) and strategic alliances formed by us with other strategic or business partners that we do not control. There can be no assurance that any of these strategic or business partners will continue their relationships with us in the future or that we will be able to pursue our stated strategies with respect to non-wholly-owned subsidiaries, joint ventures, strategic alliances and the markets in which we operate. Our ability to influence our partners in joint ventures or strategic alliances may be limited and non-alignment of interests on various strategic decisions in joint ventures or strategic alliances may adversely impact our business. Furthermore, joint venture or strategic alliance partners may: (i) have economic or business interests or goals that are inconsistent with ours; (ii) take actions contrary to our policies or objectives; (iii) undergo a change of control; (iv) experience financial and other difficulties; or (v) be unable or unwilling to fulfill their obligations under a joint venture or strategic alliance, which may affect our financial conditions or results of operations.

Future joint venture investments could be adversely affected by our lack of sole decision-making authority, our reliance on joint venture partners' financial condition and liquidity and disputes between us and our joint venture partners.

We may in the future make investments through joint ventures. Such joint venture investments may involve risks not otherwise present when we originate or acquire investments without partners, including the following:

- we may not have exclusive control over the investment or the joint venture, which may prevent us from taking actions that are in our best interest;
- joint venture agreements often restrict the transfer of a partner's interest or may otherwise restrict our ability to sell the interest when we desire and/or on advantageous terms;
- any future joint venture agreements may contain buy-sell provisions pursuant to which one partner may initiate procedures requiring the other partner to choose between buying the other partner's interest or selling its interest to that partner;
- we may not be in a position to exercise sole decision-making authority regarding the investment or joint venture, which could create the potential risk of creating impasses on decisions, such as with respect to acquisitions or dispositions;

- a partner may, at any time, have economic or business interests or goals that are, or that may become, inconsistent with our business interests or goals;
- a partner may be in a position to take action contrary to our instructions, requests, policies or objectives, including our policy with respect to maintaining our qualification as a REIT and our exclusion from registration under the Investment Company Act;
- a partner may fail to fund its share of required capital contributions or may become bankrupt, which may mean that we and any other remaining partners generally would remain liable for the joint venture's liabilities;
- our relationships with our partners are contractual in nature and may be terminated or dissolved under the terms of the applicable joint venture agreements and, in such event, we may not continue to own or operate the interests or investments underlying such relationship or may need to purchase such interests or investments at a premium to the market price to continue ownership;
- disputes between us and a partner may result in litigation or arbitration that could increase our expenses and prevent our officers and directors from focusing their time and efforts on our business and could result in subjecting the investments owned by the joint venture to additional risk; or
- we may, in certain circumstances, be liable for the actions of a partner, and the activities of a partner could adversely affect our ability to continue to qualify as a REIT or maintain our exclusion from registration under the Investment Company Act, even though we do not control the joint venture.

Any of the above may subject us to liabilities in excess of those contemplated and adversely affect the value of our future joint venture investments.

We may face difficulties in obtaining required authorizations or licenses to do business.

In order to implement our business strategies, we may be required to obtain, maintain or renew certain licenses and authorizations (including "doing business" authorizations and licenses with respect to loan origination) from certain governmental entities. While we do not anticipate any delays or other complications relating to such licenses and authorizations, there is no assurance that any particular license or authorization will be obtained, maintained or renewed quickly or at all. Any failure of ours to obtain, maintain or renew such authorizations or licenses may adversely affect our business. Any material failure, alone or in aggregate, could lead to a default under certain of our financing arrangements and/or result in the unenforceability of our loan documents.

The accuracy of our financial statements may be materially affected if our estimates, including loan loss reserves, prove to be inaccurate.

Financial statements prepared in accordance with accounting principles generally accepted in the United States ("GAAP") require the use of estimates, judgments and assumptions that affect the reported amounts. Different estimates, judgments and assumptions reasonably could be used that would have a material effect on the financial statements, and changes in these estimates, judgments and assumptions are likely to occur from period to period in the future. Significant areas of accounting requiring the application of management's judgment include, but are not limited to: (i) assessing the adequacy of the allowance for loan losses; (ii) determining the fair value of investment securities; (iii) assessing other than temporary impairments on securities; (iv) allocation of purchase price for acquired real estate; and (v) assessing impairments on real estate held for use or held for sale. These estimates, judgments and assumptions are inherently uncertain, especially in turbulent economic times, and, if they prove to be wrong, then we face the risk that charges to income will be required.

If we fail to maintain an effective system of integrated internal controls, we may not be able to accurately report our financial results.

We depend on our ability to produce accurate and timely financial statements in order to run our business. If we fail to do so, our business could be negatively affected and our independent registered public accounting firm may be unable to attest to the accuracy of our financial statements.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis by the Company's internal controls. A significant deficiency is defined as a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of a registrant's financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected, on a timely basis by the Company's internal controls.

Although we continuously monitor the design, implementation and operating effectiveness of our internal controls over financial reporting, there can be no assurance that significant deficiencies or material weaknesses will not occur in the future. If we fail to maintain effective internal controls in the future, it could result in a material misstatement of our financial statements that may not be prevented or detected on a timely basis, which could cause stakeholders to lose confidence in our reported financial information.

We may be subject to "lender liability" litigation.

In recent years, a number of judicial decisions have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories, collectively termed "lender liability." Generally, lender liability is founded on the premise that a lender has either violated a duty, whether implied or contractual, of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. We cannot assure you that such claims will not arise or that we will not be subject to significant liability if a claim of this type were to arise.

Litigation may adversely affect our business, financial condition and results of operations.

We are, from time to time, subject to legal and regulatory requirements applicable to our business and industry. We may be subject to various legal proceedings and these proceedings may range from actions involving a single plaintiff to class action lawsuits. Litigation can be lengthy, expensive and disruptive to our operations and results cannot be predicted with certainty. There may also be adverse publicity associated with litigation, regardless of whether the allegations are valid or whether we are ultimately found not liable. As a result, litigation may adversely affect our business, financial condition and results of operations.

There can be no assurance that our corporate insurance policies will mitigate all insurable losses, costs or damages to our business.

Based on our history and type of business, we believe that we maintain adequate insurance coverage to cover probable and reasonably estimable liabilities should they arise. However, there can be no assurance that these estimates will prove to be sufficient, nor can there be any assurance that the ultimate outcome of any claim or event will not have a material negative impact on our business prospects, financial position, results of operations or cash flows.

As an "emerging growth company" under the JOBS Act, we are eligible to take advantage of certain exemptions from various reporting requirements.

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act ("JOBS Act"), and we are eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies" including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, as amended (the "Sarbanes-Oxley Act"), reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. If we do take advantage of any of these exemptions, we do not know if some investors will find our securities less attractive as a result. The result may be a less active trading market for our securities and our security prices may be more volatile.

In addition, Section 107 of the JOBS Act also provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an "emerging growth company" can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. However, we chose to "opt out" of such extended transition period, and as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Section 107 of the JOBS Act provides that our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

We could remain an "emerging growth company" for up to five years from the date of the IPO, or until the earliest of (i) the last day of the first fiscal year in which our annual gross revenues exceed $1 billion; (ii) the date that we become a "large accelerated filer" as defined in Rule 12b-2 under the Exchange Act, which would occur if the market value of our common stock that is held by nonaffiliates exceeds $700 million as of the last business day of our most recently completed second fiscal quarter; or (iii) the date on which we have issued more than $1 billion in nonconvertible debt during the preceding three year period.

The requirements of being a public company, particularly after we are no longer an "emerging growth company," may strain our resources, divert management's attention and affect our ability to attract and retain qualified board members.

As a public company, and particularly after we cease to be an "emerging growth company," we will continue to incur significant legal, accounting and other expenses to comply with public company reporting requirements and our potential failure to satisfy these requirements could have a material adverse effect on our financial condition. As a public company, we are subject to the reporting requirements of the Exchange Act and the Sarbanes-Oxley Act and the New York Stock Exchange ("NYSE") rules. The requirements of these rules and regulations can be onerous and expensive and make some activities more difficult, time-consuming or costly and increase demand on our systems and resources. The Exchange Act requires, among other things, that we file annual, quarterly and current reports with respect to our business and financial condition. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal controls for financial reporting. In order to maintain and, if required, improve our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight may be required, and management's attention may be diverted from other business concerns. These rules and regulations could also make it more difficult for us to attract and retain qualified independent members of our board of directors. Furthermore, because of our relative inexperience in operating as a public company, we might not be successful in implementing these requirements.

In addition, after we are no longer an "emerging growth company," we expect to incur additional expenses and devote substantial management effort toward ensuring compliance with the requirements of Section 404 of the Sarbanes-Oxley Act, when applicable to us. If we are not able to comply with the requirements of Section 404 applicable to us in a timely manner, or if significant deficiencies in our internal control over financial reporting are identified, the market price of our stock could decline and we could be subject to sanctions or investigations by the SEC or other regulatory authorities, which would require additional financial and management resources.

Cybersecurity threats or other security breaches could compromise sensitive information belonging to us or our employees, borrowers, clients and other counterparties and could harm our business and our reputation.

Ladder Capital relies on the efficacy of its cybersecurity policies and processes in order to protect its data assets from cyberattacks and intrusions, including computer viruses, adware, phishing, and unauthorized persons accessing our data assets internally or externally. The rise of high profile security breaches by hackers, foreign governments, and other malicious actors indicates an increased risk of a security breach or IT disruption. We store sensitive data, including our proprietary business information and that of our borrowers, clients and other counterparties, and confidential employee information, in our data centers and on our networks. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions that could result in unauthorized disclosure or loss of sensitive information. Because the techniques used to obtain unauthorized access to networks, or to sabotage systems, change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures against all forms of attack. Furthermore, in the operation of our business we also use third-party vendors that store certain sensitive data, including confidential information about our employees, and these third parties are subject to their own cybersecurity threats. While we conduct due diligence on our vendors, no due diligence is infallible and any security breach of our own or a third-party vendor's systems could cause us to be non-compliant with applicable laws or regulations, subject us to legal claims, regulatory investigations or other proceedings, disrupt our operations, damage our reputation, subject us to considerable remediation expenses and cause a loss of confidence in our products and services, any of which could adversely affect our business.

Market Risks Related to Real Estate Securities and Loans

We have a concentration of investments in the real estate sector and may have concentrations from time to time in certain property types, locations, tenants and borrowers, which may increase our exposure to the risks of certain economic downturns.

We operate in the commercial real estate sector. Such concentration in one economic sector may increase the volatility of our returns and may also expose us to the risk of economic downturns in this sector to a greater extent than if our portfolio also included other sectors of the economy. Declining real estate values may reduce the level of new mortgage and other real estate-related loan originations since borrowers often use appreciation in the value of their existing properties to support the purchase of or investment in additional properties. Borrowers may also be less able to pay principal and interest on our loans if the value of real estate weakens. Further, declining real estate values significantly increase the likelihood that we will incur losses on our loans in the event of default because the value of our collateral may be insufficient to cover our cost on the loan. Any sustained period of increased payment delinquencies, foreclosures or losses could adversely affect both our net interest income from loans in our portfolio as well as our ability to originate/acquire/sell loans, which would materially and adversely affect our results of operations, financial condition, liquidity and business.

In addition, we are not required to observe specific diversification criteria relating to property types, locations, tenants or borrowers. A limited degree of diversification increases risk because the aggregate return of our business may be adversely affected by the unfavorable performance of a single property type, single tenant, single market or even a single investment. To the extent that our portfolio is concentrated in any one region or type of asset, downturns relating generally to such region or type of asset may result in defaults on a number of our assets within a short time period. Additionally, borrower concentration, in which a particular borrower is, or a group of related borrowers are, associated with multiple real properties securing mortgage loans or securities held by us, magnifies the risks presented by the possible poor performance of such borrower(s).

We operate in a highly competitive market for lending and investment opportunities, which may limit our ability to originate or acquire desirable loans and investments in our target assets.

We operate in a highly competitive market for lending and investment opportunities. A number of entities compete with us to make the types of loans and investments that we seek to make. Our profitability depends, in large part, on our ability to originate or acquire target assets at attractive prices. In originating or acquiring target assets, we compete with a variety of institutional lenders and investors and many other market participants, including specialty finance companies, REITs, commercial banks and thrift institutions, investment banks, insurance companies, hedge funds and other financial institutions. Many competitors are substantially larger and have considerably greater financial, technical, marketing and other resources than we do. Some competitors may have a lower cost of funds and access to funding sources that may not be available to us. Many of our competitors are not subject to the maintenance of an exemption from the Investment Company Act. Furthermore, competition for originations of, and investments in, our target assets may lead to the yield of such assets decreasing, which may further limit our ability to generate desired returns. Also, as a result of this competition, desirable loans and investments in specific types of target assets may be limited in the future and we may not be able to take advantage of attractive lending and investment opportunities from time to time. We can offer no assurance that we will be able to identify and originate loans or make any or all of the types of investments that are described in this Annual Report.

Our investment guidelines and underwriting guidelines may restrict our ability to compete with others for desirable commercial mortgage loan origination and acquisition opportunities.

We have investment guidelines and underwriting guidelines with respect to commercial mortgage loan origination and acquisition opportunities. Additionally, under our credit facilities, the lenders have the right to review the assets which we are seeking to finance and approve the purchase and financing of such assets in their sole discretion. These investment and underwriting guidelines and lender approvals may restrict us from being able to compete with others for commercial mortgage loan origination and acquisition opportunities and these guidelines may be stricter than the guidelines employed by our competitors. As a result, we may not be able to compete with others for desirable commercial mortgage loan origination and acquisition opportunities. In addition, these investment and underwriting guidelines and approvals impose conditions and limitations on our ability to originate certain of our target assets, including, in particular, restrictions on our ability to originate junior mortgage loans, mezzanine loans and preferred equity investments.

Our earnings may decrease because of changes in prevailing interest rates.

Our primary interest rate exposures relate to the yield on our assets and the financing cost of our debt, as well as the interest rate swaps that we utilize for hedging purposes. Interest rates are highly sensitive to many factors beyond our control, including but not limited to governmental monetary and tax policies, domestic and international economic and political considerations. Interest rate fluctuations present a variety of risks, including the risk of a mismatch between asset yields and borrowing rates, variances in the yield curve and fluctuating prepayment rates, and such fluctuations may adversely affect our income and may generate losses.

The Federal Reserve recently raised rates and has indicated an intention to continue raising rates in the near future. Further increases in interest rates could result in us having lower revenue or profitability. Demand for mortgages could be negatively impacted by rising interest rates.

Prepayment rates on mortgage loans cannot be predicted with certainty and prepayments may result in losses to the value of our assets.

The frequency at which prepayments (including voluntary prepayments by the borrowers and liquidations due to defaults and foreclosures) occur on our investments can adversely impact our business, and prepayment rates cannot be predicted with certainty, making it impossible to completely insulate us from prepayment or other such risks. Any adverse effects of prepayments may impact our portfolio in that particular investments, which may experience outright losses in an environment of faster actual or anticipated prepayments or may underperform relative to hedges that the management team may have constructed for such investments (resulting in a loss to our overall portfolio). Additionally, borrowers are more likely to prepay when the prevailing level of interest rates falls, thereby exposing us to the risk that the prepayment proceeds may be reinvested only at a lower interest rate than that borne by the prepaid obligation.

Global capital markets could enter a period of severe disruption and instability. These conditions have historically affected and could again materially and adversely affect debt and equity capital markets in the U.S. and around the world and our business.

The U.S. and global capital markets experienced extreme volatility and disruption during the economic downturn that began in mid-2007, and the U.S. economy was in a recession for several consecutive calendar quarters during the same period. In 2010, a financial crisis emerged in Europe, triggered by high budget deficits and rising direct and contingent sovereign debt, which created concerns about the ability of certain nations to continue to service their sovereign debt obligations. Risks resulting from such debt crisis and any future debt crisis in Europe or any similar crisis elsewhere could have a detrimental impact on the global economic recovery, sovereign and non-sovereign debt in certain countries and the financial condition of financial institutions generally. In July and August 2015, Greece reached agreements with its creditors for bailouts that provide aid in exchange for certain austerity measures. These and similar austerity measures may adversely affect world economic conditions. In the second quarter of 2015, stock prices in China experienced a significant drop, resulting primarily from continued sell-off of shares trading in Chinese markets. In August 2015, Chinese authorities sharply devalued China’s currency. In June 2016, the United Kingdom held a referendum in which voters approved an exit from the European Union, known as Brexit. The implications of the United Kingdom’s pending withdrawal from the European Union are unclear at present. In November 2016, voters in the U.S. elected a new president and the implications of a new presidential administration are unclear at present.

These market and economic disruptions affected, and these and other similar market and economic disruptions may in the future affect, the U.S. capital markets, which could adversely affect our business and the broader financial and credit markets and reduce the availability of debt and equity capital for the market as a whole and to financial firms, in particular. At various times, these disruptions resulted in, and may in the future result in, a lack of liquidity in parts of the debt capital markets, significant write-offs in the financial services sector and the repricing of credit risk. These conditions may reoccur for a prolonged period of time again or materially worsen in the future, including as a result of U.S. government shutdowns or further downgrades to the U.S. government’s sovereign credit rating or the perceived credit worthiness of the U.S. or other large global economies. Unfavorable economic conditions, including future recessions, also could increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. We may in the future have difficulty accessing debt and equity capital on attractive terms, or at all, and a severe disruption and instability in the global financial markets or deteriorations in credit and financing conditions may cause us to reduce the volume of loans we originate and/or fund, adversely affect the value of our investments or otherwise have a material adverse effect on our business, financial condition, results of operations and cash flows.

Terrorist attacks and other acts of violence or war may affect the real estate industry generally and our business, financial condition and results of operations.

We cannot predict the severity of the effect that potential future terrorist attacks could have on us. Any future terrorist attacks, the anticipation of any such attacks, the consequences of any military or other response by the United States and its allies, and other armed conflicts could cause consumer confidence and spending to decrease or result in increased volatility in the United States and worldwide financial markets and economy. We may suffer losses as a result of the adverse impact of any future attacks and these losses may adversely impact our performance. A prolonged economic slowdown, a recession or declining real estate values could impair the performance of our assets and harm our financial condition and results of operations, increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. The economic impact of such events could also adversely affect the credit quality of some of our loans and investments and the property underlying our securities. Losses resulting from these types of events may not be fully insurable.

The events of September 11, 2001 created significant uncertainty regarding the ability of real estate owners of high profile assets to obtain insurance coverage protecting against terrorist attacks at commercially reasonable rates, if at all. With the enactment of the Terrorism Risk Insurance Act of 2002 (the "TRIA") and subsequent extensions, including the enactment of the Terrorism Risk Insurance Program Reauthorization Act of 2015, which extends TRIA through December 31, 2020, insurers must make terrorism insurance available under their property and casualty insurance policies, but this legislation does not regulate the pricing of such insurance. The absence of affordable insurance coverage may adversely affect the general real estate lending market, lending volume and the market's overall liquidity and may reduce the number of suitable opportunities available to us and the pace at which we are able to acquire assets. If the properties underlying our interests are unable to obtain affordable insurance coverage, the value of our interests could decline, and in the event of an uninsured loss, we could lose all or a portion of our assets.

Risks Related to Our Portfolio

The value of our investments may be adversely affected by many factors that are beyond our control.

Income from, and the value of, our investments may be adversely affected by many factors that are beyond our control, including:

- volatility and adverse changes in international, national and local economic and market conditions, including contractions in market liquidity for mortgage loans and mortgage-related assets;
- changes in interest rates and in the availability, costs and terms of financing;
- changes in generally accepted accounting principles;
- changes in governmental laws and regulations, fiscal policies and zoning and other ordinances and costs of compliance with laws and regulations;
- downturns in the markets for mortgage-backed securities and other asset-backed and structured products; and
- civil unrest, terrorism, acts of war, nuclear or radiological disasters and natural disasters, including earthquakes, hurricanes, tornadoes, tsunamis and floods, which may result in uninsured and underinsured losses.

In addition to other analytical tools, our management team utilizes financial models to evaluate loans and real estate assets, the accuracy and effectiveness of which cannot be guaranteed.

In all cases, financial models are only estimates of future results which are based upon assumptions made at the time that the projections are developed. There can be no assurance that management's projected results will be obtained and actual results may vary significantly from the projections. General economic and industry-specific conditions, which are not predictable, can have an adverse impact on the reliability of projections.

The vast majority of the mortgage loans that we originate or purchase, and those underlying the CMBS in which we invest, are nonrecourse loans and the assets securing the loans may not be sufficient to protect us from a partial or complete loss if the borrower defaults on the loan.

Except for customary nonrecourse carve-outs for certain actions and environmental liability, most commercial mortgage loans, including those underlying the CMBS in which we invest, are effectively nonrecourse obligations of the sponsor and borrower, meaning that there is no recourse against the assets of the borrower or sponsor other than the underlying collateral. In the event of any default under a mortgage loan held directly by us, we will bear a risk of loss to the extent of any deficiency between the value of the collateral and the principal and accrued interest of the mortgage loan, which could have a material adverse effect on our cash flow from operations. Even if a mortgage loan is recourse to the borrower (or if a nonrecourse carve-out to the borrower applies), in most cases, the borrower's assets are limited primarily to its interest in the related mortgaged property. Further, although a mortgage loan may provide for limited recourse to a principal or affiliate of the related borrower, there is no assurance of any recovery from such principal or affiliate will be made or that such principal's or affiliate's assets would be sufficient to pay any otherwise recoverable claim. In the event of the bankruptcy of a borrower, the loan to such borrower will be deemed to be secured only to the extent of the value of the underlying collateral at the time of bankruptcy (as determined by the bankruptcy court), and the lien securing the loan will be subject to the avoidance powers of the bankruptcy trustee or debtor-in-possession to the extent the lien is unenforceable under state law.

The commercial mortgages and other commercial real estate-related loans, and the commercial mortgage loans underlying the CMBS in which we may invest, are subject to the ability of the commercial property owner to generate net income from operating the property (and not the independent income or assets of the borrower). The volatility of real property could have a material adverse effect on our business, financial position and results of operations.

Commercial mortgage loans and the commercial mortgage loans underlying the securities in which we may invest are subject to the ability of the commercial property owner to generate net income from operating the property (and not the independent income or assets of the borrower). Any reductions in net operating income ("NOI") increase the risks of delinquency, foreclosure and default, which could result in losses to us. NOI of an income-producing property can be affected by many factors, including, but not limited to:

- the ongoing need for capital improvements, particularly in older structures;
- changes in operating expenses;
- changes in general or local market conditions;
- changes in tenant mix and performance, the occupancy or rental rates of the property or, for a property that requires new leasing activity, a failure to lease the property in accordance with the projected leasing schedule;
- competition from comparable property types or properties;
- unskilled or inexperienced property management;
- limited availability of mortgage funds or fluctuations in interest rates which may render the sale and refinancing of a property difficult;
- development projects that experience cost overruns or otherwise fail to perform as projected including, without limitation, failure to complete planned renovations, repairs, or construction;
- unanticipated increases in real estate taxes and other operating expenses;
- challenges to the borrower's claim of title to the real property;
- environmental considerations;
- zoning laws;
- other governmental rules and policies;
- unanticipated structural defects or costliness of maintaining the property;
- uninsured losses, such as possible acts of terrorism;
- a decline in the operational performance of a facility on the real property (such facilities may include multifamily rental facilities, office properties, retail facilities, hospitality facilities, healthcare-related facilities, industrial facilities, warehouse facilities, restaurants, mobile home facilities, recreational or resort facilities, arenas or stadiums, religious facilities, parking lot facilities or other facilities); and
- severe weather-related damage to the property and/or its operation.

Additional risks may be presented by the type and use of a particular commercial property, including specialized use as a nursing home or hospitality property.

In instances where the borrower is acting as a landlord on the underlying property as we do for our selected net leased and other commercial real estate assets, the ability of such borrower to satisfy the debt obligation we hold will depend on the performance and financial health of the underlying tenants, which may be difficult for us to assess or predict. In addition, as the number of tenants with respect to a commercial property decreases or as tenant spaces on a property must be relet, the nonperformance risk of the loan related to such commercial property may increase. Any one or more of the preceding factors could materially impair our ability to recover principal in a foreclosure on the related loan as lender and repay the principal as borrower. A substantial portion of our portfolio may be committed to the origination or purchasing of commercial loans to small and medium-sized, privately owned businesses. Compared to larger, publicly owned firms, such companies generally have limited access to capital and higher funding costs, may be in a weaker financial position and may need more capital to expand or compete. The above financial challenges may make it difficult for such borrowers to make scheduled payments of interest or principal on their loans. Accordingly, advances made to such types of borrowers entail higher risks than advances made to companies who are able to access traditional credit sources.

A portion of our portfolio also may be committed to the origination or purchasing of commercial loans where the borrower is a business with a history of poor operating performance, based on our belief that we can realize value from a loan on the property despite such borrower's performance history. However, if such borrower were to continue to perform poorly after the origination or purchase of such loan, including due to the above financial challenges, we could be adversely affected.

Certain balance sheet loans may be more illiquid and involve a greater risk of loss than long-term mortgage loans.

We originate and acquire balance sheet loans that provide interim financing to borrowers seeking short-term capital for the acquisition or transition (for example, lease up and/or rehabilitation) of commercial real estate. Such a borrower under an interim loan often has identified a transitional asset that has been under-managed, is located in a recovering market and/or requires rehabilitation. If the market in which the asset is located fails to recover according to the borrower's projections, or if the borrower fails to improve the quality of the asset's management and/or the value of the asset or fails to execute its business plan, the borrower may not receive a sufficient return on the asset to satisfy the interim loan, and we bear the risk that we may not recover some or all of our initial expenditure. In addition, borrowers usually use the proceeds of a long-term mortgage loan to repay an interim loan. We may therefore be dependent on a borrower's ability to obtain permanent financing to repay our interim loan, which could depend on the borrower's ability to execute its business plan, market conditions and other factors.

Further, interim loans may be relatively less liquid than loans against stabilized properties due to their short life, their potential unsuitability for securitization, any unstabilized nature of the underlying real estate and the difficulty of recovery in the event of a borrower's default. This lack of liquidity may significantly impede our ability to respond to adverse changes in the performance of our interim loan portfolio and may adversely affect the value of the portfolio.

Such "liquidity risk" may be difficult or impossible to hedge against and may also make it difficult to effect a sale of such assets as we may need or desire. As a result, if we are required to liquidate all or a portion of our interim loan portfolio quickly, we may realize significantly less than the value at which such investments were previously recorded, which may fail to maximize the value of the investments or result in a loss.

We may finance first mortgages, which may present greater risks than if we had made first mortgages directly to owners of real estate collateral.

Our portfolio may include first mortgage loan financings which are loans made to holders of commercial real estate first mortgage loans that are secured by commercial real estate. While we have certain rights with respect to the real estate collateral underlying a first mortgage loan, the holder of the commercial real estate first mortgage loans may fail to exercise its rights with respect to a default or other adverse action relating to the underlying real estate collateral or fail to promptly notify us of such an event which would adversely affect our ability to enforce our rights. In addition, in the event of the bankruptcy of the borrower under the first mortgage loan, we may not have full recourse to the assets of the holder of the commercial real estate loan, or the assets of the holder of the commercial real estate loan may not be sufficient to satisfy our first mortgage loan financing. Financings of first mortgage loans might not generate qualifying income for REIT purposes and may be held in a TRS, resulting in a lower after-tax return to Ladder than other financings. Accordingly, we may face greater risks from our first mortgage loan financings than if we had made first mortgage loans directly to owners of real estate collateral.

We may originate or acquire construction loans, which may expose us to an increased risk of loss.

We may originate or acquire construction loans. If we fail to fund our entire commitment on a construction loan or if a borrower otherwise fails to complete the construction of a project, there could be adverse consequences associated with the loan, including: a loss of the value of the property securing the loan, especially if the borrower is unable to raise funds to complete construction from other sources; a borrower claim against us for failure to perform under the loan documents; increased costs to the borrower that the borrower is unable to pay; a bankruptcy filing by the borrower; and abandonment by the borrower of the collateral for the loan.

We are subject to additional risks associated with loan participations.

Some of our loans may be participation interests or co-lender arrangements in which we share the rights, obligations and benefits of the loan with other lenders. We may need the consent of these parties to exercise our rights under such loans, including rights with respect to amendment of loan documentation, enforcement proceedings in the event of default and the institution of, and control over, foreclosure proceedings. Similarly, a majority of the participants may be able to take actions to which we object but to which we will be bound if our participation interest represents a minority interest. We may be adversely affected by this lack of full control.

Our investments in subordinate loans, subordinate participation interests in loans and subordinate CMBS rank junior to other senior debt and we may be unable to recover our investment in these interests.

We may originate or acquire subordinate loans (including mezzanine loans), subordinate participation interests in loans and subordinate rated and/or unrated CMBS (including, without limitation, certain “risk retention” interests required to be retained by certain participants in securitization transactions under new rules, which took effect in December 2016). In the event a borrower defaults on a loan and lacks sufficient assets to satisfy our loan, we may suffer a loss of principal or interest. In the event a borrower declares bankruptcy, we may not have full recourse to the assets of the borrower or a non-recourse carve-out guarantor, or the assets of the borrower or non-recourse carve-out guarantors may not be sufficient to satisfy the loan and our legal costs. In addition, certain of our loans may be subordinate to other debt of the borrower. If a borrower defaults on a loan to us or on debt senior to our loan, or in the event of a borrower bankruptcy, our loan will be satisfied only after the senior debt is paid in full. Where debt senior to our loan exists, the presence of intercreditor arrangements may limit our ability to amend loan documents, assign our loans, accept prepayments, exercise remedies and control decisions made in bankruptcy proceedings relating to borrowers.

If a borrower defaults on our mezzanine loan, subordinate loan or debt senior to any loan, or in the event of a borrower bankruptcy, our loan will be satisfied only after the senior debt is paid in full. As a result, we may not recover some or all of our initial expenditure. In addition, mezzanine and subordinate loans may have higher loan-to-value ratios than first mortgage loans, resulting in less equity in the property and increasing the risk of loss of principal. Significant losses related to our mezzanine loans or subordinate loans would result in operating losses for us.

In general, losses on a mortgaged property securing a mortgage loan included in a securitization will be borne first by the equity holder of the property, then by a cash reserve fund or letter of credit, if any, then by the holder of a mezzanine loan or B-Note, if any, then by the “first loss” subordinated security holder (generally, the “B-Piece” buyer) and then by the holder of a higher-rated security. In the event of default and the exhaustion of any equity support, reserve fund, letter of credit, mezzanine loans or B-Notes, and any classes of securities junior to those in which we may invest, we may not be able to recover all of our investment in the securities we purchased. In addition, if the underlying mortgage portfolio has been overvalued by the originator, or if the values subsequently decline and, as a result, less collateral is available to satisfy interest and principal payments due on the related mortgage-backed securities, the securities in which we may invest may effectively become the “first loss” position behind the more senior securities, which may result in significant losses to us. The prices of lower credit quality securities are generally less sensitive to interest rate changes than more highly rated investments, but more sensitive to adverse economic downturns or individual issuer developments. A projection of an economic downturn, for example, could cause a decline in the price of lower credit quality securities because the ability of obligors of mortgage loans underlying the mortgage-backed securities to make principal and interest payments may be impaired. In such event, existing credit support in the securitization structure may be insufficient to protect us against loss of our principal in these securities.

The market value of our investments in CMBS could fluctuate materially as a result of various risks that are out of our control and may result in significant losses.

We currently invest in and may continue to invest in CMBS, a specific type of structured finance security. CMBS are securities backed by obligations (including certificates of participation in obligations) that are principally secured by commercial mortgage loans or interests therein having a multi-family or commercial use, such as shopping malls, other retail space, office buildings, industrial or warehouse properties, hotels, nursing homes and senior living centers. Accordingly, investments in CMBS are subject to the various risks described herein which relate to the pool of underlying assets in which the CMBS represents an interest. The exercise of remedies and successful realization of liquidation proceeds relating to commercial mortgage loans underlying CMBS may be highly dependent on the performance of the servicer or special servicer. There may be a limited number of special servicers available, particularly those which do not have conflicts of interest. We will bear the risk of loss on any CMBS we purchase. Further, the insurance coverage for various types of losses is limited in amount and we would bear losses in excess of the applicable limitations.

We may attempt to underwrite our investments on a “loss-adjusted” basis, which projects a certain level of performance. However, there can be no assurance that this underwriting will accurately predict the timing or magnitude of such losses. To the extent that this underwriting has incorrectly anticipated the timing or magnitude of losses, our business may be adversely affected. Some mortgage loans underlying CMBS may default. Under such circumstances, cash flows of CMBS investments held by us may be adversely affected as any reduction in the mortgage payments or principal losses on liquidation of any mortgage loan may be applied to the class of CMBS relating to such defaulted loans that we hold.

The market value of our CMBS investments could fluctuate materially over time as the result of changes in mortgage spreads, treasury bond interest rates, capital market supply and demand factors, and many other factors that affect high-yield fixed income products. These factors are out of our control, and could influence our ability to obtain short-term financing on the CMBS. The CMBS in which we may invest may have no, or only a limited, trading market. In addition, we may in the future invest in CMBS investments that are not rated by any credit rating agency, and such investments may be less liquid than CMBS that are rated. The financial markets in the past have experienced and could in the future experience a period of volatility and reduced liquidity which may reoccur or continue and reduce the market value of CMBS. Some or all of the CMBS that we hold may be subject to restrictions on transfer and may be considered illiquid.

We have acquired and, in the future, may acquire net leased real estate assets, or make loans to owners of net leased real estate assets (including ourselves), which carry particular risks of loss that may have a material impact on our financial condition, liquidity and results of operations.

A net lease requires the tenant to pay, in addition to the fixed rent, some or all of the property expenses that normally would be paid by the property owner. The value of our investments and the income from our investments in net leased properties, if any, will depend upon the ability of the applicable tenant to meet its obligations to maintain the property under the terms of the net lease. If a tenant fails or becomes unable to so maintain a property, the cash flow and/or the value of the property would be adversely affected. In addition, under many net leases the owner of the property retains certain obligations with respect to the property, including among other things, the responsibility for maintenance and repair of the property, to provide adequate parking, maintenance of common areas and compliance with other affirmative covenants in the lease. If we, as the owner, or the borrower, were to fail to meet these obligations, the applicable tenant could abate rent or terminate the applicable lease, which may result in a loss of capital invested in, and anticipated profits from, the property. In addition, we, as the owner, or the borrower may find it difficult to lease certain property to new tenants if that property had been suited to the particular needs of a former tenant.

The expense of operating and owning real property may impact our cash flow from operations.

We have in the past and may in the future make equity investments in real property. Costs associated with real estate investment, such as real estate taxes, insurance and maintenance costs, generally are not reduced even when a property is not fully occupied, rental rates decrease or other circumstances cause a reduction in income from the property. As a result, cash flow from the operations of our properties may be reduced if a tenant does not pay its rent or we are unable to rent out properties on favorable terms. Under those circumstances, we might not be able to enforce our rights as landlord without delays and may incur substantial legal costs. Additionally, new properties that we may acquire or redevelop may not produce significant revenue immediately, and the cash flow from existing operations may be insufficient to pay the operating expenses and principal and interest on debt associated with such properties until they are fully leased.

Our investments in securities and mortgages issued by agencies or instrumentalities of the U.S. government face risks of prepayments or defaults on U.S. Agency Securities that we own at a premium and of "negative convexity."

We currently invest in and may continue to invest in securities and mortgages issued by agencies or instrumentalities of the U.S. government, including Ginnie Mae, Fannie Mae, the Federal Housing Administration ("FHA"), Freddie Mac and other government agency mortgages secured by single multifamily properties or skilled nursing facilities. Additionally, we invest in real estate mortgage investment conduit ("REMIC") securities collateralized by these mortgages. We invest in U.S. Agency Securities, the principal of which is guaranteed implicitly or explicitly by the U.S. government. Therefore, the most significant risks present in U.S. Agency Securities owned by us are first, in prepayments or defaults on U.S. Agency Securities that we own at a premium and second, "negative convexity," as defined below.

We are exposed to the risk of increased prepayments or defaults by any mortgage or security that we own at a premium, such as any interest-only securities, most single mortgage securities and all construction and permanent loans. Any principal paydown diminishes the amount outstanding in these securities and reduces the yield to us. Before purchasing a loan or security, we judge the likelihood of prepayment based on certain prepayment and default parameters and our own experience in the government agency security market. Different estimates, judgments and assumptions reasonably could be used that would have a material effect on our judgment and, accordingly, result in losses to our business.

"Negative convexity" is the inverse relationship between interest rates and the average expected life of a pool of mortgage loans; when interest rates rise, a mortgage may extend and when interest rates fall, a mortgage may prepay or default. As in any mortgage security, negative convexity is a concern as the yield on mortgage-backed securities is based on the average expected life of the underlying pool of mortgage loans. The actual prepayment experience of such pools may cause the yield we realize to differ from that calculated by us in making the investment, resulting in losses or profits. An unexpected default in a single large property may reduce yield. In each transaction, we attempt to understand the agencies' underwriting processes in order to assess the risk of default associated with a particular U.S. Agency Security. We also endeavor to diversify our holdings and at periodic points in time, sell our older positions for newer product, which may have less likelihood of default. There is no guarantee that we will be successful in either of these activities. When interest rates are rising, the rate of prepayment tends to decrease, thereby lengthening the actual average life of such pools. We frequently update our extension risk analyses and, if necessary, our hedging to account for this risk. The same is true when interest rates fall and prepayments tend to increase.

Other risks associated with U.S. Agency Securities are illiquidity, re-investment and the risk that a construction loan may not roll into a permanent loan.

We may make equity and preferred equity investments which involve a greater risk of loss than traditional debt financing.

We may invest in equity and preferred equity interests in entities owning real estate. Such investments are subordinate to debt financing and are not secured. Should the issuer default on our investment, in most instances we would only be able to proceed against the entity that issued the equity in accordance with the terms of the security, and not any property owned by the entity. Furthermore, in the event of bankruptcy or foreclosure, we would only be able to recoup our capital after any creditors to the entity are paid. As a result, we may not recover some or all of our capital, which could result in losses.

Our participation in the market for mortgage loan securitizations may expose us to risks that could result in losses to us.

We have generally participated in the market for mortgage loan securitizations by contributing loans to securitizations led by various large financial institutions and by leading single-asset securitizations on single mortgage loans we originated. We may, in the future, take a larger role in multi-asset securitizations of mortgage loans, including as an issuer. We also occasionally, and may in the future, act as a co-manager and/or co-underwriter in the securitizations in which we participate. To date, when we have primarily acted as a mortgage loan seller into, and occasionally as an issuer of securitizations, we have been obligated to assume certain customary liabilities. Specifically, in connection with any particular securitization, we: (i) make certain representations and warranties regarding ourselves and the characteristics of, and origination process for, the mortgage loans that we contribute to the securitization; (ii) undertake to cure, repurchase or replace any mortgage loan that we contribute to the securitization that is affected by a material breach of any such representation or warranty or a material loan document deficiency; and (iii) assume, either directly or through the indemnification of third-parties, potential securities law liabilities for disclosure to investors regarding ourselves and the mortgage loans that we contribute to the securitization. When we lead a single-asset or multi-asset securitization as an issuer and/or lead manager, we assume, either directly or through indemnification agreements, additional potential securities law liabilities and third-party liabilities beyond the liabilities we would assume when we act only as a mortgage loan seller into a securitization.

As a result of the dislocation of the credit markets during the last recession, the securitization industry has become subject to additional and changing regulation. For example, pursuant to the Dodd-Frank Act, various federal agencies have promulgated, or are in the process of promulgating, regulations and rules with respect to various issues that affect securitizations, including: (a) a rule that took effect December 24, 2016 (the "Risk Retention Rule") requiring that either (i) a securitization's sponsor retain, until the unpaid balance of the bonds or the loans is reduced by a certain amount, a 5% vertical interest in each class of securities issued or (ii) the sponsor or certain third-party purchasers (each, a "B Piece Buyer") retain, until the unpaid balance of the bonds or the loans is reduced by a certain amount (or for third-party purchasers, for at least five years), securities in an amount equal to 5% of the credit risk associated with the issued securities in the form of the subordinate tranches; (b) requirements for additional disclosure; (c) requirements for additional review and reporting (including revisions to Regulation AB); (d) requirements that the chief executive officer ("CEO") of an issuer file with the SEC an individual certificate attesting to certain matters, as described below; and (e) certain restrictions designed to prohibit conflicts of interest. Other regulations have been and may ultimately be adopted.

The Risk Retention Rule can be satisfied by: (i) retention of a horizontal tranche (i.e., in one or more subordinate classes); (ii) retention of a vertical security or interest in each class of securities issued in connection with the securitization; or (iii) a combination of (i) and (ii). The risk (with respect to CMBS) must be retained by the sponsor, certain mortgage loan originators and/or, upon satisfaction of certain requirements, a B Piece Buyer. Significant restrictions exist, and additional restrictions may be added in the future, regarding who may hold risk retention interests, the structure of the entities that hold risk retention interests and when and how such risk retention interests may be transferred. Therefore such risk retention interests will be generally illiquid. As a result of the Risk Retention Rule, we may be required to purchase and retain certain interests in a securitization into which we sell mortgage loans and/or when we act as issuer, may be required to sell certain interests in a securitization at prices below levels that such interests have historically yielded and/or may be required to enter into certain arrangements related to risk retention that we have not historically been required to enter into and, accordingly, the Risk Retention Rule may increase our potential liabilities and/or reduce our potential profits in connection with securitization of mortgage loans.

The requirement that the CEO of an issuer file an individual certificate with the SEC may introduce additional potential liabilities whether we serve as issuer in a securitization or solely as a loan seller or loan originator. The CEO certification includes statements as to the absence of any untrue or omitted material information relating to the mortgage loans and the ability of the mortgage loans to support the payments required to be made under the bonds issued in connection with the securitization in accordance with their terms. The full extent of liability that the CEO may have to the SEC and/or investors on account of the certified statements is difficult to determine at this time. If we serve as issuer in a securitization, we would likely to be obligated to indemnify the CEO of our issuer entity against any liabilities that such individual may incur in connection with such certification. In addition, in securitization transactions in which we serve as only loan seller or an originator that sells loans to a loan seller (and not as an issuer), we would likely be obligated to provide a back-up officer's certificate from a senior officer as to our mortgage loans as support for the issuer's CEO certification, and similarly be obligated to indemnify that senior officer against any liabilities that individual may incur in connection with his/her back-up officer's certification.

The Risk Retention Rule, CEO certification and other rules and regulations that have been adopted or may be adopted in the future may alter the structure of securitizations and could pose additional risks to or reduce or eliminate the economic benefits of our participation in the securitization market. In addition, such rules and regulations could reduce or eliminate the economic benefits of securitization or discourage traditional issuers, underwriters, B Piece Buyers or other participants from participating in future securitizations and affect the availability of securitization platforms into which we can contribute mortgage loans, which may require that we take on additional roles and risks in connection with effectuating securitizations of our mortgage loans.

Historically, when we have served as issuer in connection with a securitization, the offering has been a private offering. In the future, we may elect to serve as issuer of a securitization involving a public offering, which we would conduct pursuant to a registration statement filed with the SEC by our subsidiary Ladder Capital Commercial Mortgage Securities LLC. Maintaining a registration statement and acting as an issuer in connection with securitizations will expose us to potential liability under various securities laws and will impose ongoing reporting and other obligations, many of which are more extensive than the potential liabilities and obligations we incur when we act as issuer in a private offering or when we sell loans into another issuer's publicly offered securitization. In addition to the CEO certification referenced above, certain individuals associated with the issuer entity would be obligated to sign the registration statement and be exposed to liability under various securities laws. We would likely be obligated to indemnify such individuals.

Prior to any securitization, we generally finance mortgage loans with relatively short-term facilities until a sufficient portfolio is accumulated. We are subject to the risk that we will not be able to originate or acquire sufficient eligible assets to maximize the efficiency of a securitization. We also bear the risk that, upon expiration of a short-term facility, we might not be able to renew such short-term facility or obtain a new short-term facility. Our inability to refinance any short-term facility would also increase our risk because borrowings thereunder would likely be recourse to us or one of our subsidiaries. If we are unable to obtain and renew short-term facilities or to consummate securitizations to finance our assets on a long-term basis, we may be required to seek other forms of potentially less attractive financing or to liquidate assets at an inopportune time or price.

We may sponsor, or purchase the equity securities of collateralized loan obligations, or CLOs, and such instruments involve significant risks, including that CLO equity receives distributions from the CLO only if the CLO generates enough income to first pay all debt service obligations to the investors holding senior tranches and all CLO expenses.

In CLOs, investors purchase specific tranches, or slices, of debt or equity instruments that are secured or backed by a pool of loans. The CLO debt classes have a specific seniority structure and priority of payments. The equity interests in a CLO are the most subordinate interests and are usually entitled to all of the income generated by pool of loans after the payment of debt service on all the more senior classes of debt and the payment of all expenses. Defaults on the pool of loans therefore immediately affect the equity tranche. The subordinate tranches of CLO debt may also experience a lower recovery and greater risk of loss, including risk of deferral or non-payment of interest than more senior tranches of the CLO debt because they bear the bulk of defaults from the loans held in the CLO and serve to protect the other, more senior tranches from default in all but the most severe circumstances. Despite the protection provided by the subordinate and equity tranches, CLO tranches can experience substantial losses due to actual defaults, increased sensitivity to defaults due to collateral default and disappearance of protecting tranches, decline in market value due to market anticipation of defaults and aversion to CLO securities as a class. Further, the transaction documents relating to the issuance of CLO securities may impose eligibility criteria on the assets of the CLO, restrict the ability of the CLO's sponsor to trade investments and impose certain portfolio-wide asset quality requirements. Finally, the Risk Retention Rule imposes a retention requirement of 5% of the issued debt classes by the sponsor of the CLO (as described above). These criteria, restrictions and requirements may limit the ability of the CLO's sponsor (or collateral manager) to maximize returns on the CLO securities.

In addition, CLOs are not actively traded and are relatively illiquid investments and volatility in CLO trading market may cause the value of these investments to decline. The market value of CLO Securities may be affected by, among other things, changes in the market value of the underlying loans held by the CLO, changes in the distributions on the underlying loans, defaults and recoveries on the underlying loans, capital gains and losses on the underlying losses (or foreclosure assets), prepayments on underlying loan and the availability, prices and interest rate of underlying loans. Furthermore, the leveraged nature of the equity tranche and each subordinated tranche may magnify the adverse impact on such class of changes in the value of the loans, changes in the distributions on the loans, defaults and recoveries on the loans, capital gains and losses on the loans (or foreclosure assets), prepayment on loans and availability, price and interest rates of the loans.

Because of the requirements of the Risk Retention Rule, if we purchase a horizontal subordinate strip of a CLO to satisfy the Risk Retention Rule, we would not be able to dispose of that portion of the equity interests during the required risk retention period, which may increase our risk of loss.

A CLO may include certain interest coverage tests, overcollateralization coverage tests or other tests that, if not met, may result in a change in the priority of distributions, which may result in the reduction or elimination of distributions to the subordinate debt and equity tranches until the tests have been met or certain senior classes of securities have been paid in full. Accordingly, if we hold subordinate debt or equity interests in a CLO that contains such tests and such tests are not satisfied, we may experience a significant reduction in our cash flow from those interests.

Furthermore, if any CLO that we sponsor or hold equity interests in fails to meet certain tests relevant to the most senior debt issued and outstanding by the CLO issuer, an event of default may occur under that CLO. If that occurs, (i) if we were serving as manager of the CLO, our ability to manage the CLO may be terminated and (ii) our ability to attempt to cure any defaults in the CLO may be limited, which would increase the likelihood of a reduction or elimination of cash flow and returns to us in the CLOs for an indefinite time.

Any credit ratings assigned to our investments could be downgraded, which could have a material impact on our financial condition, liquidity and results of operations.

Some of our investments may be rated by one or more of Moody's, Fitch, Standard & Poor's, Realpoint, Dominion Bond Rating Service, Morningstar Credit Ratings, Kroll Bond Ratings or other credit rating agencies. Any credit ratings on our investments are subject to ongoing evaluation by credit rating agencies, and we cannot be assured that any such ratings will not be changed or withdrawn by a credit rating agency in the future if, in its judgment, circumstances warrant. If credit rating agencies assign a lower-than-expected rating or reduce or withdraw, or indicate that they may reduce or withdraw, their ratings of our investments in the future, the value of these investments could significantly decline, which would adversely affect the value of our portfolio and could result in losses upon disposition or the failure of borrowers to satisfy their debt service obligations to us.

The credit ratings currently assigned to our investments may not accurately reflect the risks associated with those investments.

Credit rating agencies rate investments based upon their assessment of the perceived safety of the receipt of principal and interest payments from the issuers of such debt securities. Credit ratings assigned by the credit rating agencies may not fully reflect the true risks of an investment in such securities. Also, credit rating agencies may fail to make timely adjustments to credit ratings based on recently available data or changes in economic outlook or may otherwise fail to make changes in credit ratings in response to subsequent events, so that our investments may in fact be better or worse than the ratings indicate. We try to reduce the impact of the risk that a credit rating may not accurately reflect the risks associated with a particular debt security by not relying solely on credit ratings as the indicator of the quality of an investment. We make our acquisition decisions after factoring in other information, such as the discounted value of a CMBS security's projected future cash flows, and the value of the real estate collateral underlying the mortgage loans owned by the issuing REMIC trust. However, our assessment of the quality of a CMBS investment may also prove to be inaccurate and we may incur credit losses in excess of our initial expectations.

We could incur losses from investments in non-conforming and non-investment grade-rated loans or securities, which could have a material impact on our financial condition, liquidity and results of operations.

Some of our investments may not conform to conventional loan standards applied by traditional lenders and either may not be rated or may be rated as non-investment grade by the credit rating agencies. The non-investment grade ratings for these assets typically result from the overall leverage of the underlying loans, the lack of a strong operating history for the properties underlying the loans, the borrowers' credit history, the properties' underlying cash flow or other factors. As a result, these investments will have a higher risk of default and loss than investment grade-rated assets. Any loss that we incur may be significant. There may be no limits on the percentage of unrated or non-investment grade rated assets that we may hold in our portfolio.

Some of our portfolio investments will be recorded at fair value and there is uncertainty as to the value of these investments. Furthermore, our determinations of fair value may have a material impact on our financial condition and results of operations.

The value of some of our investments may not be readily determinable or may be unreliable. We will value these investments quarterly at fair value, as determined in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification (Topic 820): Fair Value Measurement, or ASC 820. Because such valuations are subjective, the fair value of certain of our assets may fluctuate over short periods of time and our determinations of fair value may differ materially from the values that would have been used if a ready market for these assets existed. Our determinations of fair value may have a material impact on our earnings, in the case of impaired loans and other assets, trading securities and available-for-sale securities that are subject to OTTI, or our accumulated other comprehensive income/(loss) in our shareholders' equity, in the case of available-for-sale securities that are subject only to temporary impairments.

We utilize an internal model as our primary pricing source to develop prices for our CMBS and U.S. Agency Securities. To confirm our own valuations, we request prices for each of our CMBS and U.S. Agency Securities investments from third-party dealers and pricing services. Third parties that provide pricing services develop estimates of fair value for CMBS and U.S. Agency Securities employ various techniques, including discussion with their internal trading desks and the use of proprietary models and matrix pricing. We do not have access to, and are therefore not able to review in detail, the inputs used by these third parties in developing their fair value estimates. Furthermore, in general, dealers and pricing services heavily disclaim their valuations. Dealers may claim to furnish valuations only as an accommodation and without special compensation, and so they may disclaim any and all liability for any direct, incidental or consequential damages arising out of any inaccuracy or incompleteness in valuations, including any act of negligence or breach of any warranty. Depending on the complexity and illiquidity of an asset, valuations of the same asset can vary substantially from one dealer or pricing service to another. Additionally, our results of operations for a given period could be adversely affected if our determinations regarding the fair value of these investments were materially higher than the values that we ultimately realize upon their disposal.

Our ability to collect upon mortgage loans may be limited by the application of state laws.

Each of our mortgage loans permits us to accelerate the debt upon default by the borrower. The courts of all states will enforce acceleration clauses in the event of a material payment default, subject in some cases to a right of the court to revoke such acceleration and reinstate the mortgage loan if a payment default is cured. The equity courts of any state, however, may refuse to allow the foreclosure of a mortgage, deed of trust, or other security instrument or to permit the acceleration of the indebtedness if the exercise of those remedies would be inequitable or unjust or the circumstances would render the acceleration unconscionable. Thus, a court may refuse to permit foreclosure or acceleration if a default is deemed immaterial or the exercise of those remedies would be unjust or unconscionable or if a material default is cured.

Further, the ability to collect upon mortgage loans may be limited by the application of state and U.S. federal laws. Several states (including California) have laws that prohibit more than one "judicial action" to enforce a mortgage obligation. Some courts have construed the term "judicial action" broadly.

The borrowers under the loans underlying our investments may be unable to repay their remaining principal balances on their stated maturity dates, which could negatively impact our business results.

Our mortgage loans may be non-amortizing or partially amortizing balloon loans that provide for substantial payments of principal due at their stated maturities. Balloon loans involve a greater risk to the lender than amortizing loans because a borrower's ability to repay a balloon mortgage loan on its stated maturity date typically will depend upon its ability either to refinance the mortgage loan (although some loans such as those on condominium projects, may be at least partially self-liquidating) or to sell the mortgaged property at a price sufficient to permit repayment. A borrower's ability to effect a refinancing or sale will be affected by a number of factors. We are not obligated to refinance any of these mortgage loans.

Third-party diligence reports on mortgaged properties are made as of a point in time and are therefore limited in scope.

Appraisals and engineering and environmental reports, as well as a variety of other third party reports, are generally obtained with respect to each of the mortgaged properties underlying our investments at or about the time of origination. Appraisals are not guarantees of present or future value. One appraiser may reach a different conclusion than the conclusion that would be reached if a different appraiser were appraising that property. Moreover, the values of the mortgaged properties may have fluctuated significantly since the appraisals were performed. In addition, any third party report, including any engineering report, environmental report, site inspection or appraisal represents only the analysis of the individual consultant, engineer or inspector preparing such report at the time of such report, and may not reveal all necessary or desirable repairs, maintenance, remediation and capital improvement items.

The owners of, and borrowers on, the properties which secure our investments may seek the protection afforded by bankruptcy, insolvency and other debtor relief laws, which may create potential for risk of loss to us.

Although commercial mortgage lenders typically seek to reduce the risk of borrower bankruptcy through such items as nonrecourse carveouts for bankruptcy and special purpose entity/separateness covenants and/or non-consolidation opinions for borrowing entities, the owners of, and borrowers on, the properties which secure our investments may still seek the protection afforded by bankruptcy, insolvency and other debtor relief laws. One of the protections offered in such proceedings to borrowers or owners is a stay of legal proceedings against such borrowers or owners, and a stay of enforcement proceedings against collateral for such loans or underlying such securities (including the properties and cash collateral). A stay of foreclosure proceedings could adversely affect our ability to realize on its collateral, and could adversely affect the value of those assets. Other protections in such proceedings to borrowers and owners include forgiveness of debt, the ability to create super priority liens in favor of certain creditors of the debtor, the potential loss of cash collateral held by the lender if the lender is over-collateralized, and certain well defined claims procedures. Additionally, the numerous risks inherent in the bankruptcy process create a potential risk of loss of our entire investment in any particular investment.

Liability relating to environmental matters may impact the value of properties that we may acquire or the properties underlying our investments.

Liability relating to environmental matters may decrease the value of the underlying properties of our investments and may adversely affect the ability of a person to sell such property or real estate instrument related to the property or borrow using such property as collateral and may adversely affect the security afforded by a property for a mortgage loan. Under various U.S. federal, state and local laws, an owner or operator of real property may become liable for the costs of removal of certain hazardous substances released on, about, under or in its property. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release of such hazardous substances. To the extent that an owner of an underlying property becomes liable for removal costs, testing, monitoring, remediation, bodily injury or property damage, the ability of the owner to make debt payments may be reduced, which in turn may adversely affect the value of the relevant mortgage asset related to such property. If we acquire any properties by foreclosure or otherwise, the presence of hazardous substances on a property may adversely affect our ability to sell the property and we may incur substantial remediation costs, thereby harming our financial condition. The discovery of material environmental liabilities attached to such properties could have a material adverse effect on our results of operations and financial condition. Moreover, some U.S. federal and state laws provide that, in certain situations, a secured lender, such as us, may be liable as an “owner” or “operator” of the real property, regardless of whether the borrower or previous owner caused the environmental damage. Therefore, the presence of hazardous materials on certain property could have an adverse effect on us in our capacity as the owner of such property, as the mortgage lender to the owner of such property, or as the holder of a real estate instrument related to such property.

Insurance on the real estate underlying our loans and investments may not cover all losses, and this shortfall could result in both loss of cash flow from and a decrease in the asset value of the affected property.

The borrower, or we as property owner and/or originating lender, as the case may be, might not purchase enough or the proper types of insurance coverage to cover all losses. Further, there are certain types of losses, generally of a catastrophic nature, such as earthquakes, floods, hurricanes, terrorism or acts of war that may be uninsurable or not economically insurable. Inflation, changes in building codes and ordinances, environmental considerations and other factors, including terrorism or acts of war, also might make the insurance proceeds insufficient to repair or replace a property if it is damaged or destroyed. Under such circumstances, the insurance proceeds received might not be adequate to restore our economic position with respect to the affected real property. Any uninsured loss could result in both loss of cash flow from and a decrease in the asset value of the affected property.

Our entitlement to repayment on a loan may be impacted by the doctrine of equitable subordination, which would result in the subordination of our claim to the claims of other creditors of the borrower.

Courts have, in some cases, applied the doctrine of equitable subordination to subordinate the claim of a lending institution against a borrower to claims of other creditors of the borrower, when the lending institution is found to have engaged in unfair, inequitable or fraudulent conduct. The courts have also applied the doctrine of equitable subordination when a lending institution or its affiliates are found to have exerted inappropriate control over a borrower, including control resulting from the ownership of equity interests in a borrower. In certain instances where we own equity in a property, we also may make one or more loans to the owner of such property. Payments on one or more of our loans, particularly a loan to a borrower in which we also hold equity interests, may be subject to claims of equitable subordination that would place our entitlement to repayment of the loan on an equal basis with holders of the borrower's common equity only after all of the borrower's obligations relating to its other debt and preferred securities has been satisfied.

If we purchase or originate loans secured by liens on facilities that are subject to a ground lease and such ground lease is terminated unexpectedly, our interests could be adversely affected.

A ground lease is a lease of land, usually on a long-term basis, that does not include buildings or other improvements on the land. Normally any real property improvements made by the lessee during the term of the lease will revert to the owner at the end of the lease term. We may purchase or originate loans secured by liens on facilities that are subject to a ground lease, and, if the ground lease were to terminate unexpectedly, due to the borrower's default on such ground lease, our business could be adversely affected.

For certain of our loans, we may rely on loan agents or other lenders and such agents or other lenders may not act in the manner that we expect.

With respect to some of our loans, we will be neither the agent of the lending group that receives payments under the loan nor the agent of the lending group that controls the collateral for purposes of administering the loan. When we are not the agent for a loan, we may not receive the same financial or operational information as we would receive for loans for which we are the agent and, in many instances, the information on which we must rely may be provided by the agent rather than directly by the borrower. As a result, it may be more difficult for us to track or rate such loans than it is for the loans for which we are the agent. Additionally, we may be prohibited or otherwise restricted from taking actions to enforce the loan or to foreclose upon the collateral securing the loan without the agreement of other lenders holding a specified minimum aggregate percentage, such as a majority or two-thirds of the outstanding principal balance. It is possible that an agent or other lenders for one of such loans may choose not to take the same actions to enforce the loan or to foreclose upon the collateral securing the loan that we would have taken had we been agent for the loan.

We may not be able to control the party who services the mortgage loans included in the CMBS in which we may invest if those loans are in default and, in such cases, our interests could be adversely affected.

With respect to each series of the CMBS in which we may invest, overall control over the special servicing of the related underlying mortgage loans will be held by a "directing certificate-holder" or a "controlling class representative," which is appointed by the holders of the most subordinate class of CMBS in such series. We may not have the right to appoint the directing certificate-holder or controlling class representative. In connection with the servicing of the specially serviced mortgage loans, the related special servicer may, at the direction of the directing certificate-holder or controlling class representative, take actions with respect to the specially serviced mortgage loans that could adversely affect our interests. However, the special servicer is not permitted to take actions that are prohibited by law or violate the applicable servicing standard or the terms of the mortgage loan documents.

We may be required to make determinations of a borrower's creditworthiness based on incomplete information or information that we cannot verify, which may cause us to purchase or originate loans that we otherwise would not have purchased or originated and, as a result, may negatively impact our business or reputation.

The commercial real estate lending business depends on the creditworthiness of borrowers, which we must judge. In making such judgment, we will depend on information obtained from non-public sources and the borrowers in making many decisions related to our portfolio, and such information may be difficult to obtain or may be inaccurate. As a result, we may be required to make decisions based on incomplete information or information that is impossible or impracticable to verify. A determination as to the creditworthiness of a prospective borrower is based on a wide-range of information including, without limitation, information relating to the form of entity of the prospective borrower, which may indicate whether the borrower can limit the impact that its other activities have on its ability to pay obligations related to the mortgaged property. Even if we are provided with full and accurate disclosure of all material information concerning a borrower, members of the management team may misinterpret or incorrectly analyze this information, which may cause us to purchase or originate loans that we otherwise would not have purchased or originated and, as a result, may negatively impact our business or the borrower could still defraud us after origination leading to a loss and negative publicity.

Our reserves for loan losses may prove inadequate, which could have a material adverse effect on us.

We maintain and regularly evaluate financial reserves to protect against potential future losses. Our reserves reflect management's judgment of the probability and severity of losses. We cannot be certain that our judgment will prove to be correct and that reserves will be adequate over time to protect against potential future losses because of unanticipated adverse changes in the economy or events adversely affecting specific assets, borrowers, industries in which our borrowers operate or markets in which our borrowers or their properties are located. We must evaluate existing conditions on our debt investments to make determinations to record loan loss reserves on these specific investments. If our reserves for credit losses prove inadequate, we could suffer losses which would have a material adverse effect on our financial performance.

If the loans that we originate or purchase do not comply with applicable laws, we may be subject to penalties.

Loans that we originate or purchase may be directly or indirectly subject to U.S. laws. Real estate lenders and borrowers may be responsible for compliance with a wide range of law intended to protect the public interest, including, without limitation, the Truth in Lending, Equal Credit Opportunity, Fair Housing and Americans with Disabilities Acts and local zoning laws (including, but not limited, to zoning laws that allow permitted non-conforming uses). If we or any other person fail to comply with such laws in relation to a loan that we have purchased or originated, legal penalties may be imposed, and our business may be adversely affected as a result. Additionally, jurisdictions with "one action," "security first" and/or "antideficiency rules" may limit our ability or the ability of a special servicer of a CMBS issuance to foreclose on a real property or to realize on obligations secured by a real property. In the future, new laws may be enacted or imposed by U.S. federal, state or local governmental entities, and such laws may have an adverse effect on our business.

We are subject to various risks relating to non-U.S. securities and loans that may make them more risky than our investments in U.S.-based securities and loans.

Investments in securities or loans of non-U.S. issuers or borrowers or on non-U.S. properties and securities denominated or whose prices are quoted in non-U.S. currencies pose, to the extent not hedged, currency exchange risks (including blockage, devaluation and nonexchangeability), as well as a range of other potential risks which could include expropriation, confiscatory taxation, withholding or other taxes on interest, dividends, capital gain or other income, political or social instability, illiquidity, price volatility, market manipulation and the burdens of complying with international licensing and regulatory requirements and prohibitions that differ between jurisdictions. In addition, less information may be available regarding non-U.S. properties or securities of non-U.S. issuers or borrowers and non-U.S. issuers or borrowers may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of U.S. issuers. Transaction costs of investing in non-U.S. securities or loan markets are generally higher than in the United States, and there may be less government supervision and regulation of exchanges, brokers and issuers than there is in the United States. We might have greater difficulty taking appropriate legal action in non-U.S. courts and non-U.S. markets also have different clearance and settlement procedures which in some markets have at times failed to keep pace with the volume of transactions, thereby creating substantial delays and settlement failures that could adversely affect our performance.

Risks Related to Our Indebtedness

Our business is highly leveraged, which could lead to greater losses than if we were not as leveraged.

We do and, in the future, intend to use financial leverage in executing our business plan. Such borrowings may take the form of "financing facilities" such as bank credit facilities, credit facilities from government agencies (including the FHLB), repurchase agreements and warehouse lines of credit, which are secured revolving lines of credit that we utilize to warehouse portfolios or real estate instruments until we exit them through securitization. We do and, in the future, intend to enter into securitization and other long-term financing transactions to use the proceeds from such transactions to reduce the outstanding balances under these financing facilities. However, such agreements may include a recourse component. Further, any financing facilities that we currently have or may use in the future to finance our assets may require us to provide additional collateral or pay down debt if the market value of our assets pledged or sold to the provider of the credit facility or the repurchase agreement counterparty decline in value. In addition, our borrowings are generally based on floating interest rates, the fluctuation of which could adversely affect our business and results of operations. Our use of leverage in a market that moves adversely to our business interests could result in a substantial loss to us, which would be greater than if we were not leveraged.

There can be no assurance that we will be able to utilize financing arrangements in the future on favorable terms, or at all.

There is no assurance that we will be able to obtain, maintain or renew our financing facilities on terms favorable to us or at all. Furthermore, any financing facility that we enter into will be subject to conditions and restrictive covenants relating to our operations, which may inhibit our ability to grow our business and increase revenues. To the extent we breach a covenant or cannot satisfy a condition, such facility may not be available to us, or may be required to be repaid in full or in part, which could limit our ability to pursue our business strategies. Further, such borrowings may limit the length of time during which any given asset may be used as eligible collateral.

Additionally, if we are unable to securitize our loans to replenish a warehouse line of credit, we may be required to seek other forms of potentially less attractive financing or otherwise to liquidate our assets. Furthermore, some of our warehouse lines of credit contain cross-default provisions. If a default occurs under one of these warehouse lines of credit and the lenders terminate one or more of these agreements, we may need to enter into replacement agreements with different lenders. There can be no assurance that we will be successful in entering into such replacement agreements on the same terms as the terminated warehouse line of credit.

We may issue more unsecured corporate bonds in the future depending on the financing requirements of our business and market conditions. Our failure to maintain the credit ratings on our debt securities could negatively affect our ability to access capital and could increase our interest expense. The credit rating agencies periodically review our capital structure and the quality and stability of our earnings. Deterioration in our capital structure or the quality and stability of our earnings could result in a downgrade of the credit ratings on our Notes and other debt securities. Any negative ratings actions could constrain the capital available to us and could limit our access to funding for our operations. We are dependent upon our ability to access capital at rates and on terms we determine to be attractive. If our ability to access capital becomes constrained, our interest costs could increase, which could have material adverse effect on our results of operations, financial condition and cash flows.

The effective subordination of our Notes, or other similar debt securities that we may issue in the future, may limit our ability to meet all of our debt service obligations.

Our Notes are unsecured and unsubordinated obligations and rank equally in right of payment with each other and with all of our unsecured and unsubordinated indebtedness. However, our Notes are effectively subordinated in right of payment to all of our secured indebtedness to the extent of the value of the collateral securing such indebtedness. As of December 31, 2016, we had $2.8 billion of secured consolidated indebtedness outstanding. While the indentures governing our Notes limit our ability to incur secured indebtedness in the future, they do not prohibit us from incurring such indebtedness if we and our subsidiaries are in compliance with certain financial ratios and other requirements at the time of incurrence. In the event of a bankruptcy, liquidation, dissolution, reorganization, or similar proceeding with respect to us, the holders of any secured indebtedness will be entitled to proceed directly against the collateral that secures such indebtedness. Therefore, the collateral will not be available for satisfaction of any amounts owed under our unsecured indebtedness, including our Notes or similar debt securities that we may issue in the future, until such secured indebtedness is satisfied in full.

Our Notes are also effectively subordinated to all liabilities, whether secured or unsecured. In the event of a bankruptcy, liquidation, dissolution, reorganization, or similar proceeding with respect to any of our subsidiaries, we (as a common equity owner of such subsidiary), and therefore holders of our debt (including our Notes or similar debt securities that we may issue in the future), will be subject to the prior claims of such subsidiary's creditors, including trade creditors and preferred equity holders. As of December 31, 2016, our subsidiaries had approximately $4.0 billion of indebtedness and other liabilities outstanding and no preferred equity.

The indenture governing our Notes contains restrictive covenants that may limit our ability to expand or fully pursue our business strategies.

The indentures governing our Notes contain financial and operating covenants that, among other things, may limit our ability to take specific actions, even if we believe them to be in our best interest and require us to, among other things, maintain at all times a specified ratio of indebtedness to equity. These covenants may restrict our ability to expand or fully pursue our business strategies. Our ability to comply with these and other provisions of our debt agreements may be affected by changes in our operating and financial performance, changes in general business and economic conditions, adverse regulatory developments, or other events.

Our use of leverage may create a mismatch between the duration of financing and the life of the investments made using the proceeds of such financing.

We generally intend to structure our leverage such that we minimize the differences between the term of our investments and the leverage we use to finance such an investment. However, under certain circumstances, we may determine not to do so or we may be unable to do so. In the event that our leverage is for a shorter term than the financed investment, we may not be able to extend or find appropriate replacement leverage, which would have an adverse impact on our liquidity and our returns. In the event that our leverage is for a longer term than the financed investment, we may not be able to repay such leverage or replace the financed investment with an optimal substitute or at all, which would negatively impact our desired leveraged returns.

We generally attempt to structure our leverage such that we minimize the differences between the index of our investments and the index of our leverage (i.e., financing floating rate investments with floating rate leverage and fixed rate investments with fixed rate leverage). If such a product is not available to us from our lenders on reasonable terms, we may use hedging instruments to effectively create such a match. For example, in the case of future fixed rate investments, we may finance such an investment with floating rate leverage, but effectively convert all or a portion of the attendant leverage to fixed rate using hedging strategies.

Our attempts to mitigate such risk are subject to factors outside our control, such as the availability of favorable financing and hedging options, which is subject to a variety of factors, of which duration and term-matching are only two. The risks of a duration mismatch are magnified by the potential for the extension of loans in order to maximize the likelihood and magnitude of their recovery value in the event the loans experience credit or performance challenges. Employment of this asset management practice would effectively extend the duration of our investments, while our liabilities have set maturity dates.

The utilization of any of our repurchase and warehouse facilities and other financing arrangements is subject to the pre-approval of the lender, which we may be unable to obtain.

In order to borrow funds under a repurchase or warehouse agreement or other financing arrangement, the lender has the right to review the potential assets for which we are seeking financing and approve such asset in its sole discretion. Accordingly, we may be unable to obtain the consent of a lender to finance an investment and alternate sources of financing for such asset may not exist.

Our use of repurchase agreements to finance our securities and/or loans may give our lenders greater rights in the event that either we or a lender files for bankruptcy, including the right to repudiate our repurchase agreements, which could limit or delay our claims.

In the event of our insolvency or bankruptcy, certain repurchase agreements may qualify for special treatment under the U.S. Bankruptcy Code, the effect of which, among other things, would be to allow the lender under the applicable repurchase agreement to avoid the automatic stay provisions of the U.S. Bankruptcy Code and to foreclose on the collateral agreement without delay. In the event of the insolvency or bankruptcy of a lender during the term of a repurchase agreement, the lender may be permitted under applicable insolvency laws to repudiate the contract, and our claim against the lender for damages may be treated simply as an unsecured claim. In addition, if the lender is a broker or dealer subject to the Securities Investor Protection Act of 1970, or an insured depository institution subject to the Federal Deposit Insurance Act, our ability to exercise our rights to recover our securities under a repurchase agreement or to be compensated for any damages resulting from the lender's insolvency may be further limited by those statutes. These claims would be subject to significant delay and, if and when received, may be substantially less than the damages we actually incur. Therefore, our use of repurchase agreements to finance our portfolio assets exposes our pledged assets to risk in the event of a bankruptcy filing by either a lender or ourselves.

If a counterparty to our repurchase transactions defaults on its obligation to resell the underlying security and/or loans to us at the end of the transaction term, or if the value of the underlying security and/or loans has declined as of the end of that term, or if we default on our obligations under the repurchase agreement, we will lose money on our repurchase transactions.

When we engage in repurchase transactions, we generally sell securities and/or loans to lenders (i.e., repurchase agreement counterparties) in return for cash from the lenders. The lenders then are obligated to resell the same securities and/or loans to us at the end of the term of the transaction. In a repurchase agreement, the cash we receive from a lender when we initially sell the securities and/or loans to such lender is less than the value of the securities and/or loans sold. If the lender defaults on its obligation to resell the same securities and/or loans to us under the terms of a repurchase agreement, we will incur a loss on the transaction equal to the difference between the value of the securities and/or loans sold and the cash we received from the lender (assuming there was no change in the value of the securities and/or loans). We also would lose money on a repurchase transaction if the value of the underlying securities and/or loans has declined as of the end of the transaction term, as we would have to repurchase the securities and/or loans for their initial value but would receive securities and/or loans worth less than that amount. Further, if we default on one of our obligations under a repurchase transaction, the lender will be able to terminate the transaction and cease entering into any other repurchase transactions with us. Our repurchase agreements generally contain cross-default provisions, so that if a default occurs under any one agreement, the lenders under our other agreements also could declare a default. If a default occurs under any of our repurchase agreements and the lenders terminate one or more of their repurchase agreements, we may need to enter into replacement repurchase agreements with different lenders. There can be no assurance that we will be successful in entering into such replacement repurchase agreements on the same terms as the repurchase agreements that were terminated or at all. Any losses that we incur on our repurchase transactions could adversely affect our earnings.

We may be subject to repurchases of loans or indemnification on loans and real estate that we have sold if certain representations or warranties in those sales are breached.

If loans that we sell or securitize do not comply with representations and warranties that we make about the loans, the borrowers, or the underlying properties, we may be required to repurchase such loans (including from a trust vehicle used to facilitate a structured financing of the assets through a securitization) or replace them with substitute loans. Additionally, in the case of loans and real estate that we have sold, we may be required to indemnify persons for losses or expenses incurred as a result of a breach of a representation or warranty. Repurchased loans typically will require a significant allocation of working capital to be carried on our books, and our ability to borrow against such assets may be limited. Any significant repurchases or indemnification payments could adversely affect our business.

Despite our substantial outstanding indebtedness, we may still incur significantly more indebtedness in the future, which would exacerbate any or all of the risks described herein.

We may incur substantial additional indebtedness in the future. Although the agreements governing our indebtedness do limit our ability to incur additional indebtedness, these restrictions are subject to a number of qualifications and exceptions and, under certain circumstances, debt incurred in compliance with these restrictions could be substantial. To the extent that we incur substantial additional indebtedness in the future, the risks associated with our substantial leverage described herein, including our inability to meet all of our debt service obligations, would be exacerbated.

Risks Related to Regulatory and Compliance Matters

One of our subsidiaries is registered as a broker-dealer and is subject to various broker-dealer regulations. Violations of these regulations could result in revocation of broker-dealer licenses, fines or other disciplinary action.

We have a subsidiary, LCS, which is registered as a broker-dealer with the SEC and in all 50 states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands, and is a member of FINRA. This subsidiary, which from time to time co-manages the CMBS securitizations to which an affiliate contributes collateral as loan seller, is subject to regulations that cover all aspects of its business, including sales methods, trade practices, use and safekeeping of clients' funds and securities, the capital structure of the subsidiary, recordkeeping, the financing of clients' purchases and the conduct of directors, officers and employees. The SEC and FINRA have also imposed both conduct-based and disclosure-based requirements with respect to research reports. Violation of these regulations can result in the revocation of broker-dealer licenses (which could result in our having to hire new licensed investment professionals before continuing certain operations), the imposition of censure or fines and the suspension or expulsion of the subsidiary, its officers or employees from FINRA. In addition, LCS is subject to routine periodic examination by the staff of FINRA.

As a registered broker-dealer and member of a self-regulatory organization, LCS is subject to the SEC's uniform net capital rule. Rule 15c3-1 of the Exchange Act specifies the minimum level of net capital a broker-dealer must maintain and also requires that a significant part of a broker-dealer's assets be kept in relatively liquid form. The SEC and FINRA impose rules that require notification when net capital falls below certain predefined criteria, limit the ratio of subordinated debt to equity in the regulatory capital composition of a broker-dealer and constrain the ability of a broker-dealer to expand its business under certain circumstances. Additionally, the SEC's uniform net capital rule imposes certain requirements that may have the effect of prohibiting a broker-dealer from distributing or withdrawing capital and requiring prior notice to the SEC for certain withdrawals of capital.

The Dodd-Frank Act will result in additional regulation by the SEC, the CFTC and LCS' other regulators. The legislation calls for the imposition of expanded standards of care by market participants in dealing with clients and customers, including by providing the SEC with authority to adopt rules establishing fiduciary duties for broker-dealers and directing the SEC to examine and improve sales practices and disclosure by broker-dealers and investment advisers. LCS will also be affected by rules adopted by U.S. federal agencies pursuant to the Dodd-Frank Act that have recently gone into effect and require that any person who organizes or initiates an asset-backed security transaction to retain a portion (at least 5%) of any credit risk that the person conveys to a third party. Securitizations will also be affected by rules prohibiting securitization participants' engaging in any transaction that would involve or result in any material conflict of interest with an investor in a securitization transaction. The rules exempt bona fide market-making activities and risk-mitigating hedging activities in connection with securitization activities from the general prohibition.

If our subsidiary that is regulated as a registered investment adviser is unable to meet the requirements of the SEC or fails to comply with certain U.S. federal and state securities laws and regulations, it may face termination of its investment adviser registration, fines or other disciplinary action.

Our subsidiary LCAM that is regulated by the SEC as a registered investment adviser. Registered investment advisers are subject to the requirements and regulations of the Advisers Act. Such requirements relate to, among other things, fiduciary duties to advisory clients, maintaining an effective compliance program, solicitation agreements, conflicts of interest, recordkeeping and reporting requirements, disclosure requirements, limitations on agency cross and principal transactions between an advisor and advisory clients and general anti-fraud prohibitions. LCAM currently is an investment adviser to a mutual fund registered under the Investment Company Act, which subjects LCAM to regulation under the Investment Company Act, including with respect to the fees our subsidiary earns from the fund and the ability of the mutual fund to enter into principal transactions or joint transactions with us and our affiliates. Non-compliance with the Advisers Act, the Investment Company Act or other U.S. federal and state securities laws and regulations could result in investigations, sanctions, disgorgement, fines and reputational damage.

If our subsidiary that is regulated as a registered investment adviser is unable to successfully negotiate the terms of its management fees, our results of operations could be negatively impacted.

Our asset management business depends in large part on our ability to raise capital from third-party investors. If we are unable to raise capital from third-party investors, we would be unable to collect management fees or deploy their capital into investments and potentially receive additional fees and compensation, which would materially reduce our revenue and cash flow from our asset management business and adversely affect our financial condition. Regulations adopted by the Department of Labor in 2016 are anticipated to create compliance and operational challenges for companies that distribute investment products and may make it more difficult for our investment adviser subsidiary to raise capital for clients that it manages.

In connection with creating new investment products, we negotiate terms with potential investors. The outcome of such negotiations could result in our agreement to terms that are materially less favorable to us than the terms of other accounts or vehicles one of our investment adviser subsidiaries has advised. Such terms could restrict our subsidiaries' ability to advise accounts or vehicles with investment objectives or strategies that compete with existing accounts or vehicles, reduce fee revenues we earn, reduce the percentage of profits on third-party capital that we share in or add expenses and obligations for us in managing the accounts or vehicles or increase our potential liabilities, all of which could ultimately reduce our profitability.

The advisory contracts our investment adviser subsidiary enters into with clients provide investors or, in some cases, the independent directors of the clients with significant latitude to terminate such contracts, withdraw funds or liquidate funds by simple majority vote with limited notice or penalty or to remove our subsidiary as a fund's investment adviser (or equivalent). The investment advisory agreement with our registered investment company client is required, after an initial two year term, to be renewed and approved annually by the fund's boards of directors, a majority of whom are independent from the Company.

The historical returns attributable to the accounts and investment vehicles currently or formerly managed by our asset management business are not indicative of the future results of the accounts and investment vehicles managed by this business, our future results or the performance of our Class A common stock.

The historical and potential future returns of the accounts and investment vehicles managed by our asset management business are not directly linked to returns on our business. Therefore, any positive performance of the accounts and investment vehicles that we manage will not necessarily result in positive returns on an investment in our common equity. However, poor performance of the accounts and investment vehicles that we manage would cause a decline in our revenue from such accounts and investment vehicles, and would therefore have a negative effect on our performance.

We cannot be certain that consents required for assignments of our investment management agreements will be obtained if a change of control occurs at the Company, which may result in the termination of these agreements and a corresponding loss of revenue.

The Advisers Act requires that any investment management agreements be terminated upon an "assignment" without investor consent. Such "assignment" may be deemed to occur in the event such adviser experiences a direct or indirect change of control (at the Company level). The Investment Company Act has a similar requirement, except that a majority of the fund's independent directors also must consent. Termination of these agreements would cause us to lose the fees we earn from such account or fund.

If our subsidiary that operates as a captive insurance company fails to comply with insurance laws or is no longer a member of the FHLB, our sources of financing may be limited, which may have an adverse financial impact on the captive and us.

We maintain a captive insurance company to provide coverage previously self-insured by us, including nuclear, biological or chemical coverage, excess property coverage and excess errors and omissions coverage. The captive is regulated by the State of Michigan and is subject to regulations that cover all aspects of its business, including a requirement to maintain a certain minimum net capital. Violation of these regulations can result in revocation of its authorization to do business as a captive insurer or result in censures or fines. The captive could also be found to be in violation of the insurance laws of states other than Michigan (i.e., states where insureds are located), in which case, fines and penalties could apply from those states. Under certain circumstances, regulatory actions (such as new rulemakings) impacting the captive could result in limitations on the ability of the captive to borrow from the FHLB, or termination of its membership in the FHLB, and thereby impact the FHLB's availability as a source of financing for our operations.

The captive is a member of the FHLB, and as such, is eligible to borrow funds, on a fully collateralized basis, in accordance with the terms and conditions of the FHLB's Advances, Pledge and Security Agreement and is subject to the lending policies of the FHLB as established from time to time. As a member, the captive is required to purchase shares of FHLB stock based on the amount of funds currently borrowed. The organization of the captive and its membership in the FHLB is viewed as a risk financing and investment vehicle of Ladder. Like any other investment, the captive's participation in the FHLB involves some risk of loss and/or access to assets of the captive, both with respect to the shares of FHLB stock and the assets provided by the captive as collateral for its borrowings. Furthermore, if the captive's membership in the FHLB is terminated, then it may have an adverse financial impact on the captive and us.

The FHFA has revised its regulation on FHLB membership, which, without further modification, will ultimately result in the inability of our captive insurance company to borrow new advances from, or be a member of, the FHLB no later than February 19, 2021.

On January 20, 2016, the FHFA, regulator of the FHLB, published a final rule amending its regulation on FHLB membership. The final rule was effective February 19, 2016 and requires that Tuebor's FHLB membership be terminated by the FHLB no later than February 19, 2021. During this five-year transition period, the FHLB may continue to make new advances to Tuebor so long as they do not exceed forty percent of Tuebor's total assets, and they do not have a maturity of later than February 19, 2021. Tuebor's outstanding advances from the FHLB as of December 31, 2015 were less than forty percent of Tuebor's total assets at that date. Existing advances that mature after the termination of Tuebor's membership are permitted to remain in place until maturity of such advances.

FHLB advances amounted to 42.1% of the Company's outstanding debt obligations as of December 31, 2016. The Company does not anticipate that the FHFA's final regulation will materially impact its operations as it will continue to access FHLB advances during the five-year transition period and it has multiple, diverse funding sources for financing its portfolio in the future. In the latter stages of the five-year transition period, the Company expects to adjust its financing activities by gradually making greater use of alternative sources of funding of types currently used by the Company including secured and unsecured borrowings from banks and other counterparties, the issuance of corporate bonds and equity, and the securitization or sale of assets. Future moves to alternative funding sources could result in higher or lower advance rates from secured funding sources but also the incurrence of higher funding and operating costs than would have been incurred had FHLB funding continued to be available. In addition, the Company may find it more difficult to obtain committed secured funding for multiple year terms as it has been able to obtain from the FHLB. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and capital resources."

The five-year transition period allows time for events to occur that may impact Tuebor's long-term membership in the FHLB, including further regulatory changes, the enactment of legislation, or the filing of litigation challenging the validity of the final rule. During this period, a combination of these external events and/or Tuebor's own actions could result in the emergence of feasible alternative approaches for it to retain its FHLB membership.

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

Regulatory changes in the United States and regulatory compliance failures could adversely affect our reputation, business and operations.

Potential regulatory action poses a significant risk to our business. Certain of our subsidiaries' businesses are subject to extensive regulation in the United States and may rely on exemptions from various requirements of the Securities Act, the Exchange Act, the Investment Company Act and ERISA. These exemptions are sometimes highly complex and may in certain circumstances depend on compliance by third parties who we do not control. If for any reason these exemptions were to be revoked or challenged or otherwise become unavailable to us, we could be subject to regulatory action or third-party claims, and our business could be materially and adversely affected.

Further, each of the regulatory bodies with jurisdiction over one or more of our subsidiaries has regulatory powers dealing with many aspects of financial services, including the authority to grant, and in specific circumstances to cancel, permissions to carry on particular activities, which may negatively affect our business.

In addition, we are subject to the Sarbanes-Oxley Act and other applicable securities rules and regulations. Compliance with these rules and regulations may increase our legal and financial compliance costs, make some activities more difficult, time-consuming or costly and increase demand on our systems and resources. We may also be involved in trading activities which implicate a broad number of United States securities law regimes, including laws governing trading on inside information, market manipulation and a broad number of technical trading requirements that implicate fundamental market regulation policies. Violation of these laws could result in severe restrictions on our activities and damage to our reputation.

It is uncertain how regulatory trends will be affected by the new presidential administration. Compliance with any new laws or regulations could make compliance more difficult and expensive, affect the manner in which we conduct our business and adversely affect our profitability.

Employee misconduct could harm us by impairing our ability to attract and retain clients and subjecting us to significant legal liability and reputational harm.

There is a risk that our employees could engage in misconduct that adversely affects our business. We are subject to a number of obligations and standards arising from our regulated businesses and our authority over the assets managed by our asset management business. The violation of these obligations and standards by any of our employees would adversely affect our clients and us. If our employees were improperly to use or disclose confidential information obtained during discussions regarding a potential investment, we could suffer serious harm to our reputation, financial position and current and future business relationships. It is not always possible to detect or deter employee misconduct, and the extensive precautions we take to detect and prevent this activity may not be effective in all cases. If one of our employees were to engage in misconduct or were to be accused of such misconduct, our business and our reputation could be adversely affected.

Accounting rules for certain of our transactions are highly complex and involve significant judgment and assumptions. Changes in accounting interpretations or assumptions could impact our combined consolidated financial statements.

Accounting rules for transfers of financial assets, securitization transactions, consolidation of variable interest entities, or VIEs, and other aspects of our anticipated operations are highly complex and involve significant judgment and assumptions. These complexities could lead to a delay in preparation of financial information and the delivery of this information to our shareholders. Changes in accounting interpretations or assumptions could impact our combined consolidated financial statements, result in a need to restate our financial results and affect our ability to timely prepare our combined consolidated financial statements. Our inability to timely prepare our combined consolidated financial statements in the future would likely adversely affect our security prices significantly.

Risks Related to Our Investment Company Act Exemption

Maintenance of our exemption from registration under the Investment Company Act imposes significant limits on our operations. The value of our securities, including our Class A common stock, may be adversely affected if we are required to register as an investment company under the Investment Company Act.

We intend to conduct our operations so that neither we nor any of our subsidiaries (including any series thereof) are required to register as an investment company under the Investment Company Act.

If we or any of our subsidiaries (including any series thereof) fail to qualify for and maintain an exemption from registration under the Investment Company Act, or an exclusion from the definition of an investment company, we could, among other things, be required either to: (i) substantially change the manner in which we conduct our operations to avoid being required to register as an investment company; (ii) effect sales of our assets in a manner that, or at a time when, we would not otherwise choose to do so; or (iii) register as an investment company under the Investment Company Act, any of which could have an adverse effect on us, our financial results, the sustainability of our business model, the value of our securities (including the Notes) or our ability to satisfy our obligations in respect of the Notes.

If we or any of our subsidiaries (including any series thereof) were required to register as an investment company under the Investment Company Act, the registered entity would become subject to substantial regulation with respect to capital structure (including the ability to use leverage), management, operations, transactions with affiliated persons (as defined in the Investment Company Act), portfolio composition, including restrictions with respect to diversification and industry concentration, compliance with reporting, record keeping, voting, proxy disclosure and other rules and regulations that would significantly change its operations and we would not be able to conduct our business as described herein. For example, because affiliate transactions are generally prohibited under the Investment Company Act, we would not be able to enter into certain transactions with any of our affiliates if we are required to register as an investment company, which could have a material adverse effect on our ability to operate our business.

If we were required to register ourselves as an investment company but failed to do so, we would be prohibited from engaging in our business, and criminal and civil actions could be brought against us. In addition, our contracts would be unenforceable unless a court required enforcement, and a court could appoint a receiver to take control of us and liquidate our business.

We believe we are not an investment company under Section 3(a)(1)(A) of the Investment Company Act because we do not engage primarily, or hold ourselves out as being engaged primarily, and do not propose to engage primarily, in the business of investing, reinvesting or trading in securities. However, under Section 3(a)(1)(C) of the Investment Company Act, because we are a holding company that will conduct its businesses primarily through majority-owned subsidiaries (including any series thereof), the securities issued by these subsidiaries (including any series thereof) that are excepted from the definition of "investment company" under Section 3(c)(1) or 3(c)(7) of the Investment Company Act, together with any other investment securities we may own, may not have a combined value in excess of 40% of the value of our adjusted total assets (exclusive of government securities and cash items) on an unconsolidated basis (the "40% test"). This requirement limits the types of businesses in which we may engage through our subsidiaries (including any series thereof). In addition, the assets we and our subsidiaries (including any series thereof) may originate or acquire are limited by the provisions of the Investment Company Act and the rules and regulations promulgated thereunder, which may adversely affect our business.

We expect that certain of our subsidiaries (including any series thereof) may rely on the exclusion from the definition of "investment company" under the Investment Company Act pursuant to Section 3(c)(5)(C) of the Investment Company Act, which is available for entities "primarily engaged" in the business of "purchasing or otherwise acquiring mortgages and other liens on and interests in real estate." This exclusion, as interpreted by the staff of the SEC, requires that an entity invest at least 55% of its assets in qualifying real estate assets and at least 80% of its assets in qualifying real estate assets and real estate-related assets. We expect each of our subsidiaries (including any series thereof) relying on Section 3(c)(5)(C) to rely on guidance published by the SEC staff or on our analyses of such guidance to determine which assets are qualifying real estate assets and real estate-related assets. However, the SEC's guidance was issued in accordance with factual situations that may be substantially different from the factual situations we may face. We have not received, nor have we sought, a no-action letter from the SEC regarding how our investment strategy fits within the exclusions from the definition of an "investment company" under the Investment Company Act that we and our subsidiaries (including any series thereof) are relying on. The SEC staff may, in the future, issue further guidance that may require us to re-classify our assets for purposes of qualifying for an exclusion from the definition of an "investment company" under the Investment Company Act. If we are required to re-classify our assets, certain of our subsidiaries (including any series thereof) may no longer be in compliance with the exclusion from the definition of an "investment company" provided by Section 3(c)(5)(C) of the Investment Company Act. To the extent that the SEC staff publishes new or different guidance with respect to these matters, we may be required to adjust our strategy accordingly. In addition, we may be limited in our ability to make certain investments and these limitations could result in a subsidiary holding assets we might wish to sell or selling assets we might wish to hold.

Any of the Company or our subsidiaries (including any series thereof) may rely on the exemption provided by Section 3(c)(6) of the Investment Company Act to the extent that they primarily engage, directly or through majority-owned subsidiaries (including any series thereof), in the businesses described in Sections 3(c)(3), 3(c)(4) and 3(c)(5) of the Investment Company Act. The SEC staff has issued little interpretive guidance with respect to Section 3(c)(6) and any guidance published by the staff could require us to adjust our strategy accordingly.

We determine whether an entity (including any series thereof) is one of our majority-owned subsidiaries. The Investment Company Act defines a majority-owned subsidiary of a person as a company 50% or more of the outstanding voting securities of which are owned by such person, or by another company which is a majority-owned subsidiary of such person. The Investment Company Act further defines voting securities as any security presently entitling the owner or holder thereof to vote for the election of directors of a company. We treat companies in which we own at least a majority of the outstanding voting securities as majority-owned subsidiaries for purposes of the 40% test. We have not requested the SEC to approve our treatment of any company as a majority-owned subsidiary and the SEC has not done so. If the SEC were to disagree with our treatment of one or more companies as majority-owned subsidiaries, we would need to adjust our strategy and our assets in order to continue to pass the 40% test. Any such adjustment in our strategy could have a material adverse effect on us.

There can be no assurance that the laws and regulations governing the Investment Company Act exemptions and exclusions described above will not change in a manner that adversely affects our operations, including the SEC or its staff providing more specific or different guidance regarding Section 3(c)(5)(C), including the nature of the assets that qualify for purposes of the exclusion and whether companies that are engaged in the business of acquiring mortgages and mortgage-related instruments should be regulated in a manner similar to investment companies. If we or our subsidiaries (including any series thereof) fail to maintain an exemption from registration under the Investment Company Act, we could, among other things, be required to: (i) change the manner in which we conduct our operations to avoid being required to register as an investment company; (ii) effect sales of our assets in a manner that, or at a time when, we would not otherwise choose to do so; or (iii) register as an investment company, any of which could negatively affect our financial results, the sustainability of our business model, or the value of our securities.

Risks Related to Conflicts of Interest

Our officers and directors may be involved in other businesses related to the commercial real estate industry and potential conflicts of interests may arise if we invest in commercial real estate instruments or properties affiliated with such businesses.

Our officers or directors may be involved in other businesses related to the commercial real estate industry, and we may wish to invest in commercial real estate instruments or properties affiliated with such persons. Potential conflicts of interest may exist in such situations, and as a result, the benefits to our business of such investments may be limited. Although we do have a policy governing approval of certain related party transactions by the board of directors, we do not expressly prohibit our directors, officers, security holders or affiliates from having a direct or indirect pecuniary interest in any transaction in which we have an interest or engaging for their own account in business activities of the types that we conduct.

We may compete with our investors and our affiliated entities for certain investment opportunities.

TowerBrook and GI Partners, or one or more of their affiliates, may compete against us for investment opportunities in the future. The investment in the Company by the funds managed by TowerBrook and GI Partners did not result in any limitations on the types of investments and activities that may be made or pursued by any of the funds managed by TowerBrook and GI Partners and our amended and restated certificate of incorporation provides that we shall not have any right or expectation in any corporate opportunities known to Towerbrook or GI Partners. In the future, TowerBrook or GI Partners (or one of any of their affiliates) or one or more of the funds managed by TowerBrook or GI Partners may invest in and/or control one or more other entities or businesses with investment and operating focuses that overlap with our investment and operating focus. Certain potential conflicts of interest may also arise with respect to the allocation of prospective investments between us and one or more of the funds managed by TowerBrook and GI Partners or other investment entities controlled or managed by TowerBrook and GI Partners and their affiliates. Where such allocations are appropriate, TowerBrook and GI Partners generally will act or choose not to act in a fashion that they deem reasonable and fair to each investment entity that is a party to the transaction. As a result, we may decide not to invest in otherwise desirable and beneficial investment opportunities.

Certain of our entities have in the past and may in the future make loans to other of our entities. Such loans may be made on other-than-arms'-length terms, and as a result, we could be deemed to be subject to an inherent conflict of interest in the event that the interest rates and related fees of such loans differ from those rates and fees then available in the marketplace. We expect that such loans will not give rise to a conflict of interest because such loans generally will be made at rates, and subject to fees, lower than those available in the marketplace; however, we will attempt to resolve any conflicts of interest that arise in a fair and equitable manner.

We hold CMBS and the master servicer, special servicer or sub-servicer or their affiliates may have relationships with borrowers under related mortgage loans and such relationships may impact the value of such CMBS.

In instances where we hold CMBS, the master servicer, special servicer or sub-servicer or any of their respective affiliates may have interests in, or other financial relationships with, borrowers under related mortgage loans. Such relationships may create conflicts of interest that negatively impact the value of such CMBS.

Risks Related to Hedging

Complying with REIT requirements may limit our ability to hedge effectively.

The REIT provisions of the Code may limit our ability to hedge our assets and operations. Under these provisions, any income that we generate from transactions intended to hedge our interest rate risk will be excluded from gross income for purposes of the REIT 75% and 95% gross income tests if the instrument hedges interest rate risk on liabilities used to carry or acquire real estate assets, and such instrument is properly identified under applicable U.S. Department of the Treasury (the "Treasury") regulations. Income from hedging transactions that do not meet these requirements will generally constitute nonqualifying income for purposes of both the REIT 75% and 95% gross income tests. As a result of these rules, we may have to limit our use of hedging techniques that might otherwise be advantageous or implement those hedges through a TRS. This could increase the cost of our hedging activities because our TRSs would be subject to tax on gains or expose us to greater risks associated with changes in interest rates than we would otherwise want to bear. In addition, losses in our TRSs will generally not provide any tax benefit, except for being carried forward against future taxable income in the TRSs.

We may enter into hedging transactions that could expose us to contingent liabilities in the future and adversely impact our financial condition.

Part of our strategy will involve entering into hedging transactions that could require us to fund cash payments in certain circumstances (such as the early termination of the hedging instrument caused by an event of default or other early termination event, or the decision by a counterparty to request margin securities it is contractually owed under the terms of the hedging instrument). These potential payments will be contingent liabilities and therefore may not appear in our financial statements. The amount due would be equal to the unrealized loss of the open swap positions with the respective counterparty and could also include other fees and charges. These economic losses will be reflected in our results of operations, and our ability to fund these obligations will depend on the liquidity of our assets and access to capital at the time, and the need to fund these obligations could adversely impact our financial condition.

Hedging against interest rate exposure may adversely affect our earnings.

We intend to pursue various hedging strategies to seek to reduce our exposure to adverse changes in interest rates. Our hedging activity will vary in scope based on the level and volatility of interest rates, the type of assets held, compliance with REIT rules, and other changing market conditions. Interest rate hedging may fail to protect or could adversely affect our business because, among other things:

- interest rate hedging can be expensive, particularly during periods of rising and volatile interest rates;
- available interest rate hedges may not correspond directly with the interest rate risk for which protection is sought;
- due to a credit loss or other factors, the duration of the hedge may not match the duration of the related liability;
- applicable law may require mandatory clearing of certain interest rate hedges we may wish to use, which may raise costs;
- the credit quality of the hedging counterparty owing money on the hedge may be downgraded to such an extent that it impairs our ability to sell or assign its side of the hedging transaction; and
- the hedging counterparty owing money in the hedging transaction may default on its obligation to pay.

In addition, we may fail to recalculate, readjust and execute hedges in an efficient manner.

Any hedging activity in which we engage may materially and adversely affect our results of operations and cash flows. Therefore, while we may enter into such transactions seeking to reduce interest rate risks, unanticipated changes in interest rates may result in poorer overall investment performance than if we had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions or liabilities being hedged may vary materially. Moreover, for a variety of reasons, we may not seek to establish a perfect correlation between such hedging instruments and the portfolio positions or liabilities being hedged. Any such imperfect correlation may prevent us from achieving the intended hedge and expose us to risk of loss.

A liquid secondary market may not exist for certain hedging instruments and they therefore may involve risks and costs that could result in material losses.

The enforceability of agreements underlying certain hedging transactions may depend on compliance with applicable statutory and regulatory requirements under U.S. law and, depending on the identity of the counterparty, applicable international requirements. The business failure of a hedging counterparty with whom we enter into a hedging transaction will most likely result in its default, resulting in the loss of unrealized profits and forcing us to cover our commitments, if any, at the then current market price. A liquid secondary market may not exist for these hedging instruments, and we may be required to maintain a position until exercise or expiration, which could result in material losses.

We may enter into hedging transactions that subject us to mandatory clearing and/or margin requirements.

Part of our strategy will involve entering into hedging transactions that may be subject to mandatory clearing under the Dodd-Frank Act and therefore subject to associated margin requirements imposed by the applicable clearinghouse. The margin we may be required to post may be subject to the rules of the relevant clearinghouse, which may provide the clearinghouse with discretion to increase those requirements. In addition, clearing intermediaries who clear our trades with a clearinghouse may have contractual rights to increase the margin requirements we are required to provide above clearinghouse minimums.

Regulations that have been adopted in the U.S. (under the Dodd-Frank Act) and that have begun to phase in will impose mandatory margin requirements on uncleared swaps that could be needed to execute our hedging strategy. Similar rules have been adopted in Europe and have either been proposed or adopted in other jurisdictions where our dealer counterparties may be located. These rules impose obligations on many derivatives market participants to collect and post “variation margin” in connection with over-the-counter derivatives and, on a smaller group of market participants, to also collect and post “initial margin.” The potential impact on us will depend on the impact on the interdealer hedging market (which may affect the pricing we can obtain from dealers) and whether one or both of these requirements will apply to our derivatives counterparties when transacting with us. The rules began to go into effect in the interdealer market in September 2016 and variation margin requirements are expected to go into effect with respect to our swaps in March 2017. The rules and proposals are intended to provide that the margin requirements for parties subject to “initial margin” requirements would be higher than the margin requirements for similar cleared derivatives.

Our ability to fund these obligations will depend on the liquidity of our assets and access to capital at the time, and the need to fund these obligations could adversely impact our financial condition. In addition, the failure to satisfy a margin call may result in the liquidation of all or a portion of the relevant hedge transactions. The implementation of the new margin rules for uncleared over-the-counter derivatives could also increase the cost to us of using these products.

Changes in the regulatory environment for derivatives could adversely affect our hedging activities.

The Dodd-Frank Act regulates derivative transactions with a material U.S. nexus, which covers certain hedging instruments we may use in our risk management activities. Similarly, governments and regulators in other G-20 countries have committed to increased regulation of derivative transactions and are in various stages of implementing regulations similar to those that have either been adopted or proposed in the U.S. Depending on where our derivatives providers are located, these other regulations may apply instead of, or in addition to, regulations under the Dodd-Frank Act. The regulations that have been adopted to date include significant new provisions regarding conduct, documentation, risk management and reporting when transacting in derivatives (including mandatory clearing and margin requirements), although the full impact of those provisions will not be known definitively until they have been fully implemented.

Additional non-U.S. regulations governing derivative transactions and market participants are also expected. In the U.S., the situation is less certain as the Dodd-Frank Act requires U.S. regulators to finalize certain regulations that have not yet been adopted but the new presidential administration and Republicans in Congress have indicated that they intend to roll back some or all of the regulations previously adopted. The legislation and new regulations could increase the short- and long-term operational and transactional cost of derivatives contracts and also affect the number and/or creditworthiness of available hedge counterparties. Reductions in regulation in the U.S. also may impose short-term adjustment costs.

Risks Related to Our Organization and Structure

Our only material asset is our interest in each Series of LCFH and we are accordingly dependent upon distributions from such Series of LCFH to pay dividends, taxes and other expenses.

We are a holding company and have no material assets other than our direct and indirect ownership of Series REIT limited partnership units ("Series REIT LP Units") and Series TRS limited partnership units ("Series TRS LP Units" and, collectively with Series REIT LP Units, "Series Units") of LCFH. Series TRS LP Units are exchangeable for the same number of limited liability company interests of LC TRS I LLC ("LC TRS I Shares"), which is a limited liability company that is a TRS as well as the general partner of Series TRS. We have no independent means of generating revenue. We expect each Series of LCFH to make distributions to its unitholders in an amount sufficient to cover all applicable taxes payable by them determined according to assumed rates, payments owing under the tax receivable agreement with the Continuing LCFH Limited Partners (the "Tax Receivable Agreement"), and to cover dividends declared by us. To the extent that we need funds, and LCFH is restricted from making such distributions under applicable law or regulation, or is otherwise unable to provide such funds, it could materially adversely affect our liquidity and financial condition. Please see Note 1 to our combined consolidated financial statements for the year ended December 31, 2016 included elsewhere in this Annual Report for a description of our capital structure.

We are controlled by the pre-IPO investors in LCFH, whose interests may differ from those of our public shareholders and holders of the Notes.

Certain existing owners of LCFH, who own Series Units and received shares of our Class B common stock as of the completion of our IPO (such owners, the "Continuing LCFH Limited Partners"), and certain of LCFH's pre-IPO investors, who received shares of our Class A common stock in lieu of any or all Series Units and shares of our Class B common stock that would otherwise have been issued to such existing investors in the Reorganization Transactions as described elsewhere in this Annual Report (such investors, the "Exchanging Existing Owners" and, together with the Continuing LCFH Limited Partners, the "Pre-IPO LCFH Investors"), control 62.2% of the combined voting power of our Class A and Class B common stock.

Accordingly, the Pre-IPO LCFH Investors thereby control our management and affairs. In addition, they will be able to determine the outcome of all matters requiring shareholder approval and will be able to cause or prevent a change of control of our company or a change in the composition of our board of directors, and could preclude any unsolicited acquisition of our company.

In addition, the Continuing LCFH Limited Partners own 34.7% of the Series Units. Because they hold their economic ownership interest in our business through LCFH, rather than through the public company, they may have conflicting interests with holders of our Class A common stock. For example, the Continuing LCFH Limited Partners may have different tax positions from us which could influence their decisions regarding whether and when to dispose of assets, and whether and when to incur new or refinance existing indebtedness, especially in light of the existence of the Tax Receivable Agreement. In addition, the structuring of future transactions may take into consideration these existing unitholders' tax considerations even where no similar benefit would accrue to us. See "Certain Relationships and Related Transactions and Director Independence—Tax Receivable Agreement" set forth in the Company's definitive proxy statement for its annual meeting of shareholders expected to be held on June 6, 2017, and is incorporated herein by reference.

We may be required to pay certain existing unitholders of LCFH Series TRS for certain tax benefits we may claim arising in connection with future exchanges of Series TRS LP Units under the Third Amended and Restated Limited Liability Limited Partnership Agreement of LCFH, as amended (the "LLLP Agreement"), which payments could be substantial.

The Continuing LCFH Limited Partners may from time to time exchange an equal number of Series REIT LP Units, LC TRS I Shares (or Series TRS LP Units in lieu of such LC TRS I Shares) and shares of our Class B common stock for shares of our Class A common stock on a one-for-one basis (as described in more detail in "Certain Relationships and Related Transactions and Director Independence—Amended and Restated Limited Liability Limited Partnership Agreement." As a result of these additional exchanges we will become entitled to certain tax basis adjustments reflecting the difference between the price we pay to acquire Series Units and the proportionate share of LCFH Series TRS's tax basis allocable to such units at the time of the exchange. As a result, the amount of tax that we would otherwise be required to pay in the future may be reduced by the increase (for tax purposes) in depreciation and amortization deductions attributable to our interests in LCFH Series TRS, although the U.S. IRS may challenge all or part of that tax basis adjustment, and a court could sustain such a challenge.

The Tax Receivable Agreement provides for the payment by us to certain of the Continuing LCFH Limited Partners of 85% of the amount of cash savings, if any, in U.S. federal, state and local tax that we realize as a result of: (i) the tax basis adjustments referred to above; (ii) any incremental tax basis adjustments attributable to payments made pursuant to the Tax Receivable Agreement; and (iii) any deemed interest deductions arising from payments made by us pursuant to the Tax Receivable Agreement. While the actual amount of the adjusted tax basis, as well as the amount and timing of any payments under this agreement will vary depending upon a number of factors, including the basis of our proportionate share of LCFH Series TRS's assets on the dates of exchanges, the timing of exchanges, the price of shares of our Class A common stock at the time of each exchange, the extent to which such exchanges are taxable, the deductions and other adjustments to taxable income to which LCFH Series TRS is entitled, and the amount and timing of our income, we expect that during the anticipated term of the Tax Receivable Agreement, the payments that we may make to the Continuing LCFH Limited Partners could be substantial. Payments under the Tax Receivable Agreement will give rise to additional tax benefits and therefore to additional potential payments under the Tax Receivable Agreement. In addition, the Tax Receivable Agreement provides for interest accrued from the due date (without extensions) of the corresponding tax return for the taxable year with respect to which the payment obligation arises to the date of payment under the agreement. LC TRS I LLC will have the right to terminate the Tax Receivable Agreement by making payments to the Continuing LCFH Limited Partners calculated by reference to the present value of all future payments that of the Continuing LCFH Limited Partners would have been entitled to receive under the Tax Receivable Agreement using certain valuation assumptions, including assumptions that any Series TRS LP Units and shares of our Class B common stock that have not been exchanged are deemed exchanged for the market value of our Class A common stock at the time of termination and that LC TRS I LLC will have sufficient taxable income in each future taxable year to fully realize all potential tax savings.

There may be a negative effect on our liquidity if, as a result of timing discrepancies or otherwise, (i) the payments under the Tax Receivable Agreement exceed the actual benefits we realize in respect of the tax attributes subject to the tax receivable agreement, and/or (ii) distributions to LC TRS I LLC by LCFH Series TRS are not sufficient to permit us to make payments under the Tax Receivable Agreement after it has paid its taxes and other obligations. For example, were the IRS to challenge a tax basis adjustment, or other deductions or adjustments to taxable income of LCFH Series TRS, the existing unitholders of LCFH Series TRS will not reimburse us for any payments that may previously have been made under the Tax Receivable Agreement, except that excess payments made to an existing unitholder will be netted against payments otherwise to be made, if any, after our determination of such excess. As a result, in certain circumstances we could make payments to the existing unitholders of LCFH Series TRS under the Tax Receivable Agreement in excess of our ultimate cash tax savings. In addition, the payments under the Tax Receivable Agreement are not conditioned upon any recipient's continued ownership of interests in us or LCFH Series TRS. A Continuing LCFH Limited Partner that exchanges its Series REIT LP Units, LC TRS I Shares (or Series TRS LP Units in lieu of such LC TRS I Shares) and shares of our Class B common stock for our Class A common stock will receive payments under the Tax Receivable Agreement until such time that it validly assigns or otherwise transfers its right to receive such payments.

In certain cases, payments under the Tax Receivable Agreement may be accelerated and/or significantly exceed the actual benefits we realize in respect of the tax attributes subject to the Tax Receivable Agreement.

The Tax Receivable Agreement provides that upon certain changes of control, or if, at any time, we elect an early termination of the Tax Receivable Agreement, the amount of our (or our successor's) payment obligations with respect to exchanged or acquired Series TRS LP Units (whether exchanged or acquired before or after such transaction) will be determined based on certain assumptions. These assumptions include the assumption that we (or our successor) will have sufficient taxable income to fully utilize the deductions arising from the increased tax deductions and tax basis and other benefits related to entering into the Tax Receivable Agreement. Moreover, in the event we elect an early termination of the Tax Receivable Agreement, we would be required to make an immediate payment equal to the present value (at a discount rate equal to LIBOR plus basis points) of the anticipated future tax benefits (based on the foregoing assumptions). Accordingly, if we so elect, payments under the Tax Receivable Agreement may be made years in advance of the actual realization, if any, of the anticipated future tax benefits and may be significantly greater than the actual benefits we realize in respect of the tax attributes subject to the Tax Receivable Agreement. In these situations, our obligations under the Tax Receivable Agreement could have a substantial negative impact on our liquidity. We may not be able to finance our obligations under the Tax Receivable Agreement and our existing indebtedness may limit our subsidiaries' ability to make distributions to us to pay these obligations.

Anti-takeover provisions in our charter documents and Delaware law could delay or prevent a change in control.

Our amended and restated certificate of incorporation and amended and restated by-laws may delay or prevent a merger or acquisition that a shareholder may consider favorable by permitting our board of directors to issue one or more series of preferred stock, requiring advance notice for shareholder proposals and nominations, and placing limitations on convening shareholder meetings. In addition, we are subject to provisions of the Delaware General Corporate Law (the "DGCL") that restrict certain business combinations with interested shareholders. These provisions may also discourage acquisition proposals or delay or prevent a change in control, which could harm our stock price.

Our charter contains REIT-related restrictions on the ownership of, and ability to transfer our Class A common stock.

Among other things, our charter provides that, subject to the exceptions and the constructive ownership rules described herein, no person may own, or be deemed to own, in excess of (i) 9.8% in value of the outstanding shares of all classes or series of Ladder capital stock or (ii) 9.8% in value or number (whichever is more restrictive) of the outstanding shares of any class of Ladder common stock.

In addition, the charter prohibits (i) any person from transferring shares of Ladder capital stock if such transfer would result in shares of Ladder capital stock being beneficially owned by fewer than 100 persons, and (ii) any person from beneficially or constructively owning shares of Ladder capital stock if such ownership would result in Ladder failing to qualify as a REIT.

These ownership limitations and transfer restrictions could have the effect of delaying, deferring or preventing a takeover or other transaction in which shareholders might receive a premium for their shares of Ladder capital stock over the then prevailing market price or which shareholders might believe to be otherwise in their best interest.

Certain existing shareholders that currently hold in excess of 9.8% of the value of the outstanding shares of any class or series of Ladder capital stock are exempt from the ownership limitations in our charter.

The amendment and restatement of our certificate of incorporation effective as of February 27, 2015 (the "Charter Amendment"), among other things, eliminated the previous transfer restrictions on our Class B common stock, effectively "decoupling" the voting rights of the Class B common stock from the economic rights of the Series Units.

The Charter Amendment eliminated the transfer restrictions on the shares of Class B common stock that were imposed by our amended and restated certificate of incorporation in order to facilitate compliance with the REIT requirements. As a result, holders of Class B common stock are no longer be required to hold their Class B common stock together with their Series Units. The Charter Amendment effectively "decoupled" the voting rights of the Class B common stock from the economic rights of the Series Units and as a result, shareholders are able to purchase or retain shares of Class B common stock and the corresponding voting rights without having any economic stake in the Company or the matters to be voted on. The interests of any such shareholders may not coincide with our interests or those of our other shareholders. The holders of Series Units may from time to time cause us to exchange an equal number of Series REIT LP Units, LC TRS I Shares (or Series TRS LP Units in lieu of such LC TRS I Shares) and shares of our Class B common stock for shares of our Class A common stock on a one-for-one basis. Holders of Series Units who sell all or any portion of their Class B common stock would no longer be able to exchange their Series REIT LP Units and LC TRS I Shares (or Series TRS LP Units in lieu of such LC TRS I Shares) for a corresponding number of shares of our Class A common stock.

Risks Related to Our Class A Common Stock

The market price and trading volume of our Class A common stock may be volatile, which could result in rapid and substantial losses for our shareholders.

The market price of our Class A common stock may be highly volatile and could be subject to wide fluctuations. In addition, the trading volume in our Class A common stock may fluctuate and cause significant price variations to occur. If the market price of our Class A common stock declines significantly, you may be unable to sell your Class A common stock at or above your purchase price, if at all. We cannot assure you that the market price of our Class A common stock will not fluctuate or decline significantly in the future. Some of the factors that could negatively affect the price of our Class A common stock or result in fluctuations in the price or trading volume of our Class A common stock include: variations in our quarterly operating results; failure to meet our earnings estimates; publication of research reports about us or the investment management industry or the failure of securities analysts to cover our Class A common stock after the offering; additions or departures of our executive officers and other key management personnel; adverse market reaction to any indebtedness we may incur or securities we may issue in the future; actions by shareholders; changes in market valuations of similar companies; speculation in the press or investment community; changes or proposed changes in laws or regulations or differing interpretations thereof affecting our business or enforcement of these laws and regulations, or announcements relating to these matters; adverse publicity about the financial advisory industry generally or individual scandals, specifically; and general market and economic conditions. In addition, our Board Authorization Policy, adopted by the board of directors on October 30, 2014, authorizes the Company to make up to $50.0 million in repurchases of our Class A common stock from time to time without further approval. The existence of this authorization and any repurchases pursuant thereto could affect our stock price and increase stock price volatility and could potentially reduce the market liquidity for our Class A common stock. Additionally, we are permitted to and could discontinue Class A common stock repurchases at any time and any such discontinuation could cause the market price of our Class A common stock to decline.

Our Class A common stock price may decline due to the large number of shares eligible for future sale and for exchange into Class A common stock.

The market price of our Class A common stock could decline as a result of sales of a large number of shares of our Class A common stock or an exchange of a large number of Series REIT LP Units, LC TRS I Shares (or Series TRS LP Units in lieu of such LC TRS I Shares) and shares of our Class B common stock into Class A common stock, or the perception that such sales or exchanges could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and price that we deem appropriate.

Our amended and restated certificate of incorporation authorizes us to issue additional shares of Class A common stock and options, rights, warrants and appreciation rights relating to Class A common stock for the consideration and on the terms and conditions established by our board of directors in its sole discretion. In accordance with the DGCL and the provisions of our certificate of incorporation, we may also issue preferred stock that has designations, preferences, rights, powers and duties that are different from, and may be senior to, those applicable to shares of Class A common stock. Similarly, the LLLP Agreement permits Series REIT and Series TRS to issue an unlimited number of additional Series Units with designations, preferences, rights, powers and duties that are different from, and may be senior to, those applicable to the Series Units, and which may be exchangeable for shares of our Class A common stock.

You may be diluted by the future issuance of additional Class A common stock in connection with our incentive plans, acquisitions or otherwise.

Our amended and restated certificate of incorporation authorizes us to issue shares of Class A common stock and options, rights, warrants and appreciation rights relating to Class A common stock for the consideration and on the terms and conditions established by our board of directors in its sole discretion, whether in connection with acquisitions or otherwise. Any Class A common stock that we issue, including under our 2014 Omnibus Incentive Plan or other equity incentive plans that we may adopt in the future, would dilute the percentage ownership held by the investors who purchase Class A common stock in the offering.

Risks Related to Our Taxation as a REIT

We have limited experience operating a REIT and we cannot assure you that our past experience will be sufficient to successfully manage our business as a REIT.

We have limited experience operating a REIT. The REIT provisions of the Code are complex, and any failure to comply with those provisions in a timely manner could prevent us or certain of our subsidiaries from qualifying as REITs or could force us to pay unexpected taxes and penalties. As a result, we cannot assure you that we will be able to successfully manage our business as a REIT, which would substantially reduce our earnings. In the event of a failure to qualify as a REIT, our net income could be reduced.

If we fail to qualify as a REIT, we will be subject to tax as a regular corporation and could face a substantial tax liability, which would reduce the amount of cash available for distribution to our shareholders.

We operate and intend to continue operating in a manner that will allow us to qualify as a REIT for U.S. federal income tax purposes commencing with our taxable year ending December 31, 2015. Although we have not requested and we do not intend to request a ruling from the IRS as to our REIT qualification, we have received an opinion of Skadden, Arps, Slate, Meagher & Flom LLP with respect to our qualification as a REIT. Investors should be aware, however, that opinions of counsel are not binding on the IRS or any court. The opinion of Skadden, Arps, Slate, Meagher & Flom LLP represents only the view of our counsel based on our counsel’s review and analysis of existing law and on certain representations as to factual matters and covenants made by us, including representations relating to the values of our assets and the sources of our income. The opinion was expressed as of the date issued and does not cover subsequent periods. Skadden, Arps, Slate, Meagher & Flom LLP has no obligation to advise us or the holders of our common stock of any subsequent change in the matters stated, represented or assumed, or of any subsequent change in applicable law. Furthermore, both the validity of the opinion of Skadden, Arps, Slate, Meagher & Flom LLP, and our qualification as a REIT depend on our satisfaction of certain asset, income, organizational, distribution, shareholder ownership and other requirements on a continuing basis, the results of which are not monitored by Skadden, Arps, Slate, Meagher & Flom LLP. Our ability to satisfy the asset tests depends upon our analysis of the characterization and fair market values of our assets, some of which are not susceptible to a precise determination, and for which we will not obtain independent appraisals. Our compliance with the annual REIT income and quarterly asset requirements also depends upon our ability to successfully manage the composition of our income and assets on an ongoing basis. Moreover, the proper classification of an instrument as debt or equity for U.S. federal income tax purposes may be uncertain in some circumstances, which could affect the application of the REIT qualification requirements as described below. Accordingly, there can be no assurance that the IRS will not contend that our interests in subsidiaries or in securities of other issuers will not cause a violation of the REIT requirements.

If we were to fail to qualify as a REIT in any taxable year, and we do not qualify for certain statutory relief provisions, we would be subject to U.S. federal income tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates, and dividends paid to our shareholders would not be deductible by us in computing our taxable income. Any resulting corporate tax liability could be substantial and would reduce the amount of cash available for distribution to our shareholders, which in turn could have an adverse impact on the value of our common stock. Unless we were entitled to relief under certain provisions of the Code, we also would be disqualified from taxation as a REIT for the four taxable years following the year in which we failed to qualify as a REIT.

Certain of our subsidiaries have also elected to be taxed as a REIT under the Code and are, therefore, subject to the same risks in the event that they fail to qualify as a REIT in any taxable year. If any of these subsidiaries were to fail to qualify as a REIT, then we might also fail to qualify as a REIT.

Our ownership of and relationship with TRSs is limited, and a failure to comply with the limits would jeopardize our REIT qualification, and our transactions with our TRSs may result in the application of a 100% excise tax if such transactions are not conducted on arm’s-length terms.

A REIT may own up to 100% of the stock of one or more TRSs. A TRS may earn income that would not be REIT-qualifying income if earned directly by a REIT. Both the subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. Overall, (i) through December 31, 2017, no more than 25% of the value of a REIT’s assets may consist of stock and securities of one or more TRSs, and (ii) on or after January 1, 2018, no more than 20% of the value of a REIT’s assets may consist of stock and securities of one or more TRSs. A domestic TRS will pay U.S. federal, state and local income tax at regular corporate rates on any income that it earns. In addition, the TRS rules impose a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm’s-length basis.

We elected for certain of our subsidiaries to be treated as TRSs. Our TRSs will pay U.S. federal, state and local income tax on their consolidated taxable income, and their after-tax income will be available for distribution to us but will not be required to be distributed to us. We have structured the formation transactions such that the aggregate value of the TRS stock and securities owned by us will be less than (1) through December 31, 2017, 25% of the value of our total assets (including the TRS stock and securities), and (ii) on or after January 1, 2018, 20% of the value of our total assets (including the TRS stock and securities). Furthermore, we will monitor the value of our investments in our TRSs to ensure compliance with the rule that (i) through December 31, 2017, no more than 25% of the value of our assets may consist of TRS stock and securities (which is applied at the end of each calendar quarter), and (ii) on or after January 1, 2018, no more than 20% of the value of our assets may consist of TRS stock and securities (which is applied at the end of each calendar quarter). In addition, we will scrutinize all of our transactions with TRSs to ensure that they are entered into on arm's-length terms to avoid incurring the 100% excise tax described above. There can be no assurance, however, that we will be able to comply with the TRS limitations or to avoid application of the 100% excise tax discussed above.

REIT distribution requirements could adversely affect our ability to execute our business plan.

We generally must distribute annually at least 90% of our taxable income, subject to certain adjustments and excluding any net capital gain, in order for U.S. federal corporate income tax not to apply to earnings that we distribute. To the extent that we satisfy this distribution requirement, but distribute less than 100% of our taxable income, we will be subject to U.S. federal corporate income tax on our undistributed taxable income. In addition, we will be subject to a non-deductible 4% excise tax if the actual amount distributed to our shareholders in a calendar year is less than a minimum amount specified under U.S. federal tax laws. We intend to make distributions to our shareholders to comply with the REIT qualification requirements of the Code.

From time to time, we may generate taxable income greater than our income for financial reporting purposes prepared in accordance with GAAP, or differences in timing between the recognition of taxable income and the actual receipt of cash may occur. For example, if we purchase agency securities at a discount, we are generally required to include the discount in taxable income prior to receiving the cash proceeds of the accrued discount at maturity. Additionally, if we incur capital losses in excess of capital gains, such net capital losses are not allowed to reduce our taxable income for purposes of determining our distribution requirement. Such net capital losses may be carried forward for a period of up to five years and applied against future capital gains subject to the limitation of our ability to generate sufficient capital gains, which cannot be assured. If we do not have other funds available in these situations we could be required to borrow funds on unfavorable terms, sell investments at disadvantageous prices or distribute amounts that would otherwise be invested in future acquisitions to make distributions sufficient to maintain our qualification as a REIT, or avoid corporate income tax and the non-deductible 4% excise tax in a particular year. These alternatives could increase our costs or reduce our shareholders' equity. Thus, compliance with the REIT requirements may hinder our ability to grow, which could adversely affect the value of our common stock.

We have not established a minimum distribution payment level and we cannot assure you of our ability to pay distributions in the future.

To maintain our qualification as a REIT and generally not be subject to U.S. federal income and excise tax, we intend to make regular quarterly cash distributions to our shareholders out of legally available funds therefor. Our intended dividend policy as a REIT will be to pay quarterly distributions either in cash or stock which, on an annual basis, will equal all or substantially all of our net taxable income. We have not, however, established a minimum distribution payment level and our ability to pay distributions may be adversely affected by a number of factors, including the risk factors described in this Annual Report. All distributions will be made at the discretion of our board of directors and will depend on our earnings, our financial condition, any debt covenants, maintenance of our REIT qualification, restrictions on making distributions under Delaware law and other factors as our board of directors may deem relevant from time to time. We may not be able to make distributions in the future and our board of directors may change our distribution policy in the future. We believe that a change in any one of the following factors, among others, could adversely affect our results of operations and impair our ability to pay distributions to our shareholders:

- the profitability of the assets we hold or acquire;
- the allocation of assets between our REIT-qualified and non-REIT-qualified subsidiaries.
- our ability to make profitable investments and to realize profit therefrom;
- margin calls or other expenses that may reduce our cash flow; and
- defaults in our asset portfolio or decreases in the value of our portfolio.

We cannot assure you that we will achieve results that will allow us to make a specified level of cash distributions or any increase in the level of such distributions in the future.

If we were to make a taxable distribution of shares of our stock, shareholders may be required to sell such shares or sell other assets owned by them in order to pay any tax imposed on such distribution.

We may distribute taxable dividends that are payable in shares of our common stock. If we were to make such a taxable distribution of shares of our stock, shareholders would be required to include the full amount of such distribution as income. As a result, a shareholder may be required to pay tax with respect to such dividends in excess of cash received. Accordingly, shareholders receiving a distribution of our shares may be required to sell shares received in such distribution or may be required to sell other stock or assets owned by them, at a time that may be disadvantageous, in order to satisfy any tax imposed on such distribution. If a shareholder sells the shares it receives as a dividend in order to pay such tax, the sale proceeds may be less than the amount included in income with respect to the dividend. Moreover, in the case of a taxable distribution of shares of our stock with respect to which any withholding tax is imposed on a non-U.S. shareholder, we may have to withhold or dispose of part of the shares in such distribution and use such withheld shares or the proceeds of such disposition to satisfy the withholding tax imposed. In addition, if a significant number of our shareholders determine to sell shares of our Class A common stock in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our Class A common stock.

There are uncertainties relating to the estimate of our E&P Distribution paid on January 21, 2016.

To qualify for taxation as a REIT effective for the year ended December 31, 2015, we were required to distribute to our shareholders our undistributed accumulated earnings and profits attributable to taxable periods ending prior to January 1, 2015 (the “E&P Distribution”). To satisfy this requirement, on November 30, 2015, our board of directors approved the fourth quarter 2015 dividend of $1.45 per share of our Class A common stock.

We believe that the total value of the E&P Distribution was sufficient to fully distribute our accumulated earnings and profits. However, the amount of our undistributed accumulated earnings and profits is a complex factual and legal determination. We may have had less than complete information at the time we estimated our earnings and profits or may have interpreted the applicable law differently from the IRS. Substantial uncertainties exist relating to the computation of our undistributed accumulated earnings and profits, including the possibility that the IRS could, in auditing tax years through 2015, successfully assert that our taxable income should be increased, which could increase our pre-REIT accumulated earnings and profits. Thus, we may fail to satisfy the requirement that we distribute all of our pre-REIT accumulated earnings and profits by the close of our first taxable year as a REIT. Moreover, although there are procedures available to cure a failure to distribute all of our pre-REIT accumulated earnings and profits, we cannot now determine whether we will be able to take advantage of them or the economic impact to us of doing so.

Distributions payable by REITs do not qualify for the reduced tax rates available for some dividends.

The maximum tax rate applicable to income from “qualified dividends” payable to domestic shareholders that are individuals, trusts and estates is currently 20%. Distributions of ordinary income payable by REITs, however, generally are not eligible for these reduced rates. The more favorable rates applicable to regular corporate qualified dividends could cause investors who are individuals, trusts and estates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay qualified dividends, which could adversely affect the value of the stock of REITs, including our common stock.

Even if we qualify as a REIT, we may face other tax liabilities that reduce our cash flow.

Even if we qualify for taxation as a REIT, we may be subject to certain U.S. federal, state and local taxes on our income and assets, including taxes on any undistributed income, taxes on income from some activities conducted as a result of a foreclosure, excise taxes, state or local income, property and transfer taxes, such as mortgage recording taxes, and other taxes. In addition, in order to meet the REIT qualification requirements, prevent the recognition of certain types of non-cash income, or to avert the imposition of a 100% tax that applies to certain gains derived by a REIT from dealer property or inventory, we intend to hold some of our assets through our TRSs or other subsidiary corporations that will be subject to corporate level income tax at regular corporate rates. In addition, if we lend money to a TRS, the TRS may be unable to deduct all or a portion of the interest paid to us, which could result in an even higher corporate level tax liability. Furthermore, the Code imposes a 100% excise tax on certain transactions between a TRS and a REIT that are not conducted on an arm's length basis. We intend to structure any transaction with a TRS on terms that we believe are arm's length to avoid incurring this 100% excise tax. There can be no assurances, however, that we will be able to avoid application of the 100% excise tax. The payment of any of these taxes would decrease cash available for distribution to our shareholders.

Moreover, the Company owns appreciated assets at the REIT level that it held before the effective date of its REIT election. If the Company disposes of any such appreciated assets during the five-year period following the Company's qualification as a REIT, the Company will be subject to tax at the highest corporate tax rates on any gain from such assets to the extent of the excess of the fair market value of the assets at the time that the Company became a REIT over the adjusted tax basis of such assets on such date, which are referred to as built-in gains. The Company would be subject to this tax liability even if it qualifies and maintains its status as a REIT. Any recognized built-in gain will retain its character as ordinary income or capital gain and will be taken into account in determining REIT taxable income and the Company's distribution requirement. Any tax on the recognized built-in gain will reduce REIT taxable income. The Company may choose not to sell in a taxable transaction appreciated assets it might otherwise sell during the five-year period in which the built-in gain tax applies in order to avoid the built-in gain tax. However, if the Company sells such assets in a taxable transaction, the amount of corporate tax that the Company will pay will vary depending on the actual amount of net built-in gain or loss present in those assets as of the time the Company became a REIT. The amount of tax could be significant.

Complying with REIT requirements may cause us to forgo otherwise attractive opportunities or liquidate otherwise attractive investments.

To qualify as REITs for U.S. federal income tax purposes, we and certain of our subsidiaries must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts that we distribute to our shareholders and the ownership of our stock. We may be required to make distributions to shareholders at disadvantageous times or when we do not have funds readily available for distribution and may be unable to pursue investments that would be otherwise advantageous to us in order to satisfy the source-of-income or asset-diversification requirements for qualifying as a REIT. Thus, compliance with the REIT requirements may hinder our ability to make and, in certain cases, to maintain ownership of, certain attractive investments.

Further, to qualify as REITs, we must ensure that at the end of each calendar quarter, at least 75% of the value of our assets consists of cash, cash items, government securities and qualified real estate assets. The remainder of our investments in securities (other than government securities and qualified real estate assets) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our assets (other than government securities and qualified real estate assets) can consist of the securities of any one issuer, and no more than 25% (on or prior to December 31, 2017) or 20% (on or after January 1, 2018) of the value of our total assets can be represented by securities of one or more TRSs. If we fail to comply with these requirements at the end of any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax consequences. As a result, we may be required to liquidate otherwise attractive investments from our investment portfolio. These actions could have the effect of reducing our income and amounts available for distribution to our shareholders.

The failure of a mezzanine loan to qualify as a real estate asset could adversely affect our ability to continue to qualify as a REIT.

We intend to invest in mezzanine loans, for which the IRS has provided a safe harbor but not rules of substantive law. Pursuant to the safe harbor, if a mezzanine loan meets certain requirements, it will be treated by the IRS as a real estate asset for purposes of the REIT asset tests, and interest derived from the mezzanine loan will be treated as qualifying mortgage interest for purposes of the REIT 75% income test. We or certain of our REIT subsidiaries may acquire mezzanine loans that do not meet all of the requirements of this safe harbor. In the event we own a mezzanine loan that does not meet the safe harbor, the IRS could challenge such loan's treatment as a real estate asset for purposes of the REIT asset and income tests and, if such a challenge were sustained, it could impact our ability to qualify as a REIT.

The failure of assets subject to repurchase agreements to qualify as real estate assets could adversely affect our ability to qualify as a REIT.

We enter into certain financing arrangements that are structured as sale and repurchase agreements pursuant to which we nominally sell certain of our assets to a counterparty and simultaneously enter into an agreement to repurchase these assets at a later date in exchange for a purchase price. Economically, these agreements are financings that are secured by the assets sold pursuant thereto. We believe that we will be treated for REIT asset and income test purposes as the owner of the assets that are the subject of any such sale and repurchase agreement notwithstanding that such agreement may transfer record ownership of the assets to the counterparty during the term of the agreement. It is possible, however, that the IRS could assert that we did not own the assets during the term of the sale and repurchase agreement, in which case we could fail to qualify as a REIT.

Distributions to tax-exempt investors may be classified as unrelated business taxable income.

Neither ordinary nor capital gain distributions with respect to our Class A common stock nor gain from the sale of Class A common stock should generally constitute unrelated business taxable income to a tax-exempt investor. However, there are certain exceptions to this rule. In particular:

- part of the income and gain recognized by certain qualified employee pension trusts with respect to our common stock may be treated as unrelated business taxable income if shares of our Class A common stock are predominantly held by qualified employee pension trusts, and we are required to rely on a special look-through rule for purposes of meeting one of the REIT ownership tests, and we are not operated in a manner to avoid treatment of such income or gain as unrelated business taxable income;
- part of the income and gain recognized by a tax-exempt investor with respect to our Class A common stock would constitute unrelated business taxable income if the investor incurs debt in order to acquire the common stock;
- part or all of the income or gain recognized with respect to our Class A common stock by social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts and qualified group legal services plans which are exempt from U.S. federal income taxation under the Code may be treated as unrelated business taxable income; and
- to the extent that we are (or a part of us, or a disregarded subsidiary of ours, is) a "taxable mortgage pool," or if we hold residual interests in a REMIC, a portion of the distributions paid to a tax-exempt shareholder that is allocable to excess inclusion income may be treated as unrelated business taxable income.

Liquidation of assets may jeopardize our REIT qualification or create additional tax liability for us.

To qualify as a REIT, we must comply with requirements regarding the composition of our assets and our sources of income. If we are compelled to liquidate our investments to repay obligations to our lenders, we may be unable to comply with these requirements, ultimately jeopardizing our qualification as a REIT, or we may be subject to a 100% tax on any resultant gain if we sell assets that are treated as dealer property or inventory.

We may be required to report taxable income for certain investments in excess of the economic income we ultimately realize from them.

We may acquire mortgage-backed securities in the secondary market for less than their face amount. In addition, pursuant to our ownership of certain mortgage-backed securities, we may be treated as holding certain debt instruments acquired in the secondary market for less than their face amount. The discount at which such securities or debt instruments are acquired may reflect doubts about their ultimate collectability rather than current market interest rates. The amount of such discount will nevertheless generally be treated as “market discount” for U.S. federal income tax purposes. Accrued market discount is reported as income when, and to the extent that, any payment of principal of the mortgage-backed security or debt instrument is made. If we collect less on the mortgage-backed security or debt instrument than our purchase price plus the market discount we had previously reported as income, we may not be able to benefit from any offsetting loss deductions. In addition, pursuant to our ownership of certain mortgage-backed securities, we may be treated as holding distressed debt investments that are subsequently modified by agreement with the borrower. If the amendments to the outstanding debt are “significant modifications” under applicable Treasury regulations, the modified debt may be considered to have been reissued to us at a gain in a debt-for-debt exchange with the borrower. In that event, we may be required to recognize taxable gain to the extent the principal amount of the modified debt exceeds our adjusted tax basis in the unmodified debt, even if the value of the debt or the payment expectations have not changed.

Moreover, some of the mortgage-backed securities that we acquire may have been issued with original issue discount. We are required to report such original issue discount based on a constant yield method and will be taxed based on the assumption that all future projected payments due on such mortgage-backed securities will be made. If such mortgage-backed securities turn out not to be fully collectible, an offsetting loss deduction will become available only in the later year that uncollectibility is provable.

Finally, in the event that mortgage-backed securities or any debt instruments we are treated as holding pursuant to our investments in mortgage-backed securities are delinquent as to mandatory principal and interest payments, we may nonetheless be required to continue to recognize the unpaid interest as taxable income as it accrues, despite doubt as to its ultimate collectability. Similarly, we may be required to accrue interest income with respect to subordinate mortgage-backed securities at the stated rate regardless of whether corresponding cash payments are received or are ultimately collectible. In each case, while we would in general ultimately have an offsetting loss deduction available to us when such interest was determined to be uncollectible, the utility of that deduction could depend on our having taxable income in that later year or thereafter.

Certain apportionment rules may affect our ability to comply with the REIT asset and gross income tests.

The Code provides that a regular or a residual interest in a REMIC is generally treated as a real estate asset for the purpose of the REIT asset tests, and any amount includible in our gross income with respect to such an interest is generally treated as interest on an obligation secured by a mortgage on real property for the purpose of the REIT gross income tests. If, however, less than 95% of the assets of a REMIC in which we hold an interest consist of real estate assets (determined as if we held such assets), we will be treated as holding our proportionate share of the assets of the REMIC for the purpose of the REIT asset tests and receiving directly our proportionate share of the income of the REMIC for the purpose of determining the amount of income from the REMIC that is treated as interest on an obligation secured by a mortgage on real property. In connection with the expanded FHFA RMBS-backed Home Affordable Refinance Program loan program in which we may invest, the IRS issued guidance providing that, among other things, if a REIT holds a regular interest in an “eligible REMIC,” or a residual interest in an “eligible REMIC” that informs the REIT that at least 80% of the REMIC’s assets constitute real estate assets, then the REIT may treat 80% of the interest in the REMIC as a real estate asset for the purpose of the REIT income and asset tests. Although the portion of the income from such a REMIC interest that does not qualify for purposes of the REIT 75% gross income test would likely be qualifying income for the purpose of the 95% REIT gross income test, the remaining 20% of the REMIC interest generally would not qualify as a real estate asset, which could adversely affect our ability to satisfy the REIT asset tests. Accordingly, owning such a REMIC interest could adversely affect our ability to qualify as a REIT.

Qualifying as a REIT involves highly technical and complex provisions of the Code.

Qualification as a REIT involves the application of highly technical and complex Code provisions for which only limited judicial and administrative authorities exist. Even a technical or inadvertent violation could jeopardize our REIT qualification. Our qualification as a REIT depends on our satisfaction of certain asset, income, organizational, distribution, shareholder ownership and other requirements on a continuing basis. In addition, our ability to satisfy the requirements to qualify as a REIT depends in part on the actions of third parties over which we have no control or only limited influence, including in cases where we own an equity interest in an entity that is classified as a partnership for U.S. federal income tax purposes.

The tax on prohibited transactions will limit our ability to engage in transactions, including certain methods of structuring collateral mortgage obligations ("CMOs"), which would be treated as prohibited transactions for U.S. federal income tax purposes.

Net income that we derive from a prohibited transaction is subject to a 100% tax. The term "prohibited transaction" generally includes a sale or other disposition of property (including agency securities, but other than foreclosure property) that is held primarily for sale to customers in the ordinary course of a trade or business by us or by a borrower that has issued a shared appreciation mortgage or similar debt instrument to us. We could be subject to this tax if we were to dispose of or structure CMOs in a manner that was treated as a prohibited transaction for U.S. federal income tax purposes. The 100% tax does not apply to gains from the sale of foreclosure property or property that is held through a TRS or other taxable corporation, as is the case with our securitization business, although such income will be subject to tax in the hands of the corporation at regular corporate rates.

We intend to conduct our operations at the REIT level so that no asset that we own (or are treated as owning) will be treated as, or as having been, held for sale to customers, and that a sale of any such asset will not be treated as having been in the ordinary course of our business. As a result, we may choose not to engage in certain transactions at the REIT level, and may limit the structures we utilize for our CMO transactions, even though the sales or structures might otherwise be beneficial to us. In addition, whether property is held "primarily for sale to customers in the ordinary course of a trade or business" depends on the particular facts and circumstances. We intend to structure our activities to avoid prohibited transaction characterization but no assurance can be given that any property that we sell will not be treated as property held for sale to customers, or that we can comply with certain safe-harbor provisions of the Code that would prevent such treatment.

Our taxable income is calculated differently than net income based on U.S. GAAP.

Our taxable income may substantially differ from our net income based on U.S. GAAP. For example, interest income on our mortgage related securities does not necessarily accrue under an identical schedule for U.S. federal income tax purposes as for accounting purposes. Please see Note 15 to our combined consolidated financial statements for the year ended December 31, 2016 included elsewhere in this Annual Report.

Rapid changes in the values of our target assets may make it more difficult for us to maintain our qualification as a REIT.

If the fair market value or income potential of our assets declines as a result of increased interest rates, prepayment rates, general market conditions, government actions or other factors, we may need to increase our real estate assets and income or liquidate our non-REIT-qualifying assets to maintain our REIT qualification. If the decline in real estate asset values or income occurs quickly, this may be especially difficult to accomplish. We may have to make decisions that we otherwise would not make absent the REIT election.

The Company's qualification as a REIT and exemption from U.S. federal income tax with respect to certain assets may be dependent on the accuracy of legal opinions or advice rendered or given or statements by the issuers of assets that the Company acquires, and the inaccuracy of any such opinions, advice or statements may adversely affect the Company's REIT qualification and result in significant corporate-level tax.

When purchasing securities, the Company may rely on opinions or advice of counsel for the issuer of such securities, or statements made in related offering documents, for purposes of determining whether such securities represent debt or equity securities for U.S. federal income tax purposes, and also to what extent those securities constitute real estate assets for purposes of the REIT asset tests and produce income which qualifies for purposes of the REIT income tests. In addition, when purchasing the equity tranche of a securitization, the Company may rely on opinions or advice of counsel regarding the qualification of the securitization for exemption from U.S. corporate income tax and the qualification of interests in such securitization as debt for U.S. federal income tax purposes. The inaccuracy of any such opinions, advice or statements may adversely affect the Company's REIT qualification and result in significant corporate-level tax.

Legislative or other actions affecting REITs could have a negative effect on us.

The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the Treasury. According to publicly released statements, a top legislative priority of the new Congress and administration may be to enact significant reform of the Code, including significant changes to taxation of business entities and the deductibility of interest expense and capital investment. There is a substantial lack of clarity around the likelihood, timing and details of any such tax reform and the impact of any potential tax reform on us or an investment in our securities. Any such changes to the tax laws or interpretations thereof, with or without retroactive application, could materially and adversely affect our investors or us. We cannot predict how changes in the tax laws might affect our investors or us. New legislation, Treasury regulations, administrative interpretations or court decisions could significantly and negatively affect our ability to qualify as a REIT or the U.S. federal income tax consequences to our investors and us of such qualification.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We lease our corporate headquarters office at 345 Park Avenue, 8th Floor, New York, New York, 10154. We also rent regional offices at 10250 Constellation Boulevard, Suite 260, Los Angeles, California, 90067 and 433 Plaza Real, Suite 275, Boca Raton, Florida, 33432.

We own a portfolio of commercial real estate properties which are included in our real estate business segment. As of December 31, 2016, we owned 115 single tenant net leased properties with an aggregate book value of $543.6 million. These properties are fully leased on a net basis where the tenant is generally responsible for payment of real estate taxes, property, building and general liability insurance and property and building maintenance expenses. As of December 31, 2016, our net leased properties comprised a total of 4.1 million square feet and had a 100% occupancy rate, an average age since construction of 8.4 years and a weighted average remaining lease term of 14.1 years. Given the long term nature and single tenant occupancy of the net leased properties, there are no rent concessions or abatements on these properties. We generally originate senior secured mortgage loans on our net leased properties, and many of these mortgage loans have subsequently been securitized and are included as non-recourse mortgage loan financing in debt obligations on our combined consolidated balance sheets at December 31, 2016.

In addition, as of December 31, 2016, we owned 31 other properties with an aggregate book value of $239.5 million. Through separate joint ventures, we owned a portfolio of 13 office buildings in Richmond, VA with a book value of $92.9 million, a portfolio of four office buildings in St. Paul, MN with a book value of $54.7 million, an office building in Ewing, NJ with a book value of $30.8 million, a portfolio of seven office buildings in Richmond, VA with a book value of $17.1 million, a 13-story office building in Oakland County, MI with a book value of $10.4 million, a two-story office building in Grand Rapids, MI with a book value of $9.1 million and a warehouse in Grand Rapids, MI with a book value of $5.8 million. We also own a two-story office building in Wayne, NJ with a book value of $9.1 million, a shopping center in Carmel, NY with a book value of $6.8 million and an office building in Peoria, IL with a book value of $2.9 million.

In addition, as of December 31, 2016, we owned 59 residential condominium units at Veer Towers in Las Vegas, NV with a book value of $16.7 million through a consolidated joint venture with an operating partner and 88 residential condominium units at Terrazas River Park Village in Miami, FL with a book value of $22.4 million. The remaining Veer units we hold were 32.3% leased and occupied as of December 31, 2016 and the remaining Terrazas units we hold were 80.9% leased and occupied as of December 31, 2016. As of December 31, 2016, 10 condominium units were under contract for sale at Veer Towers with a book value of $3.5 million and 10 condominium units were under contract for sale at Terrazas with a book value of $2.2 million. The condominium units are included in our real estate business segment. Depending on market conditions for new leases and renewals in this residential inventory, we may provide tenants rent concessions or abatements. We intend to sell the entire inventory of units over time. We are leasing the units currently under short-term leases (less than two-year terms) to offset operating expenses during our sales process, and therefore, any rent concessions or abatements would have no material impact on our operations.

The following table, organized by tenant type and acquisition date, summarizes our owned properties as of December 31, 2016 ($ amounts in thousands):

Location	Acquisition date	Acquisition price/basis	Year built/ reno.	Lease expiration (1)	Approx. square footage	Carrying value of asset	Mortgage loan outstanding (2)	Asset net of mortgage loan outstanding	Annual rental income (3)	Ownership Percentage (4)
Net Lease										
Springfield, IL	11/16/16	$ 1,322	2016	6/30/31	9,026	$ 1,402	$ —	$ 1,402	$ 96	100.0%
Fayetteville, NC	11/15/16	6,971	2008	10/31/34	14,820	6,941	—	6,941	450	100.0%
Dryden Township, MI	10/26/16	1,190	2016	8/31/31	9,100	1,273	—	1,273	87	100.0%
Lamar, MO	07/22/16	1,176	2016	5/31/31	9,100	1,224	—	1,224	86	100.0%
Union, MO	07/01/16	1,227	2016	5/31/31	9,100	1,324	—	1,324	90	100.0%
Pawnee, IL	07/01/16	1,201	2016	5/31/31	9,002	1,214	—	1,214	88	100.0%
Decatur, IL	06/30/16	1,365	2016	5/31/31	9,002	1,457	—	1,457	100	100.0%
Cape Girardeau, MO	06/30/16	1,281	2016	5/31/31	9,100	1,358	1,016	342	94	100.0%

Location	Acquisition date	Acquisition price/basis	Year built/ reno.	Lease expiration (1)	Approx. square footage	Carrying value of asset	Mortgage loan outstanding (2)	Asset net of mortgage loan outstanding	Annual rental income (3)	Ownership Percentage (4)
Linn, MO	06/30/16	1,122	2016	5/31/31	9,002	1,175	—	1,175	82	100.0%
Rantoul, IL	06/21/16	1,204	2016	4/30/31	9,100	1,283	—	1,283	88	100.0%
Flora Vista, NM	06/06/16	1,305	2016	4/30/31	9,002	1,312	—	1,312	95	100.0%
Champaign, IL	06/03/16	1,324	2016	4/30/31	9,002	1,412	—	1,412	97	100.0%
Mountain Grove, MO	06/03/16	1,279	2016	4/30/31	10,566	1,380	—	1,380	93	100.0%
Decatur, IL	06/03/16	1,181	2016	4/30/31	9,002	1,257	945	312	86	100.0%
San Antonio, TX	05/06/16	1,096	2015	3/31/31	9,100	1,131	886	245	80	100.0%
Borger, TX	05/06/16	978	2016	3/31/31	9,100	1,028	782	246	71	100.0%
St.Charles, MN	04/26/16	1,198	2016	3/31/31	9,026	1,242	959	283	87	100.0%
Philo, IL	04/26/16	1,156	2016	3/31/31	9,026	1,217	922	295	84	100.0%
Dimmitt, TX	04/26/16	1,319	2016	3/31/31	10,566	1,372	1,045	327	96	100.0%
Radford, VA	12/23/15	1,564	2015	9/30/30	8,360	1,521	1,139	382	104	100.0%
Albion, PA	12/23/15	1,525	2015	9/30/30	8,184	1,462	1,137	325	101	100.0%
Rural Retreat, VA	12/23/15	1,399	2015	9/30/30	8,305	1,362	1,049	313	93	100.0%
Mount Vernon, AL	12/23/15	1,224	2015	6/30/30	8,323	1,201	954	247	84	100.0%
Malone, NY	12/16/15	1,474	2015	6/30/30	8,320	1,432	1,089	343	99	100.0%
Mercedes, TX	12/16/15	1,263	2015	11/30/30	9,100	1,233	840	393	86	100.0%
Gordonville, MO	11/10/15	1,207	2015	9/30/30	9,026	1,174	775	399	80	100.0%
Rice, MN	10/28/15	1,242	2015	9/30/30	9,002	1,193	821	372	85	100.0%
Bixby, OK	10/27/15	12,151	2012	12/31/32	75,996	11,809	7,993	3,816	769	100.0%
Farmington, IL	10/23/15	1,408	2015	8/31/30	9,100	1,363	900	463	93	100.0%
Grove, OK	10/20/15	5,583	2012	8/31/32	31,500	5,379	3,643	1,736	364	100.0%
Jenks, OK	10/19/15	13,418	2009	9/24/33	80,932	13,007	8,845	4,162	912	100.0%
Bloomington, IL	10/14/15	1,294	2015	8/31/30	9,026	1,254	821	433	85	100.0%
Montrose, MN	10/14/15	1,193	2015	8/31/30	9,100	1,143	789	354	83	100.0%
Lincoln County , MO	10/14/15	1,137	2015	8/31/30	9,002	1,102	742	360	76	100.0%
Wilmington, IL	10/07/15	1,399	2015	8/31/30	9,002	1,354	907	447	93	100.0%
Danville, IL	10/07/15	1,160	2015	8/31/30	9,100	1,127	742	385	76	100.0%
Moultrie, GA	09/22/15	1,305	2014	6/30/29	8,225	1,249	934	315	85	100.0%
Rose Hill, NC	09/22/15	1,420	2014	6/30/29	8,320	1,366	1,004	362	93	100.0%
Rockingham, NC	09/22/15	1,158	2014	6/30/29	8,320	1,109	825	284	76	100.0%
Biscoe, NC	09/22/15	1,216	2014	6/30/29	8,320	1,167	863	304	80	100.0%
De Soto, IL	09/08/15	1,111	2015	7/31/30	9,100	1,070	707	363	76	100.0%
Kerrville, TX	08/28/15	1,236	2015	7/31/30	9,100	1,184	769	415	84	100.0%
Floresville, TX	08/28/15	1,312	2015	7/31/30	9,100	1,260	815	445	89	100.0%
Minot, ND	08/19/15	6,946	2012	1/31/34	55,440	6,739	4,703	2,036	419	100.0%
Lebanon, MI	08/14/15	1,261	2015	7/31/30	9,050	1,224	821	403	85	100.0%
Effingham County, IL	08/10/15	1,252	2015	6/30/30	9,002	1,208	821	387	85	100.0%
Ponce, PR	08/03/15	9,345	2012	8/31/37	15,660	9,023	6,528	2,495	560	100.0%
Tremont, IL	06/25/15	1,192	2015	5/31/30	9,026	1,143	792	351	82	100.0%
Pleasanton, TX	06/24/15	1,377	2015	5/31/30	9,026	1,320	869	451	93	100.0%
Peoria, IL	06/24/15	1,293	2015	5/31/30	9,002	1,239	859	380	87	100.0%
Bridgeport, IL	06/24/15	1,241	2015	5/31/30	9,100	1,191	825	366	84	100.0%
Warren, MN	06/24/15	1,090	2015	4/30/30	9,100	1,032	697	335	75	100.0%
Canyon Lake, TX	06/18/15	1,443	2015	3/31/30	9,100	1,383	911	472	98	100.0%
Wheeler, TX	06/18/15	1,127	2015	3/31/30	9,002	1,071	720	351	76	100.0%
Aurora, MN	06/18/15	993	2015	3/31/30	9,100	951	631	320	68	100.0%
Red Oak, IA	05/07/15	1,208	2014	10/31/29	9,026	1,145	778	367	84	100.0%
Zapata, TX	05/07/15	1,204	2015	3/31/30	9,100	1,126	746	380	82	100.0%
St. Francis, MN	03/26/15	1,180	2014	1/31/30	9,002	1,099	732	367	79	100.0%
Yorktown, TX	03/25/15	1,301	2015	2/28/30	10,566	1,214	784	430	86	100.0%
Battle Lake, MN	03/25/15	1,168	2014	2/28/30	9,100	1,084	719	365	78	100.0%
Paynesville, MN	03/05/15	1,254	2015	11/30/26	9,100	1,182	803	379	89	100.0%
Wheaton, MO	03/05/15	970	2015	11/30/29	9,100	909	653	256	69	100.0%

Location	Acquisition date	Acquisition price/basis	Year built/ reno.	Lease expiration (1)	Approx. square footage	Carrying value of asset	Mortgage loan outstanding (2)	Asset net of mortgage loan outstanding	Annual rental income (3)	Ownership Percentage (4)
Rotterdam, NY	03/03/15	12,619	1996	8/31/32	115,660	11,459	8,890	2,569	940	100.0%
Hilliard, OH	03/02/15	6,384	2007	8/31/32	14,820	6,052	4,593	1,459	399	100.0%
Niles, OH	03/02/15	5,200	2007	11/30/32	14,820	4,924	3,732	1,192	325	100.0%
Youngstown, OH	02/20/15	5,400	2005	9/30/30	14,820	5,095	3,844	1,251	336	100.0%
Kings Mountain, NC	01/29/15	24,167	1995	9/30/30	467,781	27,065	18,731	8,334	1,475	100.0%
Iberia, MO	01/23/15	1,328	2015	12/31/29	10,542	1,244	899	345	94	100.0%
Pine Island, MN	01/23/15	1,142	2014	4/30/27	9,100	1,061	773	288	81	100.0%
Isle, MN	01/23/15	1,077	2014	1/31/30	9,100	1,000	727	273	77	100.0%
Jacksonville, NC	01/22/15	8,632	2014	12/31/29	55,000	8,189	5,705	2,484	517	100.0%
Evansville, IN	11/26/14	9,000	2014	12/31/35	71,680	8,453	6,456	1,997	540	100.0%
Woodland Park, CO	11/14/14	3,969	2014	8/31/29	22,141	3,674	2,810	864	258	100.0%
Bellport, NY	11/13/14	18,100	2014	8/16/34	87,788	16,948	12,874	4,074	1,119	100.0%
Ankeny, IA	11/04/14	16,510	2013	10/30/34	94,872	15,513	11,743	3,770	991	100.0%
Springfield, MO	11/04/14	11,675	2011	10/30/34	88,793	11,156	8,392	2,764	701	100.0%
Cedar Rapids, IA	11/04/14	11,000	2012	10/30/34	79,389	10,138	7,824	2,314	660	100.0%
Fairfield, IA	11/04/14	10,695	2011	10/30/34	69,280	9,965	7,610	2,355	642	100.0%
Owatonna, MN	11/04/14	9,970	2010	10/30/34	70,825	9,373	7,151	2,222	598	100.0%
Muscatine, IA	11/04/14	7,150	2013	10/30/34	78,218	8,294	5,128	3,166	429	100.0%
Sheldon, IA	11/04/14	4,300	2011	10/30/34	35,385	4,089	3,084	1,005	258	100.0%
Memphis, TN	10/24/14	5,310	1962	12/31/29	68,761	4,973	3,930	1,043	358	100.0%
Bennett, CO	10/02/14	3,522	2014	8/31/29	21,930	3,242	2,494	748	229	100.0%
Conyers, GA	08/28/14	32,530	2014	4/30/29	499,668	30,185	22,847	7,338	1,937	100.0%
O'Fallon, IL	08/08/14	8,000	1984	1/31/28	141,436	7,721	5,689	2,032	460	100.0%
El Centro, CA	08/08/14	4,277	2014	6/30/29	19,168	3,983	2,985	998	278	100.0%
Durant, OK	01/28/13	4,991	2007	2/28/33	14,550	4,478	3,229	1,249	323	100.0%
Gallatin, TN	12/28/12	5,062	2007	6/30/82	14,820	4,597	3,301	1,296	329	100.0%
Mt. Airy, NC	12/27/12	4,492	2007	6/30/82	14,820	4,172	2,931	1,241	292	100.0%
Aiken, SC	12/21/12	5,926	2008	2/28/83	14,550	5,359	3,860	1,499	384	100.0%
Johnson City, TN	12/21/12	5,262	2007	9/30/82	14,550	4,691	3,431	1,260	341	100.0%
Palmview, TX	12/19/12	6,820	2012	8/31/87	14,820	6,165	4,582	1,583	437	100.0%
Ooltewah, TN	12/18/12	5,703	2008	1/31/83	14,550	5,091	3,837	1,254	365	100.0%
Abingdon, VA	12/18/12	4,688	2006	6/30/81	15,371	4,498	3,081	1,417	300	100.0%
Wichita, KS	12/14/12	7,200	2012	10/15/62	73,322	6,213	4,801	1,412	536	100.0%
North Dartmouth, MA	09/21/12	29,965	1989	7/31/57	103,680	24,739	19,046	5,693	2,152	100.0%
Vineland, NJ	09/21/12	22,507	2003	7/31/57	115,368	18,851	13,971	4,880	1,616	100.0%
Saratoga Springs, NY	09/21/12	20,222	1994	7/31/57	116,620	16,787	12,553	4,234	1,452	100.0%
Waldorf, MD	09/21/12	18,803	1999	7/31/57	115,660	16,569	11,672	4,897	1,350	100.0%
Mooresville, NC	09/21/12	17,644	2000	7/31/57	108,528	14,570	10,952	3,618	1,267	100.0%
Sennett, NY	09/21/12	7,476	1996	7/31/57	68,160	6,116	4,752	1,364	611	100.0%
DeLeon Springs, FL	08/13/12	1,242	2011	1/31/27	9,100	1,026	821	205	98	100.0%
Orange City, FL	05/23/12	1,317	2011	3/31/27	9,026	1,087	797	290	103	100.0%
Satsuma, FL	04/19/12	1,092	2011	11/30/26	9,026	868	717	151	86	100.0%
Greenwood, AR	04/12/12	5,147	2009	7/31/84	13,650	4,537	3,424	1,113	332	100.0%
Snellville, GA	04/04/12	8,000	2011	4/30/32	67,375	6,764	5,322	1,442	596	100.0%
Columbia, SC	04/04/12	7,800	2001	4/30/32	71,744	6,756	5,177	1,579	581	100.0%
Millbrook, AL	03/28/12	6,941	2008	1/31/83	14,820	6,046	4,616	1,430	448	100.0%
Pittsfield, MA	02/17/12	14,700	2011	10/31/61	85,188	12,569	11,135	1,434	1,065	100.0%
Spartanburg, SC	01/14/11	3,870	2007	8/31/82	14,820	3,483	2,701	782	291	100.0%
Tupelo, MS	08/13/10	5,128	2007	11/30/92	14,691	4,322	3,090	1,232	400	100.0%
Lilburn, GA	08/12/10	5,791	2007	4/30/82	14,752	4,859	3,474	1,385	443	100.0%
Douglasville, GA	08/12/10	5,409	2008	10/31/83	13,434	4,673	3,264	1,409	417	100.0%
Elkton, MD	07/27/10	4,872	2008	9/30/82	13,706	4,092	2,928	1,164	380	100.0%
Lexington, SC	06/28/10	4,732	2009	9/30/83	14,820	4,066	2,901	1,165	362	100.0%
Total Net Lease		**588,898**			**4,125,705**	**543,646**	**385,327**	**158,319**	**39,354**	

Location	Acquisition date	Acquisition price/basis	Year built/ reno.	Lease expiration (1)	Approx. square footage	Carrying value of asset	Mortgage loan outstanding (2)	Asset net of mortgage loan outstanding	Annual rental income (3)	Ownership Percentage (4)
Other										
Peoria, IL	10/21/16	2,760	1926	7/31/30	252,940	2,853	—	2,853	1,921	100.0%
Ewing, NJ	08/04/16	30,640	2009	7/31/30	110,765	30,755	21,856	8,899	3,217	100.0%
Carmel, NY	10/14/15	6,706	1985	1/31/39	50,121	6,837	—	6,837	619	100.0%
Wayne, NJ	06/24/15	9,700	1980	7/31/27	56,387	9,062	6,670	2,392	1,100	100.0%
Grand Rapids, MI	06/18/15	9,731	1963	6/30/24	97,167	9,145	7,239	1,906	825	97.0% (5)
Grand Rapids, MI	06/18/15	6,300	1992	6/30/24	160,000	5,786	4,928	858	539	97.0% (5)
St. Paul, MN	09/22/14	62,540	1900	10/1/21	760,318	54,667	48,446	6,221	12,280	97.0% (5)(6)
Richmond, VA	08/14/14	19,850	1986	4/30/21	195,881	17,108	15,803	1,305	2,689	77.5% (5)
Richmond, VA	06/07/13	118,405	1984	4/30/21	994,040	92,899	88,090	4,809	11,032	77.5% (5)
Oakland County, MI	02/01/13	18,000	1989	12/31/21	240,900	10,411	11,747	(1,336)	3,140	90.0% (5)
Total Other		**284,632**			**2,918,519**	**239,523**	**204,779**	**34,744**	**37,362**	
Condominium										
Miami, FL	11/21/13	80,000	2010		101,361	22,447	—	22,447	2,182	100.0% (7)
Las Vegas, NV	12/20/12	119,000	2006		54,276	16,722	—	16,722	788	98.8% (5)(8)
Total Condominium		**199,000**			**155,637**	**39,169**	**—**	**39,169**	**2,970**	
Total		**$ 1,072,530**			**7,199,861**	**$ 822,338**	**$ 590,106**	**$ 232,232**	**$ 79,686**	

(1) Lease expirations reflect the earliest date the lease is cancellable without penalty, although actual terms may be longer.
(2) Non-recourse.
(3) Annual rental income represents twelve months of contractual rental income, excluding concessions, due under leases outstanding for the year ended December 31, 2016. Operating lease income on the combined consolidated statements of income represents rental income earned and recorded on a straight line basis over the term of the lease.
(4) Properties were consolidated as of acquisition date.
(5) See Note 12 for further information regarding noncontrolling interests.
(6) Includes real estate acquired for parking purposes on April 21, 2016 with an acquisition price of $0.2 million and a carrying value of $0.4 million as of December 31, 2016.
(7) We own a portfolio of residential condominium units, some of which are subject to residential leases. We intend to sell these units. The residential leases are generally short term in nature and are not included in the table above given our intention to sell the units.
(8) We own, through a majority-owned joint venture with an operating partner, a portfolio of residential condominium units, some of which are subject to residential leases. The joint venture intends to sell these units. The residential leases are generally short term in nature and are not included in the table above given the joint venture's intention to sell the units.

Item 3. Legal Proceedings

From time to time, we may be involved in litigation and claims incidental to the conduct of our business in the ordinary course. Further, certain of our subsidiaries, including our registered broker-dealer, registered investment advisers and captive insurance company, are subject to scrutiny by government regulators, which could result in enforcement proceedings or litigation related to regulatory compliance matters. We are not presently a party to any material enforcement proceedings, litigation related to regulatory compliance matters or any other type of material litigation matters. We maintain insurance policies in amounts and with the coverage and deductibles we believe are adequate, based on the nature and risks of our business, historical experience and industry standards.

Item 4. Mine Safety Disclosures

Not applicable.

Part II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock began trading on the NYSE under the symbol "LADR" on February 6, 2014. Prior to that time, there was no public market for our common stock.

Class A Common Stock

The following table sets forth the quarterly high, low and closing price per share of Class A common stock, reported on the NYSE, with respect to the periods indicated:

Period	High	Low	Close
2016			
First Quarter	$ 12.88	$ 8.64	$ 12.45
Second Quarter	13.01	11.29	12.20
Third Quarter	13.87	11.57	13.24
Fourth Quarter	15.53	12.14	13.72
2015			
First Quarter	$ 20.00	$ 17.61	$ 18.51
Second Quarter	18.64	16.61	17.35
Third Quarter	17.59	14.21	14.32
Fourth Quarter	15.27	11.59	12.42

Dividends

The following table presents dividends declared (on a per share basis) of Class A common stock for the years ended December 31, 2016 and 2015:

Declaration Date	Dividend per Share	
March 1, 2016	$ 0.275	
June 1, 2016	0.275	
September 1, 2016	0.275	
December 2, 2016	0.460	(1)
Total	**$ 1.285**	
March 12, 2015	$ 0.250	
June 8, 2015	0.250	
September 1, 2015	0.275	
December 1, 2015	1.450	(2)
Total	**$ 2.225**	

(1) On December 1, 2016, our board of directors approved the fourth quarter 2016 dividend of $0.46 per share of our Class A common stock in order to meet our annual REIT taxable income distribution requirement. The dividend was paid as a combination of cash and Class A common stock with the total cash paid to shareholders equaling $20.8 million.

(2) On November 30, 2015, our board of directors approved the fourth quarter 2015 dividend of $1.45 per share of our Class A common stock in order to meet our annual REIT taxable income distribution requirement and our one time E&P Distribution requirement. The dividend was paid as a combination of cash and Class A common stock with the total cash paid to shareholders equaling $15.5 million.

Please see Note 11 to our combined consolidated financial statements for the year ended December 31, 2016 included elsewhere in this Annual Report for the tax treatment for our aggregate distributions per share.

Consistent with our intention to operate as a REIT, we have paid and in the future intend to declare regular quarterly distributions to our shareholders.

In order to qualify as a REIT we must annually distribute at least 90% of our taxable income. Pursuant to the terms of our Private Letter Ruling, we have paid our fourth quarter distribution in a combination of cash and stock and may pay future distributions in such a manner, although, the REIT distribution requirements limit our ability to retain earnings and thereby replenish or increase capital for operations. We believe that our significant capital resources and access to financing will provide us with financial flexibility at levels sufficient to meet current and anticipated capital requirements, including funding new investment opportunities, paying distributions to our shareholders and servicing our debt obligations.

On March 1, 2016, we announced that our board of directors declared a quarterly cash dividend of $0.275 per share of Class A common stock, which was paid on April 1, 2016, to shareholders of record as of the close of business on March 10, 2016.

On June 1, 2016, we announced that our board of directors declared a quarterly cash dividend of $0.275 per share of Class A common stock, which was paid on July 1, 2016, to shareholders of record as of the close of business on June 13, 2016.

On September 1, 2016, we announced that our board of directors declared a quarterly cash dividend of $0.275 per share of Class A common stock, which was paid on October 3, 2016, to shareholders of record as of the close of business on September 12, 2016.

On December 2, 2016, our board of directors declared a fourth quarter 2016 dividend of $0.46 per share of Class A common stock. The dividend was paid in a combination of cash and stock on January 24, 2017 to shareholders of record as of the close of business on December 27, 2016.

The total number of shares of Class A common stock distributed pursuant to the fourth quarter 2016 dividend was determined based on shareholder elections and the volume weighted average price of $14.06 per share of Class A common stock on the New York Stock Exchange for the three trading days after January 12, 2017, the date that election forms were due. Shares of Class A common stock distributed as part of Ladder's fourth quarter 2016 dividend shall accrue dividend and other benefits together with all other shares of Ladder's Class A common stock.

On January 24, 2017, we paid an aggregate of $20.8 million in cash to our Class A shareholders, accrued for dividends payable on unvested restricted stock of $0.7 million and issued 815,819 shares of our Class A common stock, equivalent to $11.5 million, in connection with the fourth quarter 2016 dividend of $0.46 per share. In connection with the dividend, we also issued 432,314 shares of our Class B common stock and each of Series REIT and Series TRS of LCFH, issued 1,248,133 Series LP units corresponding to these Class A and Class B shares.

Holders

On February 23, 2017, the Company had 32 Class A common shareholders of record. This does not include the beneficial ownership of shares held in nominee name. The closing price per share of Class A common stock on February 23, 2017 was $14.17.

Stock Repurchases

On October 30, 2014, our board of directors authorized the Company to make up to $50.0 million in repurchases of the Company's Class A common stock from time to time without further approval. Stock repurchases by the Company are generally made in open market transactions at prevailing market prices but may also be made in privately negotiated transactions or otherwise. The timing and amount of purchases are determined based upon prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. During the year ended December 31, 2016, the Company repurchased 424,317 shares of Class A common stock at an average of $10.96 per share for a total aggregate purchase price of $4.7 million. All repurchased shares are recorded in treasury stock at cost.

The following table presents information with respect to repurchases of Class A common stock of the Company made during the year ended December 31, 2016 ($ in thousands, except per share data and average price paid per share):

Period	Total Number of Shares Purchased(1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(2)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
January 1, 2016 - January 31, 2016	—	$ —	—	$ 49,006
February 1, 2016 - February 29, 2016	149,388	10.56	149,388	47,428
March 1, 2016 - March 31, 2016	274,929	11.18	274,929	44,353
April 1, 2016 - April 30, 2016	—	—	—	44,353
May 1, 2016 - May 31, 2016	—	—	—	44,353
June 1, 2016 - June 30, 2016	—	—	—	44,353
July 1, 2016 - July 31, 2016	—	—	—	44,353
August 1, 2016 - August 31, 2016	—	—	—	44,353
September 1, 2016 - September 30, 2016	—	—	—	44,353
October 1, 2016 - October 31, 2016	—	—	—	44,353
November 1, 2016 - November 30, 2016	—	—	—	44,353
December 1, 2016 - December 31, 2016	—	—	—	44,353
Total	**424,317**	**$ 10.96**	**424,317**	**$ 44,353**

(1) The total number of shares repurchased includes shares purchased pursuant to the plan described in footnote (2) below.
(2) In August 2015, we publicly disclosed that our board of directors had authorized the Company to repurchase up to $50.0 million of the Company's common stock from time to time.

Recent Sales of Unregistered Securities

Pursuant to the LLLP Agreement, the Continuing LCFH Limited Partners may from time to time (subject to the terms of the LLLP Agreement as in effect at the time) cause LCFH to exchange Series REIT LP Units and LC TRS I Shares (or Series TRS LP Units in lieu of such LC TRS I Shares) with an equal number of shares of our Class B common stock, for shares of our Class A common stock on a one-for-one basis, subject to equitable adjustments for stock splits, stock dividends and reclassifications. During the year ended December 31, 2016, 10,521,149 Series REIT LP Units and 10,521,149 Series TRS LP Units were collectively exchanged for 10,521,149 shares of Class A common stock and 10,521,149 shares of Class B common stock were canceled. We received no other consideration in connection with these exchanges, which were effected in reliance on Section 4(a)(2) of the Securities Act.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table summarizes information, as of December 31, 2016, relating to equity compensation plans of the Company (including individual compensation arrangements) pursuant to which equity securities of the Company are authorized for issuance.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by shareholders	982,135	$ 15.03	3,641,035
Equity compensation plans not approved by shareholders	N/A	N/A	N/A
Total	**982,135**	**$ 15.03**	**3,641,035**

The Company currently has stock option and restricted stock awards to directors and employees outstanding under its 2014 Omnibus Incentive Plan (the “Plan”). The Plan provides for the equitable adjustment of outstanding awards upon the occurrence of certain events, including an extraordinary dividend, in order to preserve the intrinsic value of such awards. The compensation committee of the board of directors, which holds the authority to administer and interpret the Plan, determined it was necessary and appropriate, and in the best interests of the Company and its shareholders, to equitably adjust the outstanding stock option and restricted stock awards in respect of the fourth quarter 2015 dividend and to increase the number of shares available under the Plan to reflect the equitable adjustment of the stock options and restricted stock. Such equitable adjustment occurred on January 21, 2016 and is not reflected in the table above.

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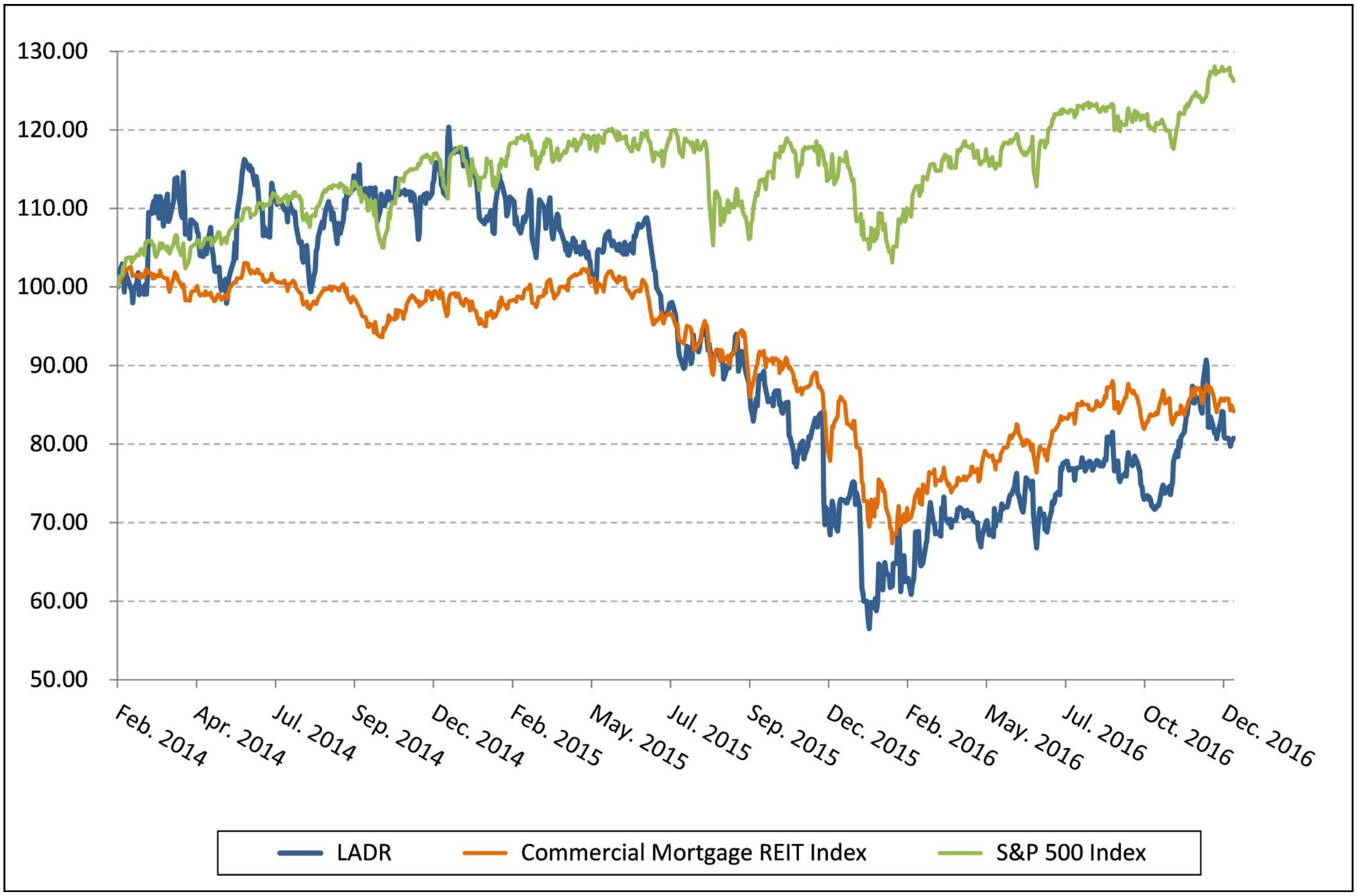
Performance Graph

Our common stock began trading on the NYSE under the symbol "LADR" on February 6, 2014. Prior to that time, there was no public market for our common stock.

The following graph compares total shareholder returns, assuming reinvestment of dividends, for the period February 6, 2014 through December 31, 2016 to the Wells Fargo Commercial Mortgage REIT Index ("Commercial Mortgage REIT Index") and the Standard & Poor's Index ("S&P 500"). The closing price of the Company's Class A common stock on February 6, 2014 (on which the graph is based) was $16.99. The past shareholder return shown on the following graph is not necessarily indicative of future performance.

Comparison of Cumulative Total Shareholder Returns

Based upon initial investment of $100 on February 6, 2014(1)



	Ladder Capital Corp	Commercial Mortgage REIT Index	S&P 500 Index
February 6, 2014	$ 100.00	$ 100.00	$ 100.00
December 31, 2014	$ 115.42	$ 97.61	$ 116.10
December 31, 2015	$ 73.10	$ 82.54	$ 115.25
December 31, 2016	$ 80.75	$ 84.21	$ 126.24

(1) Dividend reinvestment is assumed at quarter end.

Item 6. Selected Financial Data

The information below should be read in conjunction with "Cautionary Statement Regarding Forward-Looking Statements," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our combined consolidated financial statements and the related notes thereto included in this Annual Report.

The historical financial information for this report included for all periods prior to our IPO were derived from the consolidated financial statements of LCFH and the balance sheet of LCC and does not reflect what our financial position, results of operations, and cash flows would have been had we been a separate, stand-alone public company during those periods. We were not operated as a separate, stand-alone public company for historical periods presented prior to the IPO and the related Reorganization Transactions, which were completed on February 11, 2014. The combined consolidated financial information may not be indicative of our future financial condition, results of operations or cash flows.

The following table sets forth selected financial data on a combined consolidated basis for the Company. The combined consolidated selected operating and balance sheet data of the Company as of December 31, 2016, 2015, 2014, 2013 and 2012, and for the years then ended have been derived from the Company's financial statements for the respective periods. ($ in thousands, except per share and dividend data)

	Year Ended December 31,				
	2016	2015	2014	2013	2012
Operating Data:					
Interest income	$ 236,372	$ 241,539	$ 187,325	$ 121,578	$ 136,198
Interest expense	120,827	113,303	77,574	48,745	36,440
Net interest income	115,545	128,236	109,751	72,833	99,758
Provision for loan losses	(300)	(600)	(600)	(600)	(449)
Net interest income after provision for loan losses	115,245	127,636	109,151	72,233	99,309
Total other income	163,312	201,221	189,166	241,705	148,994
Total costs and expenses	158,517	168,166	174,086	121,475	76,265
Income before taxes	120,040	160,691	124,231	192,463	172,038
Tax expense	6,320	14,557	26,605	3,730	2,584
Net income	**113,720**	**146,134**	**97,626**	**188,733**	**169,454**
Net (income) loss attributable to noncontrolling interest in consolidated joint ventures	138	(1,568)	370	1,098	49
Net income of combined Class A Common shareholders and predecessor unit holders	**$ 113,858**	**$ 144,566**	**$ 97,996**	**$ 189,831**	**$ 169,503**
Net (income) loss attributed to predecessor unit holders	—	—	12,628		
Net (income) loss attributed to noncontrolling interest in operating partnership	(47,131)	(70,745)	(66,437)		
Net income attributed to Class A common shareholders	**$ 66,727**	**$ 73,821**	**$ 44,187**		
Earnings per share:					
Basic	$ 1.08	$ 1.43	$ 0.90		
Diluted	$ 1.06	$ 1.42	$ 0.86		
Weighted average shares outstanding:					
Basic	61,998,089	51,702,188	49,296,417		
Diluted	107,638,788	51,870,808	97,583,310		
Dividends per share of Class A common stock	$ 1.285	2.225	$ —		

	Year Ended December 31,				
	2016	2015	2014	2013	2012
Cash Flow Data:					
Net cash provided by (used in):					
Operating activities	$ 409,147	$ 40,588	$ 208,672	$ 475,082	$ (116,007)
Investing activities	(25,414)	(29,847)	(2,369,464)	(1,081,868)	288,106
Financing activities	(448,077)	22,000	2,158,268	640,349	(211,272)
Balance Sheet Data (at end of period):					
Cash and cash equivalents	$ 44,615	$ 108,959	$ 76,218	$ 78,742	$ 45,179
Mortgage loan receivables	2,353,977	2,310,409	1,939,008	979,568	949,651
Real estate securities	2,100,947	2,407,217	2,815,566	1,657,246	1,125,562
Real estate and related lease intangibles, net	822,338	834,779	768,986	624,219	380,022
Total assets	5,578,337	5,895,212	5,814,235	3,482,216	2,620,351
Total debt outstanding	3,942,138	4,274,723	4,182,954	2,208,041	1,478,913
Total liabilities	4,068,783	4,403,804	4,309,028	2,296,983	1,522,081
Total shareholders' equity (partners' capital)	971,390	828,215	785,432	1,176,397	1,097,688
Total noncontrolling interest in operating partnership	533,246	657,380	711,674	—	—
Total noncontrolling interest in consolidated joint ventures	4,918	5,813	8,101	8,837	582
Total equity (capital)	1,509,555	1,491,408	1,505,207	1,185,234	1,098,270

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

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

References to "Ladder," the "Company," "Successor" and "we," "our" and "us" refer to Ladder Capital Corp, a Delaware corporation incorporated in 2013, and its combined consolidated subsidiaries subsequent to the IPO and related transactions described below. These references (other than "Successor") in periods prior to the IPO and related transactions are to Ladder Capital Finance Holdings LLLP and subsidiaries ("LCFH" or "Predecessor").

Ladder Capital Corp was incorporated on May 21, 2013 as a holding company for the purpose of facilitating an IPO of common equity. On February 5, 2014, a registration statement relating to shares of Class A common stock of Ladder Capital Corp was declared effective and the price of such shares was set at $17.00 per share. The IPO closed on February 11, 2014.

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

Results since inception consist of LCFH's operations from October 2008 to February 10, 2014 and Ladder Capital Corp's operations from February 11, 2014 to December 31, 2016.

Results of Operations

Year ended December 31, 2016 compared to the year ended December 31, 2015

Investment overview

Investment activity in the year ended December 31, 2016 focused on loan and security activities. We originated and funded $2.1 billion in principal value of commercial mortgage loans, which was offset by $1.4 billion of sales and $651.7 million of principal repayments in the year ended December 31, 2016. We acquired $977.5 million of new securities, which was offset by $539.3 million of sales and $684.1 million of amortization in the portfolio, which partially contributed to a net decrease in our securities portfolio of $306.3 million. We also invested $62.5 million in real estate and received proceeds from the sale of real estate of $66.5 million.

Investment activity in the year ended December 31, 2015 focused on loan originations and securities investments. We originated and funded $3.6 billion in principal value of commercial mortgage loans in the year ended December 31, 2015. We acquired $725.9 million of new securities, which was offset by $845.7 million of sales and $186.9 million of amortization in the portfolio, which partially contributed to a net decrease in our securities portfolio of $408.3 million. We also invested $219.5 million in real estate and received proceeds from the sale of real estate of $172.1 million.

Operating overview

Net income (loss) attributable to Class A common shareholders totaled $66.7 million for the year ended December 31, 2016, compared to $73.8 million for the year ended December 31, 2015. The most significant drivers of the $7.1 million decrease are as follows:

- a decrease in total other income (loss) of $37.9 million, primarily as a result of a decrease of $45.1 million in sales of loans, net, a $19.8 million decrease in profits on sale of real estate and a decrease of $16.3 million in realized gains on securities, partially offset by a $37.5 million increase in net results from derivative transactions and a $6.2 million increase in fee income; and

- a decrease in total costs and expenses of $9.6 million compared to the prior year, primarily as a result of a $5.9 million decrease in real estate operating expenses and a $4.5 million decrease in operating expenses.

- a decrease in net interest income of $12.7 million, primarily as a result of an increase in lower yielding mortgage loans receivable, available for sale, a decrease in higher yielding subordinated debt and mezzanine debt and a decrease in the weighted average coupon on mortgage loans receivable, available for sale portfolio year-over-year; and

- a decrease in income tax expense (benefit) of $8.2 million compared to the prior year, primarily as a result of decreased income in our TRSs and certain other one-time adjustments.

Core Earnings, a non-GAAP financial measure, totaled $158.2 million for the year ended December 31, 2016, compared to $191.5 million for the year ended December 31, 2015. The significant components of the $33.3 million decrease in Core Earnings are a decrease in total other income (loss) of $44.5 million, primarily as a result of a decrease of $46.3 million in sale of loans, net, a decrease of $19.8 million in sale of real estate, net and a decrease of $16.3 million in gain (loss) on securities, partially offset by an increase of $36.6 million in net results from derivative transactions and a decrease in total costs and expenses discussed in the preceding paragraph. See "—Reconciliation of Non-GAAP Financial Measures" for our definition of Core Earnings and a reconciliation to income (loss) before taxes.

Net interest income

Interest income totaled $236.4 million for the year ended December 31, 2016, compared to $241.5 million for the year ended December 31, 2015. The $5.1 million decrease in interest income was primarily attributable to the lower weighted average yield on new loans originated compared to the higher weighted average yield on loans that were securitized or paid off as well as lower average interest rates in 2016 compared to 2015.

Interest expense totaled $120.8 million for the year ended December 31, 2016, compared to $113.3 million for the year ended December 31, 2015. The $7.5 million increase in interest expense was primarily attributable to the increase in LIBOR rates throughout 2016. As of December 31, 2016, we had $1.5 billion of floating rate debt, or 38.0% of our total debt obligations, compared to $1.3 billion of floating rate debt, or 31.4% of our total debt obligations as of December 31, 2015. The increase of $153.7 million of floating rate debt was primarily due to a $282.3 million increase in FHLB floating rate debt and a $25.0 million increase in our revolving credit facility, partially offset by a decrease in amounts due pursuant to repurchase agreements. The increase in percentage of floating rate debt is due both to an increase in floating rate debt as discussed above, as well as a $479.0 million decrease in FHLB fixed rate debt and a $55.7 million decrease in our senior unsecured notes, partially offset by an increase in mortgage loan financing.

Net interest income after provision for loan losses totaled $115.2 million for the year ended December 31, 2016, compared to $127.6 million for the year ended December 31, 2015. The $12.4 million decrease in net interest income after provision for loan losses was primarily attributable to the decrease in net interest income, increase in interest expense discussed above and increase in debt obligations.

Cost of funds, a non-GAAP financial measure, totaled $150.7 million for the year ended December 31, 2016, compared to $140.1 million for the year ended December 31, 2015. The $10.6 million increase in cost of funds was primarily attributable to the extension of FHLB borrowings at higher interest rates and an increase in hedging losses.

We present cost of funds, which is a non-GAAP financial measure, as a supplemental measure of the Company's cost of debt financing. We define cost of funds as interest expense as reported on our combined consolidated statements of income adjusted to include the net interest expense component resulting from our hedging activities, which is currently included in net results from derivative transactions on our combined consolidated statements of income. See "—Reconciliation of Non-GAAP Financial Measures" for our definition of cost of funds and a reconciliation to interest expense.

Interest spreads

As of December 31, 2016, the weighted average yield on our mortgage loan receivables was 6.7%, compared to 6.8% as of December 31, 2015 as the weighted average yield on new loans originated was lower than the weighted average yield on loans that were securitized or paid off. As of December 31, 2016, the weighted average interest rate on borrowings against our mortgage loan receivables was 2.3%, compared to 2.4% as of December 31, 2015. The decrease in the rate on borrowings against our mortgage loan receivables was primarily due to the utilization of a higher proportion of lower-cost borrowings from the FHLB as of December 31, 2016 compared to December 31, 2015. As of December 31, 2016, we had outstanding borrowings secured by our mortgage loan receivables equal to 43.3% of the carrying value of our mortgage loan receivables, compared to 46.3% as of December 31, 2015.

As of December 31, 2016, the weighted average yield on our real estate securities was 2.9%, compared to 2.8% as of December 31, 2015. As of December 31, 2016, the weighted average interest rate on borrowings against our real estate securities was 1.3%, compared to 1.0% as of December 31, 2015. The increase in the rate on borrowings against our real estate securities from December 31, 2015 to December 31, 2016 was primarily due to higher prevailing market borrowing rates as of December 31, 2016 versus December 31, 2015. As of December 31, 2016, we had outstanding borrowings secured by our real estate securities equal to 83.2% of the carrying value of our real estate securities, compared to 85.0% as of December 31, 2015.

Our real estate is comprised of non-interest bearing assets; however, interest incurred on mortgage financing collateralized by such real estate is included in interest expense. As of December 31, 2016 and 2015, the weighted average interest rate on mortgage borrowings against our real estate was 4.9%. As of December 31, 2016, we had outstanding borrowings secured by our real estate equal to 71.8% of the carrying value of our real estate, compared to 65.5% as of December 31, 2015.

Provision for loan losses

We had a $0.3 million and $0.6 million provision for loan losses for the years ended December 31, 2016 and 2015, respectively. We invest primarily in loans with high credit quality, and we sell our conduit loans in the ordinary course of business. We estimate our loan loss provision based on our historical loss experience and our expectation of losses inherent in the investment portfolio but not yet realized. As our loan portfolio grew and matured, the related risk as assets approached maturity and ultimately refinancing grew. During 2016, our loan portfolio was relatively stable in size and remaining duration and we discontinued building our reserve on a quarterly basis. We will continue to monitor our portfolio and provide for loan losses based on expected losses in the portfolio using industry based loss experience. As of December 31, 2016, two of the Company's loans, which were originated simultaneously as part of a single transaction, with a carrying value of $26.9 million were in default. The borrower is currently in bankruptcy court, however, the Company determined that no impairment was necessary due to the property's liquidation value and continues to accrue interest on these loans and pursue its legal remedies.

Operating lease income and tenant recoveries

Operating lease income totaled $77.3 million for the year ended December 31, 2016, compared to $80.5 million for the year ended December 31, 2015. The decrease of $3.2 million was primarily attributable to the sale of an office property in November 2015 as well as the sales of net lease and residential real estate in 2016 and 2015. Typically, office properties produce higher operating income compared to net lease properties.

Tenant recoveries totaled $6.0 million for the year ended December 31, 2016, compared to $9.9 million for the year ended December 31, 2015. The decrease of $3.9 million primarily reflects the sale of the office property mentioned in the previous paragraph as well as the sales of net lease and residential real estate in 2016 and 2015.

Sale of loans, net

Income from sale of loans, net, which includes all loan sales, whether by securitization, whole loan sales or other means, totaled $26.0 million for the year ended December 31, 2016, compared to $71.1 million for the year ended December 31, 2015, a decrease of $45.1 million. In the year ended December 31, 2016, we participated in six separate securitization transactions, selling 104 loans with an aggregate outstanding principal balance of $1.3 billion. In the year ended December 31, 2015, we participated in ten separate securitization transactions, selling 210 loans with an aggregate outstanding principal balance of $2.6 billion. Income from sales of loans, net is subject to market conditions impacting timing, size and pricing and as such may vary significantly quarter to quarter. The increase in income from sales of securitized loans, net of hedging of $38.4 million for the year ended December 31, 2016 compared to $64.6 million for the year ended December 31, 2015 was due to a decline in the aggregate outstanding principal balance of loans sold, period over period, as well as increasing competition in the market and lower prevailing lending credit spreads for conduit loans.

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

Realized gain (loss) on securities

Realized gain (loss) on securities totaled $7.7 million for the year ended December 31, 2016, compared to $24.0 million for the year ended December 31, 2015, a decrease of $16.3 million. Other than temporary impairment on U.S. Agency Securities, which is included in realized gain (loss) on securities totaled $(4.7) million of that decrease. For the year ended December 31, 2016, we sold $539.3 million of securities, comprised of $538.1 million of CMBS and $1.2 million U.S. Agency Securities. For the year ended December 31, 2015, we sold $845.7 million of securities, comprised of $829.4 million of CMBS and $16.2 million U.S. Agency Securities. The decrease in sales of securities reflects lower transaction volume and lower profit margins in 2016 as compared to 2015.

Unrealized gain (loss) on Agency interest-only securities

Unrealized gain (loss) on Agency interest-only securities represented a loss of $56,456 for the year ended December 31, 2016, compared to a loss of $1.2 million for the year ended December 31, 2015. The positive change of $1.2 million in unrealized gain (loss) on Agency interest-only securities was due to an increase in interest rates and amortization and sales of the portfolio during the year ended December 31, 2016.

Income from sales of real estate, net

For the year ended December 31, 2016, income from sales of real estate, net totaled $20.6 million, compared to $40.4 million for the year ended December 31, 2015. The decrease of $19.8 million was a result of the commercial real estate and residential condominium sales discussed below.

During the year ended December 31, 2016, we sold two single-tenant retail property resulting in a net gain on sale of $1.2 million. During the year ended December 31, 2015, we sold four single-tenant retail properties resulting in a net gain on sale of $2.6 million and one office building in Minneapolis, MN, resulting in a net gain on sale of $13.1 million.

During the year ended December 31, 2016, income from sales of residential condominiums totaled $19.4 million. We sold 73 residential condominium units from Veer Towers in Las Vegas, NV, resulting in a net gain on sale of $15.1 million, and 65 residential condominium units from Terrazas River Park Village in Miami, FL, resulting in a net gain on sale of $4.3 million. During the year ended December 31, 2015, income from sales of residential condominiums totaled $23.5 million. We sold 88 residential condominium units from Veer Towers in Las Vegas, NV, resulting in a net gain on sale of $16.5 million, and 99 residential condominium units from Terrazas River Park Village in Miami, FL, resulting in a net gain on sale of $7.0 million.

Fee and other income

Fee and other income totaled $21.4 million for the year ended December 31, 2016, compared to $15.2 million for the year ended December 31, 2015. We generated fee income from origination fees, exit fees and other fees on the loans we originate and in which we invest, HOA fees, dividend income on our investment in FHLB stock and the management of our institutional partnership and our managed account, both of which were terminated during 2015. The $6.2 million increase in fee and other income year-over-year was primarily due to a $3.3 million receivable from an indemnity counterparty, which is more fully discussed in Note 15, Income Taxes, an increase in exit fees, HOA fee income and dividend income on our investment in FHLB stock, partially offset by a decrease in management fees due to the termination of our institutional partnership and our managed account and lower origination fees due to lower origination volume in 2016.

Net result from derivative transactions

Net result from derivative transactions represented a loss of $1.4 million for the year ended December 31, 2016, which was comprised of an unrealized gain of $4.2 million and a realized loss of $5.6 million, compared to a loss of $38.9 million which was comprised of an unrealized gain of $10.2 million and a realized loss of $49.1 million, for the year ended December 31, 2015, a positive change of $37.5 million. The derivative positions that generated these results were a combination of interest rate swaps, caps, and futures that we employed in an effort to hedge the interest rate risk on the financing of our fixed rate assets and the net interest income we earn against the impact of changes in interest rates. The loss in 2016 was primarily related to movement in interest rates during the year ended December 31, 2016. The total net result from derivative transactions is comprised of hedging interest expense, realized gains/losses related to hedge terminations and unrealized gains/losses related to changes in the fair value of asset hedges. The hedge positions were related to fixed rate conduit loans and securities investments.

Earnings (loss) from investment in unconsolidated joint ventures

Total earnings (loss) from investment in unconsolidated joint ventures totaled $0.4 million for the year ended December 31, 2016 and 2015. Earnings from our investment in LCRIP I totaled $0.9 million for the year ended December 31, 2016, compared to $0.1 million for the year ended December 31, 2015. The increase of $0.8 million primarily reflects additional earnings from our investment in LCRIP I of $0.9 million recorded in 2016, predominately relating to prior years. Refer to "Out-of-Period Adjustments" in Note 2. Significant Accounting Policies. LCRIP I held no loans as of December 31, 2016, as the last loan held by LCRIP I was repaid during the quarter ended June 30, 2015. The term of LCRIP I expired on April 15, 2016. At that time, LCRIP I made distributions to the partners in the aggregate amounts determined by the general partner in accordance with the Limited Partnership Agreement. Earnings from our investment in Grace Lake LLC totaled $1.0 million for the year ended December 31, 2016, compared to $0.8 million for the year ended December 31, 2015. Earnings (loss) from our investment in 24 Second Avenue totaled $(1.4) million for the year ended December 31, 2016, compared to $(0.6) million for the year ended December 31, 2015. We made our investment in 24 Second Avenue on August 7, 2015 and incurred $1.4 million and $0.6 million in construction costs and pre-completion sales and marketing costs during the construction period for the years ended December 31, 2016 and 2015, respectively.

Gain (loss) on extinguishment of debt

Gain (loss) on extinguishment of debt totaled $5.4 million for the year ended December 31, 2016, compared to none for the year ended December 31, 2015. During the year ended December 31, 2016, the Company retired $21.9 million of principal of the 2017 Notes for a repurchase price of $21.4 million, recognizing a $0.3 million net gain on extinguishment of debt after recognizing $(0.2) million of unamortized debt issuance costs associated with the retired debt, and the Company retired $33.8 million of principal of the 2021 Notes for a repurchase price of $28.2 million, recognizing a $5.1 million net gain on extinguishment of debt after recognizing $(0.4) million of unamortized debt issuance costs associated with the retired debt.

Salaries and employee benefits

Salaries and employee benefits totaled $64.3 million for the year ended December 31, 2016, compared to $61.6 million for the year ended December 31, 2015. Salaries and employee benefits are comprised primarily of salaries, bonuses, originator bonuses related to loan profitability, equity based compensation and other employee benefits. The increase of $2.7 million in compensation expense was attributable to the increase in equity based compensation expense in the year ended December 31, 2016 compared to the year ended December 31, 2015 due to vesting of grants in the year ended December 31, 2016.

Operating expenses

Operating expenses totaled $20.6 million for the year ended December 31, 2016, compared to $25.1 million for the year ended December 31, 2015. Operating expenses are primarily composed of professional fees, lease expense, and technology expenses. The decrease of $4.5 million represents REIT transaction costs incurred in 2015 and cost cutting initiatives in 2016.

Real estate operating expenses

Real estate operating expenses totaled $30.0 million for the year ended December 31, 2016, compared to $35.9 million for the year ended December 31, 2015. The decrease of $5.9 million in real estate operating expense was in part due to the increase in net lease properties, where expenses are paid directly by the tenant and the decrease in office and residential properties, where the operating expenses are incurred by the Company and reimbursed by the tenants.

Real estate acquisition costs

There were $0.6 million of real estate acquisition costs for the year ended December 31, 2016, compared to $2.0 million for the year ended December 31, 2015. The decrease of $1.4 million in real estate acquisition costs was due to $62.5 million of real estate acquisitions during the year ended December 31, 2016, compared to $219.5 million of real estate acquisitions during the year ended December 31, 2015. On October 1, 2016, the Company early adopted Accounting Standards Update ("ASU") 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business* ("ASU 2017-01"). As a result of this adoption, acquisitions of real estate generally do not meet the revised definition of a business and are treated as asset acquisitions rather than business combinations. Real estate acquisition costs are no longer expensed as incurred and will now be capitalized as a component of the cost of the assets acquired.

Fee expense

Fee expense totaled $3.7 million for the year ended December 31, 2016, compared to $4.5 million for the year ended December 31, 2015. Fee expense is comprised primarily of custodian fees, financing costs and servicing fees related to loans. The decrease of $0.8 million in fee expense was primarily attributable to the decrease in loan originations. There were $2.1 billion in principal value of commercial mortgage loans originated for the year ended December 31, 2016, compared to $3.6 billion for the year ended December 31, 2015.

Depreciation and amortization

Depreciation and amortization totaled $39.4 million for the year ended December 31, 2016, compared to $39.1 million for the year ended December 31, 2015. The $0.3 million increase in depreciation and amortization is attributable to a partial period of depreciation on 2016 acquisitions and a full period of depreciation on acquisitions made in 2015.

Income tax (benefit) expense

Most of our consolidated income tax provision relates to the business units held in our TRSs. Income tax (benefit) expense totaled $6.3 million for the year ended December 31, 2016, compared to $14.6 million for the year ended December 31, 2015. The decrease of $8.2 million is primarily attributable to decreased income in our TRSs.

Year ended December 31, 2015 compared to the year ended December 31, 2014

Investment overview

Investment activity in the year ended December 31, 2015 focused on loan originations and securities activity. We originated and funded $3.6 billion in principal value of commercial mortgage loans in the year ended December 31, 2015. We acquired $725.9 million of new securities, which was offset by $845.7 million of sales and $186.9 million of amortization in the portfolio, which partially contributed to a net decrease in our securities portfolio of $408.3 million. We also invested $219.5 million in real estate and received proceeds from the sale of real estate of $172.1 million.

Investment activity in the year ended December 31, 2014 focused on loan originations and securities investments. We originated and funded $4.5 billion in principal value of commercial mortgage loans in the year ended December 31, 2014. We acquired $2.2 billion of new securities, which was offset by $768.6 million of sales and $186.3 million of amortization in the portfolio, which partially contributed to a net increase in our securities portfolio of $1.2 billion. We also invested $254.5 million in real estate and received proceeds from the sale of real estate of $123.4 million.

Operating overview

Net income attributable to Class A common shareholders totaled $73.8 million for the year ended December 31, 2015, compared to $44.2 million for the year ended December 31, 2014. The most significant drivers of the $29.6 million increase are as follows:

- a decrease in income tax expense (benefit) of $12.0 million. Our predecessor/operating partnership is taxed as a partnership but is subject to certain state and local income taxes. Subsequent to our IPO, the Company was subject to U.S. federal and state income taxes on its share of the income of the operating partnership. The Company's election to be taxed as a REIT was effective as of January 1, 2015 and we expect to only pay taxes on the portion of our income earned in our taxable REIT subsidiary and some state and local taxes.

- a decrease in total costs and expenses of $5.9 million compared to the prior year, primarily as a result of reduced incentive compensation expense due to reduced total net interest income after provision for loan losses and total other income ("Net Revenues") and loan/investment production, partially offset by higher depreciation and amortization expense associated with 2015 real estate acquisitions and the full year impact of 2014 real estate acquisitions. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Reconciliation of Non-GAAP Financial Measures" for a definition of Net Revenues and a reconciliation to total net interest income after provision for loan losses and total other income;

- an increase in net interest income of $18.5 million, primarily as a result of higher average balance sheet first mortgage loan and other commercial real estate-related loan receivable and securities balances partially offset by higher interest expense as a result of higher outstanding financing obligations as well as the decrease in the average yield on the securities portfolio year-over-year;

- an increase in total other income of $12.1 million, primarily as a result of a $55.9 million increase in net results from derivative transactions, a $23.9 million increase in operating lease income, a $10.6 million increase in profits on sale of real estate, net, partially offset by a decrease of $74.2 million in profits on sales of loans, a decrease of $3.3 million in unrealized gain (loss) on Agency interest-only securities and a decrease of $3.0 million in realized gains on securities;

Core Earnings, a non-GAAP measure, totaled $191.5 million for the year ended December 31, 2015, compared to $219.3 million for the year ended December 31, 2014. The significant components of the $27.8 million decrease in Core Earnings are an increase in net interest income of $18.5 million, an increase in operating lease income of $23.8 million and the decrease in total costs and expenses discussed in the preceding paragraph more than offset by a decrease in profits on sales of loans, net of $74.8 million and a decrease in net results from derivative transactions of $5.7 million. See "—Reconciliation of Non-GAAP Financial Measures" for our definition of Core Earnings and a reconciliation to income (loss) before taxes.

Net interest income

Interest income totaled $241.5 million for the year ended December 31, 2015, compared to $187.3 million for the year ended December 31, 2014. The $54.2 million increase in interest income was primarily attributable to an increase in our average investment balances in our loan and our securities portfolios. For the year ended December 31, 2015, securities investments averaged $2.5 billion and loan investments averaged $2.2 billion. For the year ended December 31, 2014, securities investments averaged $2.0 billion and loan investments averaged $1.5 billion. The impact of the expanded base of interest bearing assets was partially offset by lower interest spreads earned on securities acquired and loans originated subsequent to December 31, 2014 versus the interest spreads prevailing prior to that date.

Interest expense totaled $113.3 million for the year ended December 31, 2015, compared to $77.6 million for the year ended December 31, 2014. The $35.7 million increase in interest expense was primarily attributable to the increase in average debt balance that is required to finance the expanded book of investment assets. For the year ended December 31, 2015, our debt balances averaged $4.3 billion versus an average debt balance of $2.8 billion for the year ended December 31, 2014. Our interest expense also includes interest expense related to mortgage loan financing against our real estate investments. Our investment in real estate and related lease intangibles, net continued to increase during 2015 and our mortgage loan financing secured by such investments also similarly increased. Our interest expense related to mortgage loan financing increased by $8.4 million from $16.7 million for the year ended December 31, 2014 to $25.1 million for the year ended December 31, 2015, primarily as a result of our increase in average outstanding mortgage loan financing of $521.8 million for the year ended December 31, 2015 compared to $347.0 million for the year ended December 31, 2014 and the increase in the average cost of financing.

Net interest income after provision for loan losses totaled $127.6 million for the year ended December 31, 2015, compared to $109.2 million for the year ended December 31, 2014. The $18.4 million increase in net interest income after provision for loan losses was primarily attributable to the increase in loan and securities investment balances during 2015 compared to the same period a year ago, partially offset by the increase in debt balance.

Cost of funds, a non-GAAP measure, totaled $140.1 million for the year ended December 31, 2015, compared to $95.6 million for the year ended December 31, 2014. The $44.5 million increase in cost of funds was primarily attributable to the increase in the average debt balance. See "—Reconciliation of Non-GAAP Financial Measures" for our definition of cost of funds and a reconciliation to interest expense.

Interest spreads

As of December 31, 2015, the weighted average yield on our mortgage loan receivables was 6.8%, compared to 6.7% as of December 31, 2014 as the weighted average yield on new loans originated was higher than the weighted average yield on loans that were securitized or paid off. As of December 31, 2015, the weighted average interest rate on borrowings against our mortgage loan receivables was 2.4%, compared to 2.1% as of December 31, 2014. The increase in the rate on borrowings against our mortgage loan receivables was primarily due to the utilization of a higher proportion of higher-cost loan repurchase facilities as of December 31, 2015 versus December 31, 2014. As of December 31, 2015, we had outstanding borrowings secured by our mortgage loan receivables equal to 46.3% of the carrying value of our mortgage loan receivables, compared to 41.8% as of December 31, 2014.

As of December 31, 2015, the weighted average yield on our real estate securities was 2.8%, compared to 3.0% as of December 31, 2014 as the weighted average yield on securities purchased was lower than the weighted average yield on securities that were sold or paid off. As of December 31, 2015, the weighted average interest rate on borrowings against our real estate securities was 1.0%, compared to 0.9% as of December 31, 2014. The increase in the rate on borrowings against our real estate securities from December 31, 2014 to December 31, 2015 was primarily due to higher prevailing market borrowing costs. As of December 31, 2015, we had outstanding borrowings secured by our real estate securities equal to 85.0% of the carrying value of our real estate securities, compared to 81.3% as of December 31, 2014.

Our real estate is comprised of non-interest bearing assets; however, interest incurred on mortgage financing collateralized by such real estate is included in interest expense. As of December 31, 2015 and 2014, the weighted average interest rate on mortgage borrowings against our real estate was 4.9%. As of December 31, 2015, we had outstanding borrowings secured by our real estate equal to 65.5% of the carrying value of our real estate, compared to 59.1% as of December 31, 2014.

Provision for loan losses

We had a $0.6 million provision for loan losses for the years ended December 31, 2015 and 2014. We invest primarily in loans with high credit quality, and we sell our conduit loans in the ordinary course of business. We estimate our loan loss provision based on our historical loss experience and our expectation of losses inherent in the investment portfolio but not yet realized. To ensure that the risk exposures are properly measured and the appropriate reserves are taken, the Company assesses a loan loss provision balance that will grow over time with its portfolio and the related risk as the assets approach maturity and ultimate refinancing where applicable. As a result, our provision for loan losses remained unchanged for the years ended December 31, 2015 and 2014.

Operating lease income and tenant recoveries

Operating lease income totaled $80.5 million for the year ended December 31, 2015, compared to $56.6 million for the year ended December 31, 2014. The increase of $23.9 million was attributable to acquisitions, which increased real estate to $834.8 million at December 31, 2015 versus $769.0 million at December 31, 2014, as well as a full period of operations of properties acquired in 2014.

Tenant recoveries totaled $9.9 million for the year ended December 31, 2015, compared to $9.2 million for the year ended December 31, 2014. The increase of $0.7 million reflects the acquisitions of office properties in 2015. It also reflects additional recoveries on properties acquired in 2015 and a full period of recoveries on properties acquired in 2014.

Sale of loans, net

Income from sale of loans, net, which includes all loan sales, whether by securitization, whole loan sales or other means, totaled $71.1 million for the year ended December 31, 2015, compared to $145.3 million for the year ended December 31, 2014, a decrease of $74.2 million. In the year ended December 31, 2015, we participated in ten separate securitization transactions, selling 210 loans with an aggregate outstanding principal balance of $2.6 billion. In the year ended December 31, 2014, we participated in ten securitization transactions, selling 165 loans with an aggregate outstanding principal balance of $3.5 billion. Income from sales of loans, net is subject to market conditions impacting timing, size and pricing and as such may vary significantly quarter to quarter. The decrease in income from sales of securitized loans, net of hedging of $64.6 million for the year ended December 31, 2015 compared to $125.1 million for the year ended December 31, 2014 was due to a decline in the aggregate outstanding principal balance of loans sold, period over period, as well as increasing competition in the market and lower prevailing lending credit spreads for conduit loans.

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

Realized gain (loss) on securities

Realized gain (loss) on securities totaled $24.0 million for the year ended December 31, 2015, compared to $27.0 million for the year ended December 31, 2014, a decrease of $3.0 million. For the year ended December 31, 2015, we sold $845.6 million of securities, comprised of $829.4 million of CMBS and $16.2 million U.S. Agency Securities. For the year ended December 31, 2014, we sold $768.6 million of securities, comprised of $692.3 million of CMBS and $76.3 million of U.S. Agency Securities. The increase in sales of securities reflects higher transaction volume offset by lower profit margins in 2015 as compared to 2014.

Unrealized gain (loss) on Agency interest-only securities

Unrealized gain (loss) on Agency interest-only securities represented a loss of $1.2 million for the year ended December 31, 2015, compared to a gain of $2.1 million for the year ended December 31, 2014. The negative change of $3.3 million in unrealized gain (loss) on Agency interest-only securities was due to an increase in interest rates and amortization and sales of the portfolio during the year ended December 31, 2015.

Income from sales of real estate, net

For the year ended December 31, 2015, income from sales of real estate, net totaled $40.4 million compared to $29.8 million for the year ended December 31, 2014. The increase of $10.6 million was a result of the commercial real estate and residential condominium sales discussed below.

During the year ended December 31, 2015, we sold four single-tenant retail properties resulting in a net gain on sale of $2.6 million and one office building in Minneapolis, MN, resulting in a net gain on sale of $13.1 million. During the year ended December 31, 2014, we sold five single-tenant retail properties resulting in a net gain on sale of $4.9 million and one office building in Richmond, VA, resulting in a net gain on sale of $1.1 million.

During the year ended December 31, 2015, income from sales of residential condominiums totaled $23.5 million. We sold 88 residential condominium units from Veer Towers in Las Vegas, NV, resulting in a net gain on sale of $16.5 million, and 99 residential condominium units from Terrazas River Park Village in Miami, FL, resulting in a net gain on sale of $7.0 million. During the year ended December 31, 2014, income from sales of residential condominiums totaled $23.7 million. We sold 113 residential condominium units from Veer Towers in Las Vegas, NV, resulting in a net gain on sale of $19.1 million, and 72 residential condominium units from Terrazas River Park Village in Miami, FL, resulting in a net gain on sale of $4.7 million.

Other income

Fee and other income totaled $15.2 million for the year ended December 31, 2015, compared to $11.7 million for the year ended December 31, 2014. We generated fee income from the management of our institutional partnership and our managed account, both of which were terminated during 2015, dividend income on our investment in FHLB stock, as well as from origination fees, exit fees and other fees on the loans we originate and in which we invest. The $3.5 million increase in fee and other income year-over-year was primarily due to an increase in dividends from our investment in FHLB stock, an increase in fee income on our loan portfolio and a gain on the disposition of a loan through foreclosure of real estate.

During the year ended December 31, 2014, we sold real estate in conjunction with an assignment of the related mortgage loan financing that had an unrecognized premium as of the date of sale and recognized a gain of $0.4 million. This unrecognized premium is recognized as gain on assignment of mortgage loan financing on the combined consolidated statements of income.

Net result from derivative transactions

Net result from derivative transactions represented a loss of $38.9 million for the year ended December 31, 2015, which was comprised of an unrealized gain of $10.2 million and a realized loss of $49.1 million, compared to a loss of $94.8 million which was comprised of an unrealized loss of $14.4 million and a realized loss of $80.4 million, for the year ended December 31, 2014, a positive change of $55.9 million. The derivative positions that generated these results were a combination of interest rate swaps, caps, and futures that we employed in an effort to hedge the interest rate risk on the financing of our fixed rate assets and the net interest income we earn against the impact of changes in interest rates. The loss in 2015 was primarily related to volatility in interest rates during the year ended December 31, 2015. The total net result from derivative transactions is comprised of hedging interest expense, realized gains/losses related to hedge terminations and unrealized gains/losses related to changes in the fair value of asset hedges. The hedge positions were related to fixed rate conduit loans and securities investments.

Earnings (loss) from investment in unconsolidated joint ventures

Total earnings (loss) from investment in unconsolidated joint ventures totaled $0.4 million for the year ended December 31, 2015, compared to $2.0 million for the year ended December 31, 2014. Earnings from our investment in LCRIP I totaled $0.1 million for the year ended December 31, 2015, compared to $1.1 million for the year ended December 31, 2014. The decrease of $1.0 million reflects a decrease in the number of loans held by LCRIP I in 2015 compared to 2014. LCRIP I held no loans as of December 31, 2015 as the last loan held by LCRIP I was repaid during the quarter ended June 30, 2015. LCRIP I will continue in existence until the fifth anniversary of the date of its closing, April 15, 2016. Earnings from our investment in Grace Lake LLC totaled $0.8 million for the year ended December 31, 2015, compared to $0.9 million for the year ended December 31, 2014. Earnings (loss) from our investment in 24 Second Avenue totaled $(0.6) million for the year ended December 31, 2015, compared to none for the year ended December 31, 2014. We made our investment in 24 Second Avenue on August 7, 2015 and incurred $0.6 million in upfront development costs.

Salaries and employee benefits

Salaries and employee benefits totaled $61.6 million for the year ended December 31, 2015, compared to $82.1 million for the year ended December 31, 2014. Salaries and employee benefits are comprised primarily of salaries, bonuses, originator bonuses related to loan profitability, equity-based compensation and other employee benefits. The decrease of $20.5 million in compensation expense was attributable to the decrease in incentive compensation expense in the year ended December 31, 2015 compared the year ended December 31, 2014 due to reduced actual Net Revenues and loan/investment production in the year ended December 31, 2015.

Operating expenses

Operating expenses totaled $25.1 million for the year ended December 31, 2015, compared to $25.4 million for the year ended December 31, 2014. Operating expenses are primarily composed of professional fees, lease expense, and technology expenses. Operating expenses remained relatively flat year-over-year as a result of increased investments in loans, securities and real estate, offset by a decrease in non-recurring REIT transaction costs and cost cutting initiatives.

Real estate operating expenses

Real estate operating expenses totaled $35.9 million for the year ended December 31, 2015, compared to $32.7 million for the year ended December 31, 2014. The increase of $3.2 million in real estate operating expenses was in part due to the acquisitions of office and residential real estate in 2014 and 2015. It also reflects additional operating expenses related to properties acquired during 2015 and a full period of operating expenses on properties acquired during 2014.

Real estate acquisition costs

Real estate acquisition costs totaled $2.0 million for the year ended December 31, 2015, compared to $2.4 million for the year ended December 31, 2014. The decrease of $0.4 million in real estate acquisition costs was due to the decrease in acquisitions of other commercial properties from 32.3% of total real estate acquisitions for the year ended December 31, 2014, compared to 14.6% of total real estate acquisitions for the year ended December 31, 2015. Other commercial properties generally have higher acquisition costs than net lease properties.

Fee expense

Fee expense totaled $4.5 million for the year ended December 31, 2015, compared to $3.0 million for the year ended December 31, 2014. Fee expense is comprised primarily of custodian fees, financing costs and servicing fees related to loans. The increase of $1.5 million in fee expense was primarily attributable to the increase in the balance of our mortgage loan receivables held for investment, net, at amortized cost at December 31, 2015, as compared to at December 31, 2014.

Depreciation and amortization

Depreciation and amortization totaled $39.1 million for the year ended December 31, 2015, compared to $28.4 million for the year ended December 31, 2014. The $10.7 million increase in depreciation and amortization is attributable to acquisitions, which increased real estate to $834.8 million at December 31, 2015 versus $769.0 million at December 31, 2014, as well as a partial period of depreciation on 2015 acquisitions and a full period of depreciation on acquisitions made in 2014.

Income tax (benefit) expense

Most of our consolidated income tax provision relates to the business units held in our TRSs. Income tax (benefit) expense totaled $14.6 million for the year ended December 31, 2015, compared to $26.6 million for the year ended December 31, 2014. The decrease of $12.0 million is primarily attributable to the decrease in consolidated effective tax rate from December 31, 2014 to December 31, 2015 due to the REIT Structuring Transactions and our REIT election.

Liquidity and Capital Resources

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

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

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

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

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

A summary of our financial obligations is provided in Contractual Obligations. Except for the maturity of the 2017 Notes due October, 1, 2017, all our existing financial obligations are either extendable for one or more additional years at our discretion or are in the normal course of business (i.e., interest payments/loan funding obligations).

With respect to the 2017 Notes, after considering redemptions subsequent to year end, the remaining principal balance is $291.5 million as of February 24, 2017. To extinguish this debt, we plan to utilize a combination of some or all of the funding sources cited above. More specifically, in addition to the corporate cash balances we maintain at banks (typically $50 million to $100 million), we intend to execute a plan that will include a mix of (1) draws on our $143.0 million revolving credit facility; (2) net proceeds from the sales of securities in our $2.1 billion portfolio of highly liquid/highly rated CMBS and Agency securities, that can be converted to cash within three trading days in the ordinary course of business; (3) proceeds from potential capital markets transactions off of our existing shelf or in private transactions (e.g., corporate note obligations, equity, other instruments); (4) draws against repurchase facilities that hold eligible collateral with available capacity for additional draws; (5) proceeds from mortgage borrowings secured by our currently unencumbered real estate assets; and (6) other sources including cash flows from normal operations including loan and securities amortization, net rental and net interest income, net proceeds from securitizations, and other transactions. Accordingly, management believes the Company has the ability to meet its contractual obligations as they come due.

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

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

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

As of December 31, 2016, we had unrestricted cash and cash equivalents of $44.6 million, unencumbered loans of $692.4 million and unencumbered securities of $21.2 million.

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

Our captive insurance company subsidiary, Tuebor, is subject to state regulations which require that dividends may only be made with regulatory approval. Largely as a result of this restriction, $349.9 million of Tuebor's member's capital was restricted from transfer to Tuebor's parent without prior approval of state insurance regulators at December 31, 2016.

The Company established a broker-dealer subsidiary, LCS, which was initially licensed and capitalized to do business in July 2010. LCS is required to be compliant with FINRA and SEC regulations, which require that dividends may only be made with regulatory approval. Largely as a result of this restriction, $2.0 million of LCS's member's capital was restricted from transfer to LCS's parent without prior approval of regulators at December 31, 2016.

Cash and cash equivalents

We held unrestricted cash and cash equivalents of $44.6 million and $109.0 million at December 31, 2016 and 2015, respectively.

Cash generated from (used in) operations

Our operating activities were a net provider (user) of cash of $409.1 million and $40.6 million during the years ended December 31, 2016 and 2015, respectively. Cash from operations includes the origination of loans held for sale, net of the proceeds from sale of loans and gains from sales of loans, which was the predominant driver of the $368.6 million increase in cash generated from operations for the year ended December 31, 2016, compared to the year ended December 31, 2015.

Borrowings under various financing arrangements

Our financing strategies are critical to the success and growth of our business. We manage our leverage policies to complement our asset composition and to diversify our exposure across multiple counterparties. Our borrowings under various financing arrangements as of December 31, 2016 and 2015 are set forth in the table below ($ in thousands):

	December 31, 2016		December 31, 2015	
Committed loan facilities	$	567,163	$	704,149
Committed securities facility		228,317		161,887
Uncommitted securities facilities		311,705		394,719
Total repurchase agreements		1,107,185		1,260,755
Revolving credit facility		25,000		—
Mortgage loan financing		590,106		544,663
Borrowings from the FHLB		1,660,000		1,856,700
Senior unsecured notes		559,847		612,605
Total debt obligations	**$**	**3,942,138**	**$**	**4,274,723**

The Company's repurchase facilities include covenants covering minimum net worth requirements (ranging from $300.0 million to $899.4 million), maximum reductions in net worth over stated time periods, minimum liquidity levels (typically $30.0 million of cash or a higher standard that often allows for the inclusion of different percentages of liquid securities in the determination of compliance with the requirement), maximum leverage ratios (calculated in various ways based on specified definitions of indebtedness and net worth) and a fixed charge coverage ratio of 1.25x, and, in the instance of one lender, an interest coverage ratio of 1.50x, in each case, if certain liquidity thresholds are not satisfied. We believe we were in compliance with all covenants as of December 31, 2016 and 2015. Further, certain of our financing arrangements and loans on our real property are secured by the assets of the Company, including pledges of the equity of certain subsidiaries or the assets of certain subsidiaries. From time to time, certain of these financing arrangements and loans may prohibit certain of our subsidiaries from paying dividends to the Company, from making distributions on such subsidiary's capital stock, from repaying to the Company any loans or advances to such subsidiary from the Company or from transferring any of such subsidiary's property or other assets to the Company or other subsidiaries of the Company.

Committed loan facilities

We are parties to multiple committed loan repurchase agreement facilities, totaling $1.7 billion of credit capacity. As of December 31, 2016, the Company had $567.2 million of borrowings outstanding, with an additional $1.1 billion of committed financing available. As of December 31, 2015, the Company had $704.1 million of borrowings outstanding, with an additional $780.9 million of committed financing available. Assets pledged as collateral under these facilities are generally limited to whole mortgage loans collateralized by first liens on commercial real estate. Our repurchase facilities include covenants covering net worth requirements, minimum liquidity levels, and maximum debt/equity ratios. We believe we were in compliance with all covenants as of December 31, 2016 and 2015.

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

Committed securities facility

We are a party to a term master repurchase agreement with a major U.S. banking institution for CMBS, totaling $400.0 million of credit capacity. As we do in the case of borrowings under committed loan facilities, we often borrow at a lower percentage of the collateral asset's value than the maximum leaving us with excess borrowing capacity that can be drawn upon a later date and/or applied against future margin calls so that they can be satisfied on a cashless basis. As of December 31, 2016, the Company had $228.3 million of borrowings outstanding, with an additional $171.7 million of committed financing available. As of December 31, 2015, the Company had $161.9 million of borrowings outstanding, with an additional $138.1 million of committed financing available.

Uncommitted securities facilities

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

Collateralized borrowings under repurchase agreement

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

	Total			Collateralized Borrowings Under Repurchase Agreements (1)			Other Collateralized Borrowings (2)		
Quarter Ended	**Quarter-end balance**	**Average quarterly balance**	**Maximum balance of any month-end**	**Quarter-end balance**	**Average quarterly balance**	**Maximum balance of any month-end**	**Quarter-end balance**	**Average quarterly balance**	**Maximum balance of any month-end**
December 31, 2013	$ 609,835	$ 307,437	$ 609,835	$ 609,835	$ 307,437	$ 609,835	$ —	$ —	$ —
March 31, 2014	370,970	549,085	782,147	370,970	549,085	782,147	—	—	—
June 30, 2014	685,693	1,056,118	1,258,258	685,693	1,056,118	1,258,258	—	—	—
September 30, 2014	761,627	836,330	895,904	761,627	831,330	880,904	—	5,000	15,000
December 31, 2014	1,489,416	1,394,674	1,603,206	1,431,666	1,340,924	1,545,456	57,750	53,750	57,750
March 31, 2015	1,456,163	1,481,913	1,506,723	1,409,413	1,427,496	1,447,973	46,750	54,417	58,750
June 30, 2015	1,178,130	1,308,066	1,492,066	1,056,380	1,216,316	1,370,316	121,750	91,750	121,750
September 30, 2015	1,241,326	1,420,356	1,653,179	1,191,326	1,347,523	1,556,429	50,000	72,833	96,750
December 31, 2015	1,260,755	1,296,608	1,344,330	1,260,755	1,283,008	1,323,930	—	13,600	20,400
March 31, 2016	1,104,339	1,162,008	1,240,778	1,104,339	1,162,008	1,240,778	—	—	—
June 30, 2016	1,139,615	1,108,263	1,139,615	1,139,615	1,108,263	1,139,615	—	—	—
September 30, 2016	1,458,327	1,393,122	1,468,013	1,458,327	1,393,122	1,468,013	—	—	—
December 31, 2016	1,107,185	1,397,061	1,555,941	1,107,185	1,397,061	1,555,941	—	—	—

(1) Collateralized borrowings under repurchase agreements include all securities and loan financing under repurchase agreements.

(2) Other collateralized borrowings include borrowings under credit agreement and borrowings under credit and security agreement.

As of December 31, 2016, we had repurchase agreements with nine counterparties, with total debt obligations outstanding of $1.1 billion. As of December 31, 2016, three counterparties, Deutsche Bank, J.P. Morgan and Wells Fargo, held collateral that exceeded the amounts borrowed under the related repurchase agreements by more than $75.5 million, or 5% of our total equity. As of December 31, 2016, the weighted average haircut, or the percent of collateral value in excess of the loan amount, under our repurchase agreements was 31.1%. There have been no significant fluctuations in haircuts across asset classes on our repurchase facilities.

Borrowings under Credit Agreement

On January 24, 2013, we entered into a $50.0 million credit agreement with one of our committed financing counterparties in order to finance our securities and lending activities. As of December 31, 2015, there were no borrowings outstanding under this facility. The Credit Agreement matured on June 23, 2016 with no further extension options.

LCFH is subject to customary affirmative covenants and negative covenants, including limitations on the assumption or incurrence of additional liens or debt, restrictions on certain payments or transfers of assets, and restrictions on the amendment of contracts or documents related to the assets under pledge. Under the credit agreement, LCFH is subject to customary financial covenants relating to maximum leverage, minimum tangible net worth, and minimum liquidity consistent with our other credit facilities. Our ability to borrow under this credit agreement will be dependent on, among other things, LCFH's compliance with the financial covenants.

Revolving Credit Facility

On February 11, 2014, we entered into a revolving credit facility (the "Revolving Credit Facility"), which was subsequently amended on February 26, 2016 to increase its maximum funding capacity. The Revolving Credit Facility provides for an aggregate maximum borrowing amount of $143.0 million, including a $25.0 million sublimit for the issuance of letters of credit. As of December 31, 2016, the Company had $25.0 million borrowings outstanding under this facility. As of December 31, 2015, the Company had no borrowings outstanding under this facility. The Revolving Credit Facility is available on a revolving basis to finance the Company's working capital needs and for general corporate purposes. The Revolving Credit Facility has a three-year maturity, which may be extended by two 12-month periods subject to the satisfaction of customary conditions, including the absence of default. Interest is incurred on the Revolving Credit Facility at a rate of one-month LIBOR plus 3.50% per annum payable monthly in arrears.

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

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

Mortgage loan financing

We generally finance our real estate using long-term nonrecourse mortgage financing. During the year ended December 31, 2016, we executed eighteen term debt agreements to finance real estate. These nonrecourse debt agreements are fixed rate financing at rates ranging from 4.25% to 6.75%, maturing between 2018 - 2026 and totaling $590.1 million at December 31, 2016 and $544.7 million at December 31, 2015. These long-term nonrecourse mortgages include net unamortized premiums of $5.6 million and $6.1 million at December 31, 2016 and 2015, respectively, representing proceeds received upon financing greater than the contractual amounts due under the agreements. The premiums are being amortized over the remaining life of the respective debt instruments using the effective interest method. We recorded $0.9 million and $0.9 million of premium amortization, which decreased interest expense, for the years ended December 31, 2016 and 2015, respectively. The loans are collateralized by real estate and related lease intangibles, net, of $757.5 million and $711.1 million as of December 31, 2016 and 2015, respectively.

FHLB financing

On July 11, 2012, Tuebor became a member of the FHLB. As of December 31, 2016, Tuebor had $1.7 billion of borrowings outstanding (with an additional $338.9 million of committed term financing available from the FHLB), with terms of overnight to 7 years, interest rates of 0.43% to 2.74%, and advance rates of 49.6% to 95.2% of the collateral. As of December 31, 2016, collateral for the borrowings was comprised of $1.4 billion of CMBS and U.S. Agency Securities and $724.0 million of first mortgage commercial real estate loans. The weighted-average borrowings outstanding were $1.9 billion for the year ended December 31, 2016. On March 21, 2016, Tuebor's advance limit was updated to the lowest of $2.9 billion, 40% of Tuebor's total assets or 150% of Ladder Capital Corp's total equity. As of December 31, 2015, Tuebor had $1.9 billion of borrowings outstanding (with an additional $380.4 million of committed term financing available from the FHLB), with terms of overnight to 8 years, interest rates of 0.28% to 2.74%, and advance rates of 58.7% to 95.2% of the collateral. As of December 31, 2015, collateral for the borrowings was comprised of $1.7 billion of CMBS and U.S. Agency Securities and $568.2 million of first mortgage commercial real estate loans. The weighted-average borrowings outstanding were $1.8 billion for the year ended December 31, 2015.

Effective February 19, 2016, the FHFA, regulator of the FHLB, adopted a final rule amending its regulation regarding the eligibility of captive insurance companies for FHLB membership.

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

1) New advances (including any existing advances that are extended during the Transition Period) will have maturity dates on or before February 19, 2021; and
2) The FHLB will make new advances to Tuebor subject to a requirement that Tuebor's total outstanding advances do not exceed 40% of Tuebor's total assets. As of December 31, 2016, the Company is in compliance with this requirement.

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

FHLB advances amounted to 42.1% of the Company's outstanding debt obligations as of December 31, 2016. The Company does not anticipate that the FHFA's final regulation will materially impact its operations as it will continue to access FHLB advances during the five-year Transition Period and it has multiple, diverse funding sources for financing its portfolio in the future. In the latter stages of the five-year Transition Period, the Company expects to adjust its financing activities by gradually making greater use of alternative sources of funding of types currently used by the Company including secured and unsecured borrowings from banks and other counterparties, the issuance of corporate bonds and equity, and the securitization or sale of assets. Future moves to alternative funding sources could result in higher or lower advance rates from secured funding sources but also the incurrence of higher funding and operating costs than would have been incurred had FHLB funding continued to be available. In addition, the Company may find it more difficult to obtain committed secured funding for multiple year terms as it has been able to obtain from the FHLB.

The Transition Period allows time for events to occur that may impact Tuebor's long-term membership in the FHLB, including further regulatory changes, the enactment of legislation, or the filing of litigation challenging the validity of the final rule. During this period, a combination of these external events and/or Tuebor's own actions could result in the emergence of feasible alternative approaches for it to retain its FHLB membership.

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

Tuebor is subject to state regulations which require that dividends (including dividends to the Company as its parent) may only be made with regulatory approval. However, there can be no assurance that we would obtain such approval if sought. Largely as a result of this restriction, $349.9 million of the member's capital was restricted from transfer to Tuebor's parent without prior approval of state insurance regulators at December 31, 2016.

Senior Unsecured Notes

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

On December 17, 2014, the Company retired $5.4 million of principal of the 2017 Notes for a repurchase price of $5.6 million recognizing a $0.2 million loss on extinguishment of debt. During the year ended December 31, 2016, the Company retired $21.9 million of principal of the 2017 Notes for a repurchase price of $21.4 million recognizing a $0.3 million net gain on extinguishment of debt after recognizing $(0.2) million of unamortized debt issuance costs associated with the retired debt. The remaining $297.7 million in aggregate principal amount of the 2017 Notes is due October 2, 2017.

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

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

LCFH issued the 2021 Notes and the 2017 Notes (collectively, the “Notes”) with Ladder Capital Finance Corporation (“LCFC”), as co-issuers on a joint and several basis. LCFC is a 100% owned finance subsidiary of LCFH with no assets, operations, revenues or cash flows other than those related to the issuance, administration and repayment of the Notes. The Company and certain subsidiaries of LCFH currently guarantee the obligations under the Notes and the indenture. The Company is the general partner of LCFH and, through LCFH and its subsidiaries, operates the Ladder Capital business. As of December 31, 2016, the Company has a 65.3% economic and voting interest in LCFH and controls the management of LCFH as a result of its ability to appoint board members. Accordingly, the Company consolidates the financial results of LCFH and records noncontrolling interest for the economic interest in LCFH held by the Continuing LCFH Limited Partners. In addition, the Company, through certain subsidiaries that are treated as taxable REIT subsidiaries (each a “TRS”), is indirectly subject to U.S. federal, state and local income taxes. Other than the noncontrolling interest in the Operating Partnership and federal, state and local income taxes, there are no material differences between the Company’s combined consolidated financial statements and LCFH’s consolidated financial statements.

In April 2015, FASB issued ASU 2015-03, which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Beginning April 1, 2015, the Company elected to early adopt ASU 2015-03 and appropriately retrospectively applied the guidance to its senior unsecured notes, to all periods presented. Unamortized debt issuance costs of $4.0 million were included in senior unsecured notes as of December 31, 2016 and unamortized debt issuance costs of $6.9 million were included in senior unsecured notes as of December 31, 2015.

Stock Repurchases

On October 30, 2014, the board of directors authorized the Company to make up to $50.0 million in repurchases of the Company's Class A common stock from time to time without further approval. Stock repurchases by the Company are generally made for cash in open market transactions at prevailing market prices but may also be made in privately negotiated transactions or otherwise. The timing and amount of purchases are determined based upon prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. As of December 31, 2016, the Company has a remaining amount available for repurchase of $44.4 million, which represents 4.5% in the aggregate of its outstanding Class A common stock, based on the closing price of 13.72 per share on such date.

The following table is a summary of the Company's repurchase activity of its Class A common stock during the years ended December 31, 2016 and 2015 ($ in thousands):

	Shares	Amount(1)
Authorizations remaining as of December 31, 2015		$ 49,006
Additional authorizations		—
Repurchases paid	424,317	(4,653)
Repurchases unsettled		—
Authorizations remaining as of December 31, 2016		**$ 44,353**

(1) Amount excludes commissions paid associated with share repurchases.

	Shares	Amount(1)
Authorizations remaining as of December 31, 2014		$ 50,000
Additional authorizations		—
Repurchases paid	84,203	(994)
Repurchases unsettled		—
Authorizations remaining as of December 31, 2015		**$ 49,006**

(1) Amount excludes commissions paid associated with share repurchases.

Dividends

To maintain our qualification as a REIT under the Code, we must annually distribute at least 90% of our taxable income and, for 2015, we had to distribute our undistributed accumulated earnings and profits attributable to taxable periods prior to January 1, 2015 (the "E&P Distribution"). The Company made the E&P Distribution on January 21, 2016 and has paid and in the future intend to declare regular quarterly distributions to our shareholders in an amount approximating our net taxable income.

Consistent with the Private Letter Ruling we may, subject to a cash/stock election by our shareholders, pay a portion of our dividends in stock, to provide for meaningful capital retention; however, the REIT distribution requirements limit our ability to retain earnings and thereby replenish or increase capital for operations. The timing and amount of future distributions is based on a number of factors, including, among other things, our future operations and earnings, capital requirements and surplus, general financial condition and contractual restrictions. All dividend declarations are subject to the approval of our board of directors. Generally, we expect the distributions to be taxable as ordinary dividends to our shareholders, whether paid in cash or a combination of cash and common stock, and not as a tax-free return of capital or a capital gain. We believe that our significant capital resources and access to financing will provide the financial flexibility at levels sufficient to meet current and anticipated capital requirements, including funding new investment opportunities, paying distributions to our shareholders and servicing our debt obligations.

The following table presents dividends declared (on a per share basis) of Class A common stock for the years ended December 31, 2016 and 2015:

Declaration Date	Dividend per Share	
March 1, 2016	$ 0.275	
June 1, 2016	0.275	
September 1, 2016	0.275	
December 2, 2016	0.460	(1)
Total	**$ 1.285**	
March 12, 2015	$ 0.250	
June 8, 2015	0.250	
September 1, 2015	0.275	
December 1, 2015	1.450	(2)
Total	**$ 2.225**	

(1) On December 1, 2016, our board of directors approved the fourth quarter 2016 dividend of $0.46 per share of our Class A common stock in order to meet our annual REIT taxable income distribution requirement. The dividend was paid as a combination of cash and Class A common stock with the total cash paid to shareholders equaling $20.8 million.

(2) On November 30, 2015, our board of directors approved the fourth quarter 2015 dividend of $1.45 per share of our Class A common stock in order to meet our annual REIT taxable income distribution requirement and our one time E&P Distribution requirement. The dividend was paid as a combination of cash and Class A common stock with the total cash paid to shareholders equaling $15.5 million.

Principal repayments on investments

We receive principal amortization on our loans and securities as part of the normal course of our business. Repayment of mortgage loan receivables provided net cash of $651.7 million for the year ended December 31, 2016 and $754.8 million for the year ended December 31, 2015. Repayment of real estate securities provided net cash of $684.1 million for the year ended December 31, 2016 and $186.9 million for the year ended December 31, 2015.

Proceeds from securitizations and sales of loans

We sell our conduit mortgage loans to securitization trusts and to other third parties as part of our normal course of business. Proceeds from sales of mortgage loans provided net cash of $1.4 billion for the year ended December 31, 2016 and $2.5 billion for the year ended December 31, 2015.

Proceeds from the sale of securities

We invest in CMBS and U.S. Agency Securities. Proceeds from sales of securities provided net cash of $539.3 million for the year ended December 31, 2016 and $845.7 million for the year ended December 31, 2015.

Proceeds from the sale of real estate

We own a portfolio of commercial real estate properties as well as residential condominium units. Proceeds from sales of real estate provided net cash of $66.5 million for the year ended December 31, 2016 and $98.6 million for the year ended December 31, 2015.

Proceeds from the issuance of equity

For the year ended December 31, 2016 and 2015, there were no proceeds realized in connection with the issuance of equity. We may issue additional equity in the future.

Other potential sources of financing

In the future, we may also use other sources of financing to fund the acquisition of our assets, including credit facilities, warehouse facilities, repurchase facilities and other secured and unsecured forms of borrowing. These financings may be collateralized or non-collateralized, may involve one or more lenders and may accrue interest at either fixed or floating rates. We may also seek to raise further equity capital or issue debt securities in order to fund our future investments.

Contractual obligations

Contractual obligations as of December 31, 2016 were as follows ($ in thousands):

	Contractual Obligations				
	Less than 1 Year	**1-3 Years**	**3-5 Years**	**More than 5 Years**	**Total**
Secured financings	$ 1,437,030 (1)	$ 814,239	$ 185,042	$ 915,409	$ 3,351,720
Unsecured revolving credit facility	25,000 (1)	—	—	—	25,000
Senior unsecured notes	297,671	—	266,201	—	563,872
Interest payable(2)	71,105	91,962	89,507	63,325	315,899
Other funding obligations(3)	147,679	—	—	—	147,679
Payments pursuant to tax receivable agreement	168	336	336	1,680	2,520
Operating lease obligations	1,249	2,386	2,360	99	6,094
Total	**$ 1,979,902**	**$ 908,923**	**$ 543,446**	**$ 980,513**	**$ 4,412,784**

(1) As more fully disclosed in Note 7, Debt Obligations, Net, these obligations are subject to existing Company controlled extension options for one or more additional one-year periods or could be refinanced by other existing facilities.
(2) Composed of interest on secured financings and on senior unsecured notes. For borrowings with variable interest rates, we used the rates in effect as of December 31, 2016 to determine the future interest payment obligations.
(3) Comprised of our off-balance sheet unfunded commitment to provide additional first mortgage loan financing as of December 31, 2016.

The tables above do not include amounts due under our derivative agreements as those contracts do not have fixed and determinable payments. Our contractual obligations will be refinanced and/or repaid from earnings as well as amortization and sales of our liquid collateral.

Off-Balance Sheet Arrangements

We have made investments in various unconsolidated joint ventures. See Note 6, Investment in Unconsolidated Joint Ventures for further details of our unconsolidated investments. Our maximum exposure to loss from these investments is limited to the carrying value of our investments.

Unfunded Loan Commitments

We may be a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financial needs of our borrowers. As of December 31, 2016, our off-balance sheet arrangements consisted of $147.7 million of unfunded commitments of mortgage loan receivables held for investment, which was composed of $146.3 million to provide additional first mortgage loan financing and $1.4 million to provide additional mezzanine loan financing. As of December 31, 2015, our off-balance sheet arrangements consisted of $112.8 million of unfunded commitments of mortgage loan receivables held for investment, which was comprised of $111.4 million to provide additional first mortgage loan financing and $1.4 million to provide additional mezzanine loan financing. Such commitments are subject to our borrowers' satisfaction of certain financial and nonfinancial covenants and involve, to varying degrees, elements of credit risk in excess of the amount recognized in the combined consolidated balance sheets and are not reflected on our combined consolidated balance sheets.

Critical Accounting Policies

The preparation of financial statements in accordance with GAAP requires management to make estimates and judgments in certain circumstances that affect amounts reported as assets, liabilities, revenues and expenses. We have established detailed policies and control procedures intended to ensure that valuation methods, including any judgments made as part of such methods, are well controlled, reviewed and applied consistently from period to period. We base our estimates on historical corporate and industry experience and various other assumptions that we believe to be appropriate under the circumstances. The Company's critical accounting policies are those which require assumptions to be made about matters that are highly uncertain. Different estimates could have a material effect on the Company's financial results. For all of these estimates, we caution that future events rarely develop exactly as forecasted, and therefore, routinely require adjustment.

During 2016, management reviewed and evaluated these critical accounting estimates and believes they are appropriate. Our significant accounting policies are described in Item 8—"Financial Statements and Supplemental Data—Note 2." The following is a list of accounting policies that require more significant estimates and judgments:

- Mortgage Loans Receivable Held for Investment
- Real Estate Securities
- Real Estate
- Allocation of Purchase Price for Acquired Real Estate
- Impairment of Property Held for Use
- Investments in Unconsolidated Joint Ventures
- Capitalization of Interest
- Valuation of Financial Instruments
- Derivative Instruments
- Deferred Tax Asset and Amount Due Pursuant to Tax Receivable Agreement
- Stock Based Compensation Plan

Recently Adopted Accounting Pronouncements and Recent Accounting Pronouncements

Our recently adopted accounting pronouncements and recent accounting pronouncements are described in Item 8—"Financial Statements and Supplemental Data—Note 2."

Reconciliation of Non-GAAP Financial Measures

Core Earnings

We present Core Earnings, which is a non-GAAP financial measure, as a supplemental measure of our performance. We believe Core Earnings assists investors in comparing our performance across reporting periods on a consistent basis by excluding non-cash expenses and unrecognized results from derivatives and Agency interest-only securities, which we believe makes comparisons across reporting periods more relevant by eliminating timing differences related to changes in the values of assets and derivatives. In addition, we use Core Earnings: (i) to evaluate our earnings from operations and (ii) because management believes that it may be a useful performance measure for us. Core Earnings is also used as a factor in determining the annual incentive compensation of our senior managers and other employees.

We consider the Class A common shareholders of the Company and Continuing LCFH Limited Partners to have fundamentally equivalent interests in our pre-tax earnings. Accordingly, for purposes of computing Core Earnings we start with pre-tax earnings and adjust for other noncontrolling interest in consolidated joint ventures but we do not adjust for amounts attributable to noncontrolling interest held by Continuing LCFH Limited Partners.

We define Core Earnings as income before taxes adjusted to exclude: (i) real estate depreciation and amortization; (ii) the impact of derivative gains and losses related to the hedging of assets on our balance sheet as of the end of the specified accounting period; (iii) unrealized gains/(losses) related to our investments in Agency interest-only securities; (iv) the premium (discount) on mortgage loan financing and the related amortization of premium (discount) on mortgage loan financing recorded during the period; (v) non-cash stock-based compensation; and (vi) certain one-time transactional items.

As discussed in Note 2 to the combined consolidated financial statements included elsewhere in this Annual Report, we do not designate derivatives as hedges to qualify for hedge accounting and therefore any net payments under, or fluctuations in the fair value of, our derivatives are recognized currently in our income statement. However, fluctuations in the fair value of the related assets are not included in our income statement. We consider the gain or loss on our hedging positions related to assets that we still own as of the reporting date to be “open hedging positions.” While recognized for GAAP purposes, we exclude the results on the hedges from Core Earnings until the related asset is sold and the hedge position is considered “closed,” whereupon they would then be included in Core Earnings in that period. These are reflected as “Adjustments for unrecognized derivative results” for purposes of computing Core Earnings for the period. We believe that excluding these specifically identified gains and losses associated with the open hedging positions adjusts for timing differences between when we recognize changes in the fair values of our assets and changes in the fair value of the derivatives used to hedge such assets.

As more fully discussed in Note 2 to the combined consolidated financial statements included elsewhere in this Annual Report, our investments in Agency interest-only securities are recorded at fair value with changes in fair value recorded in current period earnings. We believe that excluding these specifically identified gains and losses associated with the Agency interest-only securities adjusts for timing differences between when we recognize changes in the fair values of our assets.

Set forth below is a reconciliation of income (loss) before taxes to Core Earnings ($ in thousands):

	Year Ended December 31,		
	2016	2015	2014
Income (loss) before taxes	$ 120,040	$ 160,691	$ 124,231
Net (income) loss attributable to noncontrolling interest in consolidated joint ventures and operating partnership (GAAP) (1)	109	(1,568)	370
Our share of real estate depreciation, amortization and gain adjustments (2)	33,828	28,704	21,997
Adjustments for unrecognized derivative results (3)	(11,105)	(10,213)	51,308
Unrealized (gain) loss on Agency IO securities	56	1,249	(2,144)
Premium (discount) on mortgage loan financing, net of amortization	(482)	802	1,442
Non-cash stock-based compensation	19,039	10,277	16,738
One-time transactional adjustments	(3,272) (4)	1,509 (5)	5,380 (5)
Core Earnings	**$ 158,213**	**$ 191,451**	**$ 219,322**

(1) Includes $29,036 of net income attributable to noncontrolling interest in consolidated joint ventures which are included in net (income) loss attributable to noncontrolling interest in operating partnership on the combined consolidated statements of income for the year ended December 31, 2016.

(2) The following is a reconciliation of GAAP depreciation and amortization to our share of real estate depreciation, amortization and gain adjustments presented in the computation of Core Earnings in the preceding table ($ in thousands):

	Year Ended December 31,		
	2016	2015	2014
Total GAAP depreciation and amortization	$ 39,447	$ 39,061	$ 28,447
Less: Depreciation and amortization related to non-rental property fixed assets	(114)	(108)	(176)
Less: Non-controlling interest in consolidated joint ventures' share of accumulated depreciation and amortization	(2,519)	(2,830)	(2,590)
Our share of real estate depreciation and amortization	36,814	36,123	$ 25,681
Realized gain from accumulated depreciation and amortization on real estate sold (see below)	(3,007)	(7,965)	$ (3,912)
Less: Non-controlling interests in consolidated joint ventures' share of accumulated depreciation and amortization on real estate sold	21	546	228
Our share of accumulated depreciation and amortization on real estate sold	(2,986)	(7,419)	$ (3,684)
Our share of real estate depreciation and amortization and gain adjustments	**$ 33,828**	**$ 28,704**	**$ 21,997**

GAAP gains/losses on sales of real estate include the effects of previously recognized real estate depreciation and amortization. For purposes of Core Earnings, our share of real estate depreciation and amortization is eliminated and, accordingly, the resultant gain/ losses also must be adjusted. Following is a reconciliation of the related consolidated GAAP amounts to the amounts reflected in Core Earnings:

	Year Ended December 31,		
	2016	2015	2014
GAAP realized gain on sale of real estate, net	$ 20,636	$ 40,386	$ 29,760
Adjusted gain/loss on sale of real estate for purposes of Core Earnings	17,650	32,967	26,076
Our share of accumulated depreciation and amortization on real estate sold	**$ 2,986**	**$ 7,419**	**$ 3,684**

(3) The following is a reconciliation of GAAP net results from derivative transactions to our hedging unrecognized result presented in the computation of Core Earnings in the preceding table ($ in thousands):

	Year Ended December 31,		
	2016	2015	2014
Net results from derivative transactions	$ (1,409)	$ (38,937)	$ (94,798)
Plus: Hedging interest expense	29,870	26,820	18,062
Plus: Hedging realized result	(17,356)	22,330	25,428
Adjustments for unrecognized derivative results	**$ 11,105**	**$ 10,213**	**$ (51,308)**

(4) As more fully discussed in Note 15, Income Taxes, to the Company's Consolidated Financial Statements, the Company recorded an additional $3.3 million income tax expense for a proposed tax settlement for pre-acquisition liabilities on certain corporate entities acquired in the IPO Reorganization Transactions. The Company also recorded other income of $3.3 million relating to the expected recovery of these amounts pursuant to indemnification. While these items are presented on a gross basis, there was no impact to either net income or Core Earnings. Accordingly, since pre-tax income excludes the tax effect but includes the recovery of $3.3 million pursuant to the indemnification, the recovery amount has been excluded from Core Earnings.

(5) One-time transactional adjustment for costs related to restructuring the Company for REIT related operations. All costs were expensed and accrued for in the period incurred.

Core Earnings has limitations as an analytical tool. Some of these limitations are:

- Core Earnings does not reflect the impact of certain cash charges resulting from matters we consider not to be indicative of our ongoing operations and is not necessarily indicative of cash necessary to fund cash needs; and

- other companies in our industry may calculate Core Earnings differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, Core Earnings should not be considered in isolation or as a substitute for net income (loss) attributable to shareholders or any other performance measures calculated in accordance with GAAP, or as an alternative to cash flows from operations as a measure of our liquidity.

In the future we may incur gains and losses that are the same as or similar to some of the adjustments in this presentation. Our presentation of Core Earnings should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

Income from sales of securitized loans, net of hedging

We present income from sales of securitized loans, net of hedging, a non-GAAP financial measure, as a supplemental measure of the performance of our loan securitization business. Income from sales of securitized loans, net is a key component of our results. Since our loans sold into securitizations to date are comprised of long-term fixed-rate loans, the result of hedging those exposures prior to securitization represents a substantial portion of our securitization profitability. Therefore, we view these two components of our profitability together when assessing the performance of this business activity and find it a meaningful measure of the Company's performance as a whole. When evaluating the performance of our sale of loans into securitization business, we generally consider the income from sales of securitized loans, net, in conjunction with other income statement items that are directly related to such securitization transactions, including portions of the realized net result from derivative transactions that are specifically related to hedges on the securitized or sold loans, which we reflect as hedge gain/(loss) related to loans securitized, a non-GAAP financial measure, in the table below.

Set forth below is an unaudited reconciliation of income from sale of securitized loans, net to income from sale of loans, net as reported in our combined consolidated financial statements included herein and an unaudited reconciliation of hedge gain/(loss) relating to loans securitized to net results from derivative transactions as reported in our combined consolidated financial statements included herein ($ in thousands except for number of loans and securitizations):

	Year Ended December 31,		
	2016	**2015**	**2014**
Number of loans	104	210	165
Face amount of loans sold into securitizations	$ 1,327,856 (1)	$ 2,584,939	$ 3,493,041
Number of securitizations	6	10	10
Income from sales of securitized loans, net (2)	$ 23,098	$ 71,066	$ 145,075
Hedge gain/(loss) related to loans securitized (3)	15,271	(6,475)	(19,984)
Income from sales of securitized loans, net of hedging	**$ 38,369**	**$ 64,591**	**$ 125,091**

(1) Excludes one $21.7 million loan acquired from a third party and sold into a securitization at equal values.

(2) The following is a reconciliation of the non-GAAP financial measure of income from sales of securitized loans, net to income from sale of loans, net, which is the closest GAAP measure, as reported in our combined consolidated financial statements included herein ($ in thousands):

	Year Ended December 31,		
	2016	2015	2014
Income from sales of loans (non-securitized), net	$ 2,911	$ —	$ 200
Income from sales of securitized loans, net	23,098	71,066	145,075
Income from sales of loans, net	**$ 26,009**	**$ 71,066**	**$ 145,275**

(3) The following is a reconciliation of the non-GAAP financial measure of hedge gain/(loss) related to loans securitized to net results from derivative transactions, which is the closest GAAP measure, as reported in our combined consolidated financial statements included herein ($ in thousands):

	Year Ended December 31,		
	2016	2015	2014
Hedge gain/(loss) related to lending and securities positions	$ (15,971)	$ (32,462)	$ (74,814)
Hedge gain/(loss) related to loans (non-securitized)	(709)	—	—
Hedge gain/(loss) related to loans securitized	15,271	(6,475)	(19,984)
Net results from derivative transactions	**$ (1,409)**	**$ (38,937)**	**$ (94,798)**

Cost of funds

We present cost of funds, which is a non-GAAP financial measure, as a supplemental measure of the Company's cost of debt financing. We define cost of funds as interest expense as reported on our combined consolidated statements of income adjusted to include the net interest expense component resulting from our hedging activities, which is currently included in net results from derivative transactions on our combined consolidated statements of income. Interest income, net of cost of funds, which is a non-GAAP financial measure, is defined as interest income, less cost of funds.

Set forth below is an unaudited reconciliation of interest expense to cost of funds ($ in thousands):

	Year Ended December 31,		
	2016	2015	2014
Interest expense	$ (120,827)	$ (113,303)	$ (77,574)
Net interest expense component of hedging activities (1)	(29,870)	(26,820)	(18,062)
Cost of funds	**$ (150,697)**	**$ (140,123)**	**$ (95,636)**
Interest income	$ 236,372	$ 241,539	$ 187,325
Cost of funds	(150,697)	(140,123)	(95,636)
Interest income, net of cost of funds	**$ 85,675**	**$ 101,416**	**$ 91,689**

		Year Ended December 31,		
		2016	2015	2014
(1)	Net result from derivative transactions	$ (1,409)	$ (38,937)	$ (94,798)
	Plus: Hedging realized result	(17,356)	22,330	25,428
	Plus: Hedging unrecognized result	(11,105)	(10,213)	51,308
	Net interest expense component of hedging activities	**$ (29,870)**	**$ (26,820)**	**$ (18,062)**

Net Revenues

We present Net Revenues, which is a non-GAAP financial measure, as a supplemental measure of the Company's performance, excluding operating expenses. We define Net Revenues as net interest income after provision for loan losses and total other income, which are both disclosed on the Company's combined consolidated statements of income. We present interest income on investments, net and income from sales of loans, net as a percent of Net Revenues to determine the impact of the net interest from our investments and the securitization activity on our Net Revenues ($ in thousands).

	Year Ended December 31,		
	2016	2015	2014
Net interest income after provision for loan losses	$ 115,245	$ 127,636	$ 109,151
Total other income (expense)	163,312	201,221	189,166
Net Revenues	**$ 278,557**	**$ 328,857**	**$ 298,317**

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

The nature of the Company’s business exposes it to market risk arising from changes in interest rates. Changes, both increases and decreases, in the rates the Company is able to charge its borrowers, the yields the Company is able to achieve in its securities investments, and the Company’s cost of borrowing directly impacts its net income. The Company’s interest income stream from loans and securities is generally fixed over the life of its assets, whereas it uses floating-rate debt to finance a significant portion of its investments. Another component of interest rate risk is the effect changes in interest rates will have on the market value of the assets the Company acquires. The Company faces the risk that the market value of its assets will increase or decrease at different rates than that of its liabilities, including its hedging instruments. The Company mitigates interest rate risk through utilization of hedging instruments, primarily interest rate swap and futures agreements. Interest rate swap and futures agreements are utilized to hedge against future interest rate increases on the Company’s borrowings and potential adverse changes in the value of certain assets that result from interest rate changes. The Company generally seeks to hedge assets that have a duration longer than five years, including newly originated conduit first mortgage loans, securities in the Company’s CMBS portfolio if long enough in duration, and most of its U.S. Agency Securities portfolio.

The following table summarizes the change in net income for a 12-month period commencing December 31, 2016 and the change in fair value of our investments and indebtedness assuming an increase or decrease of 100 basis points in the LIBOR interest rate on December 31, 2016, both adjusted for the effects of our interest rate hedging activities ($ in thousands):

	Projected change in net income(1)	Projected change in portfolio value
Change in interest rate:		
Decrease by 1.00%	$ (2,406)	$ 42,688
Increase by 1.00%	6,701	(42,047)

(1) Subject to limits for floors on our floating rate investments and indebtedness.

Market Value Risk

The Company’s securities investments are reflected at their estimated fair value. The change in estimated fair value of securities available-for-sale is reflected in accumulated other comprehensive income. The change in estimated fair value of Agency interest-only securities is recorded in current period earnings. The estimated fair value of these securities fluctuates primarily due to changes in interest rates and other factors. Generally, in a rising interest rate environment, the estimated fair value of these securities would be expected to decrease; conversely, in a decreasing interest rate environment, the estimated fair value of these securities would be expected to increase. As market volatility increases or liquidity decreases, the market value of the Company’s assets may be adversely impacted. The Company’s fixed rate mortgage loan portfolio is subject to the same risks. However, to the extent those loans are classified as held for sale, they are reflected at the lower of cost or market. Otherwise, held for investment mortgage loans are reflected at values equal to the unpaid principal balances net of certain fees, costs and loan loss allowances.

Liquidity Risk

Market disruptions may lead to a significant decline in transaction activity in all or a significant portion of the asset classes in which the Company invests and may at the same time lead to a significant contraction in short-term and long-term debt and equity funding sources. A decline in liquidity of real estate and real estate-related investments, as well as a lack of availability of observable transaction data and inputs, may make it more difficult to sell the Company’s investments or determine their fair values. As a result, the Company may be unable to sell its investments, or only be able to sell its investments at a price that may be materially different from the fair values presented. Also, in such conditions, there is no guarantee that the Company’s borrowing arrangements or other arrangements for obtaining leverage will continue to be available or, if available, will be available on terms and conditions acceptable to the Company. In addition, a decline in market value of the Company’s assets may have particular adverse consequences in instances where it borrowed money based on the fair value of its assets. A decrease in the market value of the Company’s assets may result in the lender requiring it to post additional collateral or otherwise sell assets at a time when it may not be in the Company’s best interest to do so. The Company’s captive insurance company subsidiary, Tuebor, is subject to state regulations which require that dividends may only be made with regulatory approval. The Company’s broker-dealer subsidiary, LCS, is also required to be compliant with FINRA and SEC regulations which require that dividends may only be made with regulatory approval.

Credit Risk

The Company is subject to varying degrees of credit risk in connection with its investments. The Company seeks to manage credit risk by performing deep credit fundamental analyses of potential assets and through ongoing asset management. The Company’s investment guidelines do not limit the amount of its equity that may be invested in any type of its assets; however, investments greater than a certain size are subject to approval by the Risk and Underwriting Committee of the board of directors.

Credit Spread Risk

Credit spread risk is the risk that interest rate spreads between two different financial instruments will change. In general, fixed-rate commercial mortgages and CMBS are priced based on a spread to Treasury or interest rate swaps. The Company generally benefits if credit spreads narrow during the time that it holds a portfolio of mortgage loans or CMBS investments, and the Company may experience losses if credit spreads widen during the time that it holds a portfolio of mortgage loans or CMBS investments. The Company actively monitors its exposure to changes in credit spreads and the Company may enter into credit total return swaps or take positions in other credit related derivative instruments to moderate its exposure against losses associated with a widening of credit spreads.

Risks Related to Real Estate

Real estate and real estate-related assets, including loans and commercial real estate-related securities, are subject to volatility and may be affected adversely by a number of factors, including, but not limited to, national, regional and local economic conditions (which may be adversely affected by industry slowdowns and other factors); local real estate conditions; changes or continued weakness in specific industry segments; construction quality, age and design; demographic factors; environmental conditions; competition from comparable property types or properties; changes in tenant mix or performance and retroactive changes to building or similar codes. In addition, decreases in property values reduce the value of the collateral and the potential proceeds available to a borrower to repay the underlying loans, which could also cause the Company to suffer losses.

Covenant Risk

In the normal course of business, the Company enters into loan and securities repurchase agreements and credit facilities with certain lenders to finance its real estate investment transactions. These agreements contain, among other conditions, events of default and various covenants and representations. If such events are not cured by the Company or waived by the lenders, the lenders may decide to curtail or limit extension of credit, and the Company may be forced to repay its advances or loans. In addition, the Company’s Notes are subject to covenants, including limitations on the incurrence of additional debt, restricted payments, liens, sales of assets, affiliate transactions and other covenants typical for financings of this type. The Company’s failure to comply with these covenants could result in an event of default, which could result in the Company being required to repay these borrowings before their due date. As of December 31, 2016, the Company believes it was in compliance with all covenants.

Diversification Risk

The assets of the Company are concentrated in the real estate sector. Accordingly, the investment portfolio of the Company may be subject to more rapid change in value than would be the case if the Company were to maintain a wide diversification among investments or industry sectors. Furthermore, even within the real estate sector, the investment portfolio may be relatively concentrated in terms of geography and type of real estate investment. This lack of diversification may subject the investments of the Company to more rapid change in value than would be the case if the assets of the Company were more widely diversified.

Concentrations of Market Risk

Concentrations of market risk may exist with respect to the Company's investments. Market risk is a potential loss the Company may incur as a result of change in the fair values of its investments. The Company may also be subject to risk associated with concentrations of investments in geographic regions and industries.

Regulatory Risk

The Company established a broker-dealer subsidiary, LCS, which was initially licensed and capitalized to do business in July 2010. LCS is required to be compliant with FINRA and SEC requirements on an ongoing basis and is subject to multiple operating and reporting requirements to which all broker-dealer entities are subject. Additionally, Ladder Capital Asset Management LLC (the "Adviser") is a registered investment adviser. The Adviser is required to be compliant with SEC requirements on an ongoing basis and is subject to multiple operating and reporting requirements to which all registered investment advisers are subject. In addition, Tuebor is subject to state regulation as a captive insurance company. If LCS, the Adviser or Tuebor fail to comply with regulatory requirements, they could be subject to loss of their licenses and registration and/or economic penalties.

Item 8. Financial Statements

The combined consolidated financial statements of Ladder Capital Corp and Predecessor and the notes related to the foregoing combined consolidated financial statements are included in this Item 8.

Index to Combined Consolidated Financial Statements and Supplementary Schedules

All other schedules are omitted because they are not required or the required information is shown in the combined consolidated financial statements or notes thereto.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders
Of Ladder Capital Corp:

In our opinion, the combined consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Ladder Capital Corp and its subsidiaries as of December 31, 2016 and December 31, 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedules listed in the accompanying index present fairly, in all material respects, the information set forth therein when read in conjunction with the related combined consolidated financial statements. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP
New York, NY
February 24, 2017

Ladder Capital Corp
Combined Consolidated Balance Sheets
(Dollars in Thousands)

	December 31, 2016	December 31, 2015
Assets		
Cash and cash equivalents	$ 44,615	$ 108,959
Cash collateral held by broker	19,402	30,811
Mortgage loan receivables held for investment, net, at amortized cost	1,996,095	1,738,645
Mortgage loan receivables held for sale	357,882	571,764
Real estate securities, available-for-sale	2,100,947	2,407,217
Real estate and related lease intangibles, net	822,338	834,779
Investments in unconsolidated joint ventures	34,025	33,797
FHLB stock	77,915	77,915
Derivative instruments	5,018	2,821
Due from brokers	10	—
Accrued interest receivable	24,439	22,776
Other assets	95,651	65,728
Total assets	**$ 5,578,337**	**$ 5,895,212**
Liabilities and Equity		
Liabilities		
Debt obligations, net	$ 3,942,138	$ 4,274,723
Due to brokers	394	—
Derivative instruments	3,446	5,504
Amount payable pursuant to tax receivable agreement	2,520	1,910
Dividends payable	24,682	17,456
Accrued expenses	66,597	78,142
Other liabilities	29,006	26,069
Total liabilities	**4,068,783**	**4,403,804**
Commitments and contingencies (Note 17)	—	—
Equity		
Class A common stock, par value $0.001 per share, 600,000,000 shares authorized; 72,681,218 and 55,758,710 shares issued and 71,586,170 and 55,209,849 shares outstanding	72	55
Class B common stock, par value $0.001 per share, 100,000,000 shares authorized; 38,002,344 and 44,055,987 shares issued and outstanding	38	44
Additional paid-in capital	992,307	776,866
Treasury stock, 1,095,048 and 548,861 shares, at cost	(11,244)	(5,812)
Retained Earnings/(Dividends in Excess of Earnings)	(11,148)	60,618
Accumulated other comprehensive income (loss)	1,365	(3,556)
Total shareholders' equity	**971,390**	**828,215**
Noncontrolling interest in operating partnership	533,246	657,380
Noncontrolling interest in consolidated joint ventures	4,918	5,813
Total equity	**1,509,554**	**1,491,408**
Total liabilities and equity	**$ 5,578,337**	**$ 5,895,212**

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

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

	Year Ended December 31,		
	2016	**2015**	**2014**
Net interest income			
Interest income	$ 236,372	$ 241,539	187,325
Interest expense	120,827	113,303	77,574
Net interest income	**115,545**	**128,236**	**109,751**
Provision for loan losses	300	600	600
Net interest income after provision for loan losses	**115,245**	**127,636**	**109,151**
Other income			
Operating lease income	77,277	80,465	56,649
Tenant recoveries	5,958	9,907	9,183
Sale of loans, net	26,009	71,066	145,275
Realized gain (loss) on securities	7,724	24,007	26,977
Unrealized gain (loss) on Agency interest-only securities	(56)	(1,249)	2,144
Realized gain on sale of real estate, net	20,636	40,386	29,760
Fee and other income	21,365	15,205	11,704
Net result from derivative transactions	(1,409)	(38,937)	(94,798)
Earnings (loss) from investment in unconsolidated joint ventures	426	371	1,990
Gain on assignment of mortgage loan financing	—	—	432
Gain (loss) on extinguishment of debt	5,382	—	(150)
Total other income	**163,312**	**201,221**	**189,166**
Costs and expenses			
Salaries and employee benefits	64,270	61,612	82,144
Operating expenses	20,552	25,103	25,398
Real estate operating expenses	29,953	35,886	32,670
Real estate acquisition costs	592	1,983	2,404
Fee expense	3,703	4,521	3,023
Depreciation and amortization	39,447	39,061	28,447
Total costs and expenses	**158,517**	**168,166**	**174,086**
Income (loss) before taxes	**120,040**	**160,691**	**124,231**
Income tax expense (benefit)	6,320	14,557	26,605
Net income (loss)	**113,720**	**146,134**	**97,626**
Net (income) loss attributable to noncontrolling interest in consolidated joint ventures	138	(1,568)	370
Pre-IPO net loss attributable to predecessor unitholders	—	—	12,628
Net (income) loss attributable to noncontrolling interest in operating partnership	(47,131)	(70,745)	(66,437)
Net income (loss) attributable to Class A common shareholders	**$ 66,727**	**$ 73,821**	**$ 44,187**

	Year Ended December 31,		
	2016	2015	2014
Earnings per share:			
Basic	$ 1.08	$ 1.43	$ 0.90
Diluted	$ 1.06	$ 1.42	$ 0.86
Weighted average shares outstanding:			
Basic	61,998,089	51,702,188	49,296,417
Diluted	107,638,788	51,870,808	97,583,310
Dividends per share of Class A common stock (Note 11)	$ 1.285	$ 2.225	$ —

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

Ladder Capital Corp and Predecessor
Combined Consolidated Statements of Comprehensive Income
(Dollars in Thousands)

	Year Ended December 31,		
	2016	2015	2014
Net income (loss)	**$ 113,720**	**$ 146,134**	**$ 97,626**
Other comprehensive income (loss)			
Unrealized gain (loss) on securities, net of tax:			
Unrealized gain (loss) on real estate securities, available for sale (1)	20,947	(11,403)	43,179
Reclassification adjustment for (gains) included in net income (2)	(12,428)	(25,142)	(25,163)
Total other comprehensive income (loss)	**8,519**	**(36,545)**	**18,016**
Comprehensive income	**122,239**	**109,589**	**115,642**
Comprehensive (income) loss attributable to noncontrolling interest in consolidated joint ventures	138	(1,568)	370
Comprehensive income of combined Class A common shareholders and Operating Partnership unitholders	**$ 122,377**	**$ 108,021**	**$ 116,012**
Comprehensive (income) attributable to predecessor unitholders	—	—	(4,380)
Comprehensive (income) attributable to noncontrolling interest in operating partnership	(52,230)	(54,247)	(66,957)
Comprehensive income attributable to Class A common shareholders	**$ 70,147**	**$ 53,774**	**$ 44,675**

(1) Amounts are net of provision for (benefit from) income taxes of $0.5 million and $5.8 million for the years ended December 31, 2015 and 2014, respectively and none for the year ended December 31, 2016.

(2) Amounts are net of (provision for) benefit from income taxes of $(0.5) million and $5.8 million for the years ended December 31, 2015 and 2014, respectively and none for the year ended December 31, 2016.

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

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

	Shareholders' Equity								Noncontrolling Interests		
	Class A Common Stock		Class B Common Stock								
	Shares	Par	Shares	Par	Additional Paid-in-Capital	Treasury Stock	Retained Earnings/ (Dividends in Excess of Earnings)	Accumulated Other Comprehensive Income (Loss)	Operating Partnership	Consolidated Joint Ventures	Total Shareholders' Equity/Partners Capital
Balance, December 31, 2015	**55,210**	**$ 55**	**44,056**	**$ 44**	**$ 776,866**	**$ (5,812)**	**$ 60,618**	**$ (3,556)**	**$ 657,380**	**$ 5,813**	**$ 1,491,408**
Contributions	—	—	—	—	—	—	—	—	250	—	250
Distributions	—	—	—	—	—	—	—	—	(39,805)	(757)	(40,562)
Equity based compensation	—	—	—	—	516	—	—	—	17,124	—	17,640
Grants of restricted stock	794	1	—	—	(1)	—	—	—	—	—	—
Purchase of treasury stock	(424)	—	—	—	—	(4,652)	—	—	—	—	(4,652)
Shares acquired to satisfy minimum required federal and state tax withholding on vesting restricted stock and units	(73)	—	(1)	—	—	(780)	—	—	(6)	—	(786)
Forfeitures	(48)	—	—	—	—	—	—	—	—	—	—
Dividends declared	—	—	—	—	—	—	(74,393)	—	—	—	(74,393)
Stock dividends	5,606	6	4,469	4	64,090	—	(64,100)	—	—	—	—
Exchange of noncontrolling interest for common stock	10,521	10	(10,521)	(10)	144,629	—	—	1,202	(145,831)	—	—
Adjustment for deferred taxes/tax receivable agreement as a result of the exchange of Class B shares	—	—	—	—	(1,590)	—	—	—	—	—	(1,590)
Net income (loss)	—	—	—	—	—	—	66,727	—	47,131	(138)	113,720
Other comprehensive income (loss)	—	—	—	—	—	—	—	3,420	5,099	—	8,519
Rebalancing of ownership percentage between Company and Operating Partnership	—	—	—	—	7,797	—	—	299	(8,096)	—	—
Balance, December 31, 2016	**71,586**	**$ 72**	**38,003**	**$ 38**	**$ 992,307**	**$ (11,244)**	**$ (11,148)**	**$ 1,365**	**$ 533,246**	**$ 4,918**	**$ 1,509,554**

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

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

	Shareholders' Equity								Noncontrolling Interests		
	Class A Common Stock		Class B Common Stock								
	Shares	Par	Shares	Par	Additional Paid-in-Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Operating Partnership	Consolidated Joint Ventures	Total Shareholders' Equity/Partners Capital
Balance, December 31, 2014	**51,432**	**$ 51**	**47,647**	**$ —**	**$ 725,538**	**$ —**	**$ 44,187**	**$ 15,656**	**$ 711,674**	**$ 8,101**	**$ 1,505,207**
Contributions	—	—	—	—	—	—	—	—	—	74	74
Distributions	—	—	—	—	—	—	—	—	(68,673)	(3,930)	(72,603)
Amendment of the par value of the Class B shares from no par value per share to $0.001 per share	—	—	—	47	—	—	—	—	(47)	—	—
Equity based compensation	—	—	—	—	417	—	—	—	13,371	—	13,788
Grants of restricted stock	700	1	—	—	(1)	—	—	—	—	—	—
Purchase of treasury stock	(84)	—	—	—	—	(994)	—	—	—	—	(994)
Re-issuance of treasury stock	26	—	—	—	—	—	—	—	—	—	—
Shares acquired to satisfy minimum required federal and state tax withholding on vesting restricted stock and units	(262)	—	(5)	—	—	(4,818)	—	—	(79)	—	(4,897)
Forfeitures	(188)	—	—	—	—	—	—	—	—	—	—
Dividends declared	—	—	—	—	—	—	(57,390)	—	—	—	(57,390)
Exchange of noncontrolling interest for common stock	3,586	3	(3,586)	(3)	53,011	—	—	645	(53,656)	—	—
Adjustment for deferred taxes/tax receivable agreement as a result of the exchange of Class B shares	—	—	—	—	(1,366)	—	—	—	—	—	(1,366)
Net income (loss)	—	—	—	—	—	—	73,821	—	70,745	1,568	146,134
Other comprehensive income (loss)	—	—	—	—	—	—	—	(20,046)	(16,499)	—	(36,545)
Rebalancing of ownership percentage between Company and Operating Partnership	—	—	—	—	(733)	—	—	189	544	—	—
Balance, December 31, 2015	**55,210**	**$ 55**	**44,056**	**$ 44**	**$ 776,866**	**$ (5,812)**	**$ 60,618**	**$ (3,556)**	**$ 657,380**	**$ 5,813**	**$ 1,491,408**

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

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

	Predecessor's Partners' Capital				Shareholders' Equity									
					Class A Common Stock		Class B Common Stock					Noncontrolling Interests		
	Series A Preferred Units	Series B Preferred Units	Common Units	LP Units	Shares	Par	Shares	Par	Additional Paid-in-Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Operating Partnership	Consolidated Joint Ventures	Total Shareholders' Equity/Partners Capital
Balance, December 31, 2013	**$825,985**	**$290,847**	**$ 59,565**	**$ —**	**—**	**$ —**	**—**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ 8,837**	**$ 1,185,234**
Contributions	—	—	—	—	—	—	—	—	—	—	—	—	1,841	1,841
Distributions	—	(369)	—	—	—	—	—	—	—	—	—	(47,926)	(2,207)	(50,502)
Equity based compensation	—	290	—	—	—	—	—	—	332	—	—	13,829	—	14,451
Issuance of common stock (IPO)	—	—	—	—	16,925	16	—	—	259,021	—	—	—	—	259,037
Shares acquired to satisfy minimum required federal and state tax withholding on vesting restricted stock and units	—	—	—	—	—	—	(10)	—	—	—	—	(125)	—	(125)
Forfeitures	—	—	—	—	(40)	—	(6)	—	—	—	—	—	—	—
Offering costs	—	—	—	—	—	—	—	—	(20,523)	—	—	—	—	(20,523)
Reorganization transactions	(828,577)	(291,680)	(60,441)	1,180,698	—	—	—	—	—	—	—	—	—	—
Exchange of capital for common stock	—	—	—	(483,602)	33,673	34	—	—	468,694	—	14,874	—	—	—
Exchange of predecessor LP Units for common stock	—	—	—	(697,096)	—	—	48,537	—	—	—	—	697,096	—	—
Exchange of noncontrolling interest for common stock	—	—	—	—	874	1	(874)	—	12,502	—	324	(12,827)	—	—
Adjustment to tax receivable agreement as a result of the exchange of Class B shares	—	—	—	—	—	—	—	—	152	—	—	—	—	152
Net income (loss)	(7,471)	(2,631)	(2,526)	—	—	—	—	—	—	44,187	—	66,437	(370)	97,626
Other comprehensive income (loss)	10,063	3,543	3,402	—	—	—	—	—	—	—	488	520	—	18,016
Rebalancing of ownership percentage between Company and Operating Partnership	—	—	—	—	—	—	—	—	5,360	—	(30)	(5,330)	—	—
Balance, December 31, 2014	**$ —**	**$ —**	**$ —**	**$ —**	**51,432**	**$ 51**	**47,647**	**$ —**	**$ 725,538**	**$44,187**	**$ 15,656**	**$ 711,674**	**$ 8,101**	**$ 1,505,207**

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

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

	Year Ended December 31,		
	2016	2015	2014
Cash flows from operating activities:			
Net income (loss)	$ 113,720	$ 146,134	$ 97,626
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
(Gain) loss on extinguishment of debt	(5,382)	—	150
Depreciation and amortization	39,447	39,061	28,447
Unrealized (gain) loss on derivative instruments	(4,224)	(10,182)	14,378
Unrealized (gain) loss on Agency interest-only securities	56	1,249	(2,144)
Unrealized (gain) loss on investment in mutual fund	14	—	—
Provision for loan losses	300	600	600
Amortization of equity based compensation	17,640	13,788	14,451
Amortization of deferred financing costs included in interest expense	7,459	5,757	5,802
Amortization of premium on mortgage loan financing	(894)	(902)	(629)
Amortization of above- and below-market lease intangibles	(108)	(249)	652
Amortization of premium/(accretion) of discount and other fees on loans	(8,941)	(12,241)	(6,918)
Amortization of premium/(accretion) of discount and other fees on securities	76,475	87,906	91,306
Realized gain on sale of mortgage loan receivables held for sale	(26,009)	(71,066)	(145,275)
Realized gain on disposition of loan	—	(820)	—
Realized (gain) loss on real estate securities	(7,724)	(24,007)	(26,977)
Realized gain on sale of real estate, net	(20,636)	(40,386)	(29,760)
Realized gain on assignment of mortgage loan financing	—	—	(432)
Realized gain on sale of derivative instruments	24	—	—
Origination of mortgage loan receivables held for sale	(1,128,651)	(2,594,141)	(3,345,372)
Purchases of mortgage loan receivables held for sale	(73,421)	—	—
Repayment of mortgage loan receivables held for sale	1,768	2,308	1,293
Proceeds from sales of mortgage loan receivables held for sale	1,440,195	2,509,090	3,523,689
Income from investments in unconsolidated joint ventures in excess of distributions received	(426)	(371)	(1,990)
Distributions from operations of investment in unconsolidated joint ventures	1,017	294	1,957
Deferred tax asset	1,868	2,900	(7,175)
Changes in operating assets and liabilities:			
Accrued interest receivable	(1,662)	621	(9,687)
Other assets	(3,673)	(1,770)	(17,446)
Accrued expenses and other liabilities	(9,085)	(12,985)	22,126
Net cash provided by (used in) operating activities	**409,147**	**40,588**	**208,672**

	Year Ended December 31, 2016		2015	2014
Cash flows from investing activities:				
Reduction (addition) of cash collateral held by broker for derivatives	7,616		16,918	(13,864)
Purchase of derivative instruments	(73)		—	(7)
Sale of derivative instruments	39		—	—
Purchases of real estate securities	(977,062)		(725,888)	(2,157,391)
Repayment of real estate securities	684,143		186,902	186,310
Proceeds from sales of real estate securities	539,295		845,648	768,590
Purchase of FHLB stock	—		(7,984)	(22,890)
Sale of FHLB stock	—		2,409	—
Origination of mortgage loan receivables held for investment	(919,023)		(963,023)	(1,201,968)
Repayment of mortgage loan receivables held for investment	649,914		752,452	214,511
Reduction (addition) of cash collateral held by broker	3,793		(5,291)	(53)
Addition (reduction) of deposits received for loan originations	960		(2,368)	(91)
Escrow cash and title deposits included in other assets	(4,014)		5,375	(9,621)
Capital contributions to investment in unconsolidated joint ventures	—		(31,085)	—
Distributions received from investments in unconsolidated joint ventures in excess of income	48		3,747	3,255
Capitalization of interest on investment in unconsolidated joint ventures	(867)		(341)	—
Capital contributions to investment in mutual fund	(10,001)		—	—
Purchases of real estate	(62,495)		(197,501)	(254,497)
Capital improvements of real estate	(10,640)		(8,375)	(5,192)
Proceeds from sale of real estate	72,953	(1)	98,558	123,444
Net cash provided by (used in) investing activities	**(25,414)**		**(29,847)**	**(2,369,464)**
Cash flows from financing activities:				
Deferred financing costs paid	(5,927)		(2,330)	(9,863)
Proceeds from borrowings under debt obligations	12,359,830		16,280,023	16,885,636
Repayment of borrowings under debt obligations	(12,689,064)		(16,137,339)	(14,907,233)
Cash dividends paid to Class A common shareholders	(67,166)		(39,934)	—
Partners' capital distributions	—		—	(369)
Capital contributed by noncontrolling interests in operating partnership	250		—	—
Capital distributed to noncontrolling interests in operating partnership	(39,805)		(68,673)	(47,926)
Capital contributed by noncontrolling interests in consolidated joint ventures	—		74	1,841
Capital distributed to noncontrolling interests in consolidated joint ventures	(757)		(3,930)	(2,207)
Payment of liability assumed in exchange for shares for the minimum withholding taxes on vesting restricted stock	(786)		(4,897)	(125)
Purchase of treasury stock	(4,652)		(994)	—
Issuance of common stock	—		—	259,037
Common stock offering costs	—		—	(20,523)
Net cash provided by (used in) financing activities	**(448,077)**		**22,000**	**2,158,268**
Net increase (decrease) in cash	**(64,344)**		**32,741**	**(2,524)**
Cash and cash equivalents at beginning of period	108,959		76,218	78,742
Cash and cash equivalents at end of period	**$ 44,615**		**$ 108,959**	**$ 76,218**

	Year Ended December 31,		
	2016	2015	2014
Supplemental information:			
Cash paid for interest, net of amounts capitalized	$ 115,246	$ 107,362	$ 63,171
Cash paid for income taxes	8,775	7,306	45,981
Non-cash investing and financing activities:			
Securities and derivatives purchased, not settled	(394)	—	—
Securities sold, not settled	—	4	3
Origination of mortgage loans receivable held for investment	50,378	—	—
Repayment of mortgage loans receivable held for investment	(70,678)	—	—
Settlement of mortgage loan receivable held for investment by real estate	—	4,620	—
Like-kind exchange of real estate:			
Acquisitions	—	15,249	—
Dispositions	—	(62,093)	—
Receivable from qualified intermediary - other assets	—	6,483	—
Real estate acquired in settlement of mortgage loan receivable held for investment	—	6,700	—
Net settlement of sale of real estate, subject to debt - real estate	—	(11,310)	—
Net settlement of sale of real estate, subject to debt - debt obligations	—	51,060	—
Exchange of noncontrolling interest for common stock	145,841	53,659	—
Change in deferred tax asset related to exchanges of noncontrolling interest for common stock	980	(320)	1,014
Dividends declared, not paid	23,364	17,456	—
Stock dividends	64,100	—	—

(1) Includes cash proceeds received in the current year that relate to prior year sales of real estate of $6.5 million.

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

Ladder Capital Corp
Notes to Combined Consolidated Financial Statements

1. ORGANIZATION AND OPERATIONS

Ladder Capital Corp is an internally-managed real estate investment trust ("REIT") that is a leader in commercial real estate finance. Ladder Capital Corp, as the general partner of Ladder Capital Finance Holdings LLLP ("LCFH," "Predecessor" or the "Operating Partnership"), operates the Ladder Capital business through LCFH and its subsidiaries. As of December 31, 2016, Ladder Capital Corp has a 65.3% economic interest in LCFH and controls the management of LCFH as a result of its ability to appoint its board members. Accordingly, Ladder Capital Corp consolidates the financial results of LCFH and records noncontrolling interest for the economic interest in LCFH held by the Continuing LCFH Limited Partners (as defined below). In addition, Ladder Capital Corp, through certain subsidiaries which are treated as taxable REIT subsidiaries (each a "TRS"), is indirectly subject to U.S. federal, state and local income taxes. Other than the noncontrolling interest in the Operating Partnership and such indirect U.S. federal, state and local income taxes, there are no material differences between Ladder Capital Corp's combined consolidated financial statements and LCFH's consolidated financial statements.

The IPO Transactions

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

Ladder Capital Corp consolidates the financial results of LCFH and its subsidiaries. The ownership interest of certain existing owners of LCFH, who owned LP Units and an equivalent number of shares of Ladder Capital Corp Class B common stock as of the completion of the IPO (the "Continuing LCFH Limited Partners") and continue to hold equivalent units in the Series of LCFH (as described below) and Ladder Capital Corp Class B common stock, is reflected as a noncontrolling interest in Ladder Capital Corp's combined consolidated financial statements.

Immediately prior to the closing of the IPO on February 11, 2014, LCFH effectuated certain transactions intended to simplify its capital structure (the "Reorganization Transactions"). Prior to the Reorganization Transactions, LCFH's capital structure consisted of three different classes of membership interests (Series A and Series B Participating Preferred Units and Class A Common Units), each of which had different capital accounts. The net effect of the Reorganization Transactions was to convert the multiple-class structure into LP Units, a single new class of units in LCFH, and an equal number of shares of Class B common stock of Ladder Capital Corp. The conversion of all of the different classes of LCFH occurred in accordance with conversion ratios for each class of outstanding units based upon the liquidation value of LCFH, as if it had been liquidated upon the IPO, with such value determined by the $17.00 price per share of Class A common stock sold in the IPO. The distribution of LP Units per class of outstanding units was determined pursuant to the distribution provisions set forth in LCFH's amended and restated Limited Liability Limited Partnership Agreement (the "Amended and Restated LLLP Agreement"). In addition, in connection with the IPO, certain of LCFH's existing investors (the "Exchanging Existing Owners") received 33,672,192 shares of Ladder Capital Corp Class A common stock in lieu of any or all LP Units and shares of Ladder Capital Corp Class B common stock that would otherwise have been issued to such existing investors in the Reorganization Transactions, which resulted in Ladder Capital Corp, or a wholly-owned subsidiary of Ladder Capital Corp, owning one LP Unit for each share of Class A Common Stock so issued to the Exchanging Existing Owners.

The IPO resulted in the issuance by Ladder Capital Corp of 15,237,500 shares of Class A common stock to the public, including 1,987,500 shares of Class A common stock offered as a result of the exercise of the underwriters' over-allotment option, and net proceeds to Ladder Capital Corp of $238.5 million (after deducting fees and expenses associated with the IPO). In addition, in connection with the IPO, the Company granted 1,687,513 shares of restricted Class A common stock to members of management, certain directors and certain employees. As a result, the equivalent number of LP Units were issued by LCFH to Ladder Capital Corp.

Pursuant to the Amended and Restated LLLP Agreement, and subject to the applicable minimum retained ownership requirements and certain other restrictions, including notice requirements, from time to time, Continuing LCFH Limited Partners (or certain transferees thereof) had the right to exchange their LP Units for shares of Ladder Capital Corp's Class A common stock on a one-for-one basis.

As a result of the Company's acquisition of LP Units of LCFH and LCFH's election under Section 754 of the Internal Revenue Code of 1986, as amended (the "Code"), the Company expects to benefit from depreciation and other tax deductions reflecting LCFH's tax basis for its assets. Those deductions will be allocated to the Company and will be taken into account in reporting the Company's taxable income.

As a result of the transactions described above, at the time of the IPO:

- Ladder Capital Corp became the general partner of LCFH and, through LCFH and its subsidiaries, operates the Ladder Capital business. Accordingly, Ladder Capital Corp had a 51.0% economic interest in LCFH (which has since increased), and Ladder Capital Corp has a majority voting interest and controls the management of LCFH;

- 50,597,205 shares of Ladder Capital Corp's Class A common stock were outstanding (comprised of 15,237,500 shares issued to the investors in the IPO, 33,672,192 shares issued to the Exchanging Existing Owners and 1,687,513 shares issued to certain directors, officers, and employees in connection with the IPO), and 48,537,414 shares of Ladder Capital Corp's Class B common stock were outstanding. Class B common stock has no economic interest but rather voting interest in the Company. At the time of the IPO, 99,134,619 LP Units of LCFH were outstanding, of which 50,597,205 LP Units were held by Ladder Capital Corp and its subsidiaries and 48,537,414 units were held by the Continuing LCFH Limited Partners; and

- LP Units became exchangeable on a one-for-one basis for shares of Ladder Capital Corp Class A common stock. In connection with an exchange, a corresponding number of shares of Ladder Capital Corp Class B common stock were required to be provided and canceled. LP units and Ladder Capital Corp Class B common stock could not be legally separated. However, the exchange of LP Units for shares of Ladder Capital Corp Class A common stock would not affect the exchanging owners' voting power since the votes represented by the canceled shares of Ladder Capital Corp Class B common stock would be replaced with the votes represented by the shares of Class A common stock for which such LP Units were exchanged.

The Company accounted for the Reorganization Transactions as an exchange between entities under common control and recorded the net assets and shareholders' equity of the contributed entities at historical cost.

The Reorganization Transactions and the IPO are collectively referred to as the "IPO Transactions."

The REIT Structuring Transactions

In anticipation of the Company's election to be subject to tax as a REIT under the Internal Revenue Code of 1986 (the "Code") beginning with its 2015 taxable year (the "REIT Election"), we effected an internal realignment as of December 31, 2014 that we believe permits us to operate as a REIT, subject to the risk factors described in this Annual Report (see "Risk Factors—Risks Related to Our Taxation as a REIT"). As part of this realignment, LCFH and certain of its wholly-owned subsidiaries were serialized in order to segregate our REIT-qualified assets and income from our non-REIT-qualified assets and income. Pursuant to such serialization, all assets and liabilities of LCFH and each such subsidiary were identified as TRS assets and liabilities (e.g., our conduit securitization and condominium sales businesses) and REIT assets and liabilities (e.g., balance sheet loans, real estate and most securities), and were allocated on our internal books and records into two pools within LCFH or such subsidiary, Series TRS and Series REIT (collectively, the "Series"), respectively.

In connection with this serialization, the Amended and Restated LLLP Agreement was amended and restated, effective as of December 5, 2014 and again as of December 31, 2014 (the "Third Amended and Restated LLLP Agreement"). Pursuant to the Third Amended and Restated LLLP Agreement, as of December 31, 2014:

- all assets and liabilities of LCFH were allocated on LCFH's internal books and records to either Series REIT or Series TRS of LCFH;

- the Company serves as general partner of LCFH and of Series REIT of LCFH;

- LC TRS I LLC ("LC TRS I"), a Delaware limited liability company wholly-owned by Series REIT of LCFH, serves as the general partner of Series TRS of LCFH;
- each outstanding LP Unit was exchanged for one Series REIT limited partnership unit ("Series REIT LP Unit"), which is entitled to receive profits and losses derived from REIT assets and liabilities, and one Series TRS limited partnership unit ("Series TRS LP Unit"), which is entitled to receive profits and losses derived from TRS assets and liabilities (Series REIT LP Units and Series TRS LP Units are collectively referred to as "Series Units");
- as a result, Ladder Capital Corp owned, directly and indirectly, an aggregate of 51.9% of Series REIT of LCFH, and, through such ownership, the right to receive 51.9% of the profits and distributions of Series TRS;
- the limited partners of LCFH owned the remaining 48.1% of each of Series REIT and Series TRS of LCFH;
- Series REIT of LCFH, in turn, owns, directly or indirectly, 100% of the REIT series of each of its serialized subsidiaries as well as certain wholly-owned REIT subsidiaries;
- Series TRS of LCFH owns, directly or indirectly, 100% of the TRS series of each of its serialized subsidiaries, as well as certain wholly-owned TRSs;
- Series TRS LP Units are exchangeable for an equal number of shares ("TRS Shares") of LC TRS I (a "TRS Exchange");
- in order to effect the exchange of Series Units for shares of Class A common stock of the Company on a one-for-one basis (the "Class A Exchange"), holders are required to surrender (i) one share of the Company's Class B common stock, (ii) one Series REIT LP Unit, and (iii) either one Series TRS LP Unit or one TRS Share; and
- Series REIT and Series TRS have separate boards, officers, books and records, bank accounts, and tax identification numbers.

Each Series of LCFH also signed a separate joinder agreement, agreeing, effective as of 11:59:59 pm on December 31, 2014 (the "Effective Time"), to assume and pay when due (i) any and all liabilities of LCFH incurred or accrued by LCFH as of the Effective Time and (ii) any and all obligations of LCFH arising under contracts, bonds, notes, guarantees, leases or other agreements to which LCFH was a party as of the Effective Time (collectively, the "Agreements"), regardless of whether such obligations arise under the applicable Agreement at, prior to, or after the Effective Time, in each case, with the same force and effect as if each Series had been a signatory to such Agreements on the date thereof.

Also in connection with the planned REIT Election, the Company's certificate of incorporation was amended and restated, effective as of February 27, 2015, following approval by our shareholders (the "Charter Amendment"), to, among other things, impose ownership limitations and transfer restrictions to facilitate our compliance with the REIT requirements. To qualify as a REIT under the Code, our stock must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year (other than the first year for which an election to be a REIT has been made). Also, not more than 50% of the value of the outstanding shares of our capital stock may be owned, directly or indirectly, by five or fewer "individuals" (as defined to include certain entities such as private foundations) during the last half of a taxable year (other than the first taxable year for which an election to be a REIT has been made). Finally, a person actually or constructively owning 10% or more of the vote or value of the outstanding shares of our capital stock could lead to a level of affiliation between the Company and one or more of its tenants that could disqualify our revenues from the affiliated tenants and possibly jeopardize or otherwise adversely impact our qualification as a REIT.

To facilitate satisfaction of these requirements for qualification as a REIT, the Charter Amendment contains provisions restricting the ownership and transfer of shares of all classes or series of our capital stock. Including ownership limitations in a REIT's charter is the most effective mechanism to monitor compliance with the above-described provisions of the Code. The Charter Amendment provides that, subject to certain exceptions and the constructive ownership rules, no person may own, or be deemed to own by virtue of the attribution provisions of the Code, in excess of (i) 9.8% in value of the outstanding shares of all classes or series of our capital stock or (ii) 9.8% in value or number (whichever is more restrictive) of the outstanding shares of any class of our common stock.

In addition, our Tax Receivable Agreement with the Continuing LCFH Limited Partners (the "TRA Members") was amended and restated in connection with our REIT Election, effective as of December 31, 2014 (the "TRA Amendment"), in order to preserve a portion of the potential tax benefits currently existing under the Tax Receivable Agreement that would otherwise be reduced in connection with our REIT Election. The TRA Amendment provides that, in lieu of the existing tax benefit payments under the Tax Receivable Agreement for the 2015 taxable year and beyond, LC TRS I will pay to the TRA Members 85% of the amount of the benefits, if any, that LC TRS I realizes or under certain circumstances (such as a change of control) is deemed to realize as a result of (i) the increases in tax basis resulting from the TRS Exchanges by the TRA Members, (ii) any incremental tax basis adjustments attributable to payments made pursuant to the TRA Amendment, and (iii) any deemed interest deductions arising from payments made by LC TRS I under the TRA Amendment. Under the TRA Amendment, LC TRS I may benefit from the remaining 15% of cash savings in income tax that it realizes, which is in the same proportion realized by the Company under the existing Tax Receivable Agreement. The purpose of the TRA Amendment was to preserve the benefits of the Tax Receivable Agreement to the extent possible in a REIT, although, as a result, the amount of payments made to the TRA Members under the TRA Amendment is expected to be less than would be made under the prior Tax Receivable Agreement. The TRA Amendment continues to share such benefits in the same proportions and otherwise has substantially the same terms and provisions as the prior Tax Receivable Agreement. See Note 2 and Note 15 for further discussion of the Tax Receivable Agreement.

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

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Principles of Combination and Consolidation

The accompanying combined consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP").

The combined consolidated financial statements include the Company's accounts and those of its subsidiaries which are majority-owned and/or controlled by the Company and variable interest entities for which the Company has determined itself to be the primary beneficiary, if any. All significant intercompany transactions and balances have been eliminated. The combined consolidated financial statements of the Company are comprised of the consolidation of LCFH and its wholly-owned and majority owned subsidiaries, prior to the IPO Transactions, and the consolidated financial statements of Ladder Capital Corp, subsequent to the IPO Transactions.

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

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

Emerging Growth Company Status

The Company is an “emerging growth company,” as defined in the Jumpstart Our Business Startups Act (“JOBS Act”), and is eligible to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “emerging growth companies,” including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, as amended (the “Sarbanes-Oxley Act”), reduced disclosure obligations regarding executive compensation in the Company’s periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved.

In addition, Section 107 of the JOBS Act also provides that an “emerging growth company” can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an “emerging growth company” can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. However, the Company chose to “opt out” of such extended transition period, and as a result, it will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Section 107 of the JOBS Act provides that the Company’s decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

The Company could remain an “emerging growth company” for up to five years from the date of the IPO, or until the earliest of (i) the last day of the first fiscal year in which its annual gross revenues exceed $1 billion; (ii) the date that the Company becomes a “large accelerated filer” as defined in Rule 12b-2 under the Exchange Act, which would occur if the market value of its common stock that is held by nonaffiliates exceeds $700 million as of the last business day of its most recently completed second fiscal quarter; or (iii) the date on which the Company has issued more than $1 billion in nonconvertible debt during the preceding three-year period.

Use of Estimates

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

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

Cash and Cash Equivalents

The Company considers all investments with original maturities of three months or less, at the time of acquisition, to be cash equivalents. The Company maintains cash accounts at several financial institutions, which are insured up to a maximum of $250,000 per account as of December 31, 2016 and 2015. At December 31, 2016 and 2015 and at various times during the years, the balances exceeded the insured limits.

Cash Collateral Held by Broker

The Company maintains accounts with brokers to facilitate financial derivative and repurchase agreement transactions in support of its loan and securities investments and risk management activities. Based on the value of the positions in these accounts and the associated margin requirements, the Company may be required to deposit additional cash into these broker accounts. The cash collateral held by broker is considered restricted cash.

Restricted Cash

As of December 31, 2016 and 2015, included in other assets on the Company's combined consolidated balance sheets are $24.9 million and $19.0 million, respectively, of tenant security deposits, deposits related to real estate sales and acquisitions and required escrow balances on credit facilities, which are considered restricted cash.

Mortgage Loans Receivable Held for Investment

Loans that the Company has the intent and ability to hold for the foreseeable future, or until maturity or payoff, are reported at their outstanding principal balances net of any unearned income, unamortized deferred fees or costs, premiums or discounts and an allowance for loan losses. Loan origination fees and direct loan origination costs are deferred and recognized in interest income over the estimated life of the loans using the interest method, adjusted for actual prepayments. Upon the decision to sell such loans, the Company will transfer the loan from mortgage loan receivables held for investment to mortgage loan receivables held for sale at the lower of carrying value or fair value less cost to sell on the combined consolidated balance sheets.

The Company evaluates each loan classified as a mortgage loan receivable held for investment for impairment at least quarterly. Impairment occurs when it is deemed probable that the Company will not be able to collect all amounts due according to the contractual terms of the loan. If the loan is considered to be impaired, an allowance is recorded to reduce the carrying value of the loan to the present value of the expected future cash flows discounted at the loan's contractual effective rate or the fair value of the collateral, if recovery of the Company's investment is expected solely from the collateral.

The Company's loans are typically collateralized by real estate. As a result, the Company regularly evaluates the extent and impact of any credit deterioration associated with the performance and/or value of the underlying collateral property as well as the financial and operating capability of the borrower/sponsor on a loan by loan basis. The Company also evaluates the financial wherewithal of any loan guarantors as well as the borrower's competency in managing and operating the properties. In addition, the Company considers the overall economic environment, real estate sector, and geographic sub-market in which the borrower operates. Such impairment analyses are completed and reviewed by asset management personnel, who utilize various data sources, including (i) periodic financial data such as property occupancy, tenant profile, rental rates, operating expenses, the borrowers exit plan, and capitalization and discount rates, (ii) site inspections, and (iii) current credit spreads and other market data.

Upon the completion of the process above, the Company concluded that no loans originated by the Company were impaired as of December 31, 2016 and 2015. Significant judgment is required when evaluating loans for impairment, therefore actual results over time could be materially different.

In addition, the Company assesses a portfolio-based loan loss provision. The Company estimates its loan loss provision based on its historical loss experience and expectation of losses inherent in the investment portfolio but not yet realized. Since inception, the Company has had no events of impairment on any of the loans it has originated, however, to ensure that the risk exposures are properly measured and the appropriate reserves are taken, the Company assesses a loan loss provision balance that will grow over time with its portfolio and the related risk as the assets are aged and approach maturity and ultimate refinancing where applicable.

Real Estate Securities

The Company designates its real estate securities investments on the date of acquisition of the investment. Real estate securities that the Company does not hold for the purpose of selling in the near-term, but may dispose of prior to maturity, are designated as available-for-sale and are carried at estimated fair value with the net unrealized gains or losses on all securities, except for Government National Mortgage Association ("GNMA") interest-only and Federal Home Loan Mortgage Corp ("FHLMC") interest-only securities (collectively, "Agency interest-only securities"), recorded as a component of other comprehensive income (loss) in shareholders' equity.

The Company's Agency interest-only securities are considered to be hybrid financial instruments that contain embedded derivatives. As a result, the Company accounts for them as hybrid instruments in their entirety at fair value with changes in fair value recognized in earnings in the combined consolidated statements of income in accordance with ASC 815. The Company's recognition of interest income from its Agency interest-only and all other securities, including effective interest from amortization of premiums, follows the Company's Revenue Recognition policy, as disclosed within this Note for recognizing interest income on its securities. The interest income recognized from the Company's Agency interest-only securities is recorded in interest income on the combined consolidated statements of income. The Company uses the specific identification method when determining the cost of securities sold and the amount of gain (loss) on securities recognized in earnings. The Company accounts for the changes in the fair value of the unfunded portion of its GNMA Construction securities, which are included in real estate securities, available-for-sale, on the combined consolidated balance sheet, as available for sale securities. Unrealized losses on securities that, in the judgment of management, are other than temporary are charged against earnings as a loss in the combined consolidated statements of income.

When the estimated fair value of an available-for-sale security is less than amortized cost, the Company will consider whether there is an other-than-temporary impairment in the value of the security. An impairment will be considered other-than-temporary based on consideration of several factors, including (i) if the Company intends to sell the security, (ii) if it is more likely than not that the Company will be required to sell the security before recovering its cost, or (iii) the Company does not expect to recover the security's cost basis (i.e., a credit loss). A credit loss will have occurred if the present value of cash flows expected to be collected from the debt security is less than the amortized cost basis. If the Company intends to sell an impaired debt security or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis less any current period credit loss, the impairment is other-than-temporary and will be recognized currently in earnings equal to the entire difference between fair value and amortized cost. If a credit loss exists, but the Company does not intend to, nor is it more likely than not that it will be required to sell before recovery, the impairment is other-than-temporary and will be separated into (i) the estimated amount relating to the credit loss, and (ii) the amount relating to all other factors. Only the estimated credit loss amount is recognized currently in earnings, with the remainder of the loss recognized in other comprehensive income. Estimating cash flows and determining whether there is other-than-temporary impairment require management to exercise judgment and make significant assumptions, including, but not limited to, assumptions regarding estimated prepayments, loss assumptions, and assumptions regarding changes in interest rates. As a result, actual impairment losses, and the timing of income recognized on these securities, could differ from reported amounts.

The Company utilizes an internal model as its primary pricing source to develop its prices for its commercial mortgage-backed securities ("CMBS") and other commercial real estate securities guaranteed by a U.S. governmental agency or by a government sponsored entity (together, "U.S. Agency Securities"). Different judgments and assumptions could result in materially different estimates of fair value. To confirm its own valuations, the Company requests prices for each of its CMBS and U.S. Agency Securities investments from three different sources, including third parties that provide pricing services and brokers, although since broker quotes for the same or similar securities in which Ladder has invested are non-binding, the Company does not consider them to be a primary source for valuation. The Company may also develop a price for a security based on its direct observations of market activity and other observations. Typically, at least two prices per security are obtained.

Prior to using a third-party pricing service for valuation, the Company develops an understanding of the valuation methodologies used by such pricing services through discussions with their representatives and review of their valuation methodologies used for different types of securities. The Company understands that the pricing services develop estimates of fair value for CMBS and U.S. Agency Securities using various techniques, including discussion with their internal trading desks, proprietary models and matrix pricing approaches. The Company does not have access to, and is therefore not able to review in detail, the inputs used by the pricing services in developing their estimates of fair value. However, on at least a monthly basis as part of our closing process, the Company evaluates the fair value information provided by the pricing services by comparing this information for reasonableness against its direct observations of market activity for similar securities and anecdotal information obtained from market participants that, in its assessment, is relevant to the determination of fair value. This process may result in the Company "challenging" the estimate of fair value for a security if it is unable to reconcile the estimate provided by the pricing service with its assessment of fair value for the security. Accordingly, in following this approach, the Company's objective is to ensure that the information used by pricing services in their determination of fair value of securities is reasonable and appropriate.

Since inception, the Company has not encountered significant variation in the values obtained from the various pricing sources. In the extremely limited occasions where the prices received were challenged, the challenge resulted in the prices provided by the pricing services being updated to reflect current market updates or cash flow assumptions.

Real Estate

The Company generally acquires real estate assets through cash purchases. Based on the Company's strategic plan to realize the maximum value from the real estate acquired, properties are classified as Real estate, net or Real estate held for sale in the combined consolidated balance sheets. When the Company intends to hold, operate or develop the property for a period of at least 12 months, assets are classified as Real estate, net, and when the Company intends to market these properties for sale in the near term, assets are classified as Real estate held for sale in the combined consolidated balance sheets. The Company records acquired real estate at cost and makes assessments as to the useful lives of depreciable assets. The Company considers the period of future benefit of the asset to determine its appropriate useful lives. Depreciation is computed using a straight-line method over the estimated useful life of 20 to 47 years for buildings, four to 15 years for building fixtures and improvements and the remaining lease term for acquired intangible lease assets.

The Company classifies most of its investments in real estate as held and used. The Company measures and records a property that is classified as held and used at its carrying amount, adjusted for any depreciation expense and impairments, as applicable and are included in Real estate, net in the combined consolidated balance sheets.

Certain of the Company's real estate investments are condominium units that the Company intends to sell over time. As of January 1, 2014, the date the Company adopted the accounting guidance in ASU 2014-8, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* ("ASU 2014-8"), the results of operations and the related gain or loss on sale of properties that have been sold are reflected in other income and are not presented in discontinued operations in the combined consolidated statements of income due to fact that the disposal does not represent a strategic shift that has (or will have) a major effect on the Company's operations and financial results and full disposal is not expected to be completed within one year. Prior to January 1, 2014, the results of operations and the related gain or loss on sale of condominium units that have been sold are not reflected as held for sale or presented in discontinued operations in the combined consolidated statements of income due to the significant continuing involvement in the real estate held through the consolidated homeowners association.

Certain of the Company's real estate is leased to others on a net lease basis where the tenant is generally responsible for payment of real estate taxes, property, building and general liability insurance and property and building maintenance. These leases are for fixed terms of varying length and provide for annual rentals. Rental income from leases is recognized on a straight-line basis over the term of the respective leases. The cumulative excess of rents recognized over amounts contractually due pursuant to the underlying leases are included in unbilled rent receivable within other assets in the combined consolidated balance sheets.

Allocation of Purchase Price for Acquired Real Estate

In accordance with the guidance for business combinations, the Company determines whether a transaction or other event is a business combination. If the transaction is determined to be a business combination, the Company determines if the transaction should be considered to be between entities under common control. The acquisition of an entity under common control is accounted for on the carryover basis of accounting whereby the assets and liabilities of the companies are recorded on the same basis as they were carried by the company under common control. All other business combinations, including rental property, are accounted for by applying the acquisition method of accounting. The Company will immediately expense acquisition related costs and fees associated with such acquisitions.

Upon acquisition of rental property, the Company estimates the fair value of acquired tangible assets, consisting of land, building and improvements, and identified intangible assets and liabilities assumed, generally consisting of the fair value of (i) above and below market leases, (ii) in-place leases and (iii) tenant relationships. The Company allocates the purchase price to the assets acquired and liabilities assumed based on their fair values. The Company records goodwill or a gain on bargain purchase (if any) if the net assets acquired/liabilities assumed exceed the purchase consideration of a transaction. In estimating the fair value of the tangible and intangible assets acquired, the Company considers information obtained about each property as a result of its due diligence and marketing and leasing activities, and utilizes various valuation methods, such as estimated cash flow projections utilizing appropriate discount and capitalization rates, estimates of replacement costs net of depreciation, and available market information. The fair value of the tangible assets of an acquired property considers the value of the property as if it were vacant.

Above-market and below-market lease values for acquired properties are initially recorded based on the present value (using a discount rate which reflects the risks associated with the leases acquired) of the difference between (i) the contractual amounts to be paid pursuant to each in-place lease and (ii) management's estimate of fair market lease rates for each corresponding in-place lease, measured over a period equal to the remaining term of the lease for above-market leases and the remaining initial term plus the term of any below-market fixed rate renewal options for below-market leases. The capitalized above-market lease values are amortized as a reduction of base rental revenue over the remaining terms of the respective leases, and the capitalized below-market lease values are amortized as an increase to base rental revenue over the remaining initial terms plus the terms of any below-market fixed rate renewal options of the respective leases. If a tenant with a below market rent renewal does not renew, any remaining unamortized amount will be taken into income at that time.

Other intangible assets acquired include amounts for in-place lease values and tenant relationship values, which are based on management's evaluation of the specific characteristics of each tenant's lease and the Company's overall relationship with the respective tenant. Factors to be considered by management in its analysis of in-place lease values include an estimate of carrying costs during hypothetical expected lease-up periods considering current market conditions, and costs to execute similar leases. In estimating carrying costs, management includes real estate taxes, insurance and other operating expenses and estimates of lost rentals at market rates during the expected lease-up periods, depending on local market conditions. In estimating costs to execute similar leases, management considers leasing commissions, legal and other related expenses. Characteristics considered by management in valuing tenant relationships include the nature and extent of the Company's existing business relationships with the tenant, growth prospects for developing new business with the tenant, the tenant's credit quality and expectations of lease renewals. The value of in-place leases are amortized to expense over the remaining initial terms of the respective leases. The value of tenant relationship intangibles are amortized to expense over the anticipated life of the relationships but in no event do the amortization periods for intangible assets exceed the depreciable lives of the buildings. If a tenant terminates its lease, the unamortized portion of the in-place lease value and tenant relationship intangibles are charged to expense.

The fair value of other investments and debt assumed are valued using techniques consistent with those disclosed in Note 8, depending on the nature of the investments or debt. The fair value of other assumed assets and liabilities are based on best information available at the time of the acquisition.

Impairment of Property Held for Use

On a periodic basis, management assesses whether there are any indicators that the value of the Company's properties classified as held for use may be impaired. In addition to identifying any specific circumstances which may affect a property or properties, management considers other criteria for determining which properties may require assessment for potential impairment. The criteria considered by management include reviewing low leased percentages, significant near-term lease expirations, recently acquired properties, current and historical operating and/or cash flow losses, near-term mortgage debt maturities or other factors that might impact the Company's intent and ability to hold the property. A property's value is impaired only if management's estimate of the aggregate future cash flows (undiscounted and without debt service charges) to be generated by the property is less than the carrying value of the property. To the extent impairment has occurred, the loss shall be measured as the excess of the carrying amount of the property over the fair value of the property. The Company's estimates of aggregate future cash flows expected to be generated by each property are based on a number of assumptions. These assumptions are generally based on management's experience in its local real estate markets and the effects of current market conditions. The assumptions are subject to economic and market uncertainties including, among others, demand for space, competition for tenants, changes in market rental rates, and costs to operate each property. As these factors are difficult to predict and are subject to future events that may alter management's assumptions, the future cash flows estimated by management in its impairment analyses may not be achieved, and actual losses or impairments may be realized in the future.

Real Estate Held for Sale

In accordance with accounting guidance found in ASC *Topic 360 - Property, Plant, and Equipment* ("ASC 360"), when assets are identified by management as held for sale, the Company discontinues depreciating the assets and estimates the sales price, net of selling costs, of such assets. If, in management's opinion, the estimated net sales price of the assets which have been identified as held for sale is less than the net book value of the assets, an impairment charge will be recorded in the combined consolidated statements of income.

If circumstances arise that previously were considered unlikely and, as a result, the Company decides not to sell a property previously classified as held for sale, the property is reclassified as held and used. A property that is reclassified is measured and recorded individually at the lower of (a) its carrying amount before the property was classified as held for sale, adjusted for any depreciation (amortization) expense that would have been recognized had the property been continuously classified as held and used, or (b) the fair value at the date of the subsequent decision not to sell.

Sales of Real Estate

Gains on sales of real estate are recognized pursuant to the provisions included in ASC 360-20, *Real Estate Sales* ("ASC 360-20"). The specific timing of a sale is measured against various criteria in ASC 360-20 related to the terms of the transaction and any continuing involvement in the form of management or financial assistance associated with the properties. If the sales criteria for the full accrual method are not met, depending on the circumstances, the Company may not record a sale or it may record a sale but may defer some or all of the gain recognition. If the criteria for full accrual are not met, the Company may account for the transaction by applying the finance, leasing, profit sharing, deposit, installment or cost recovery methods, as appropriate, until the sales criteria for the full accrual method are met.

Investments in Unconsolidated Joint Ventures

The Company accounts for its investments in unconsolidated joint ventures under the equity method of accounting. The Company applies the equity method by initially recording these investments at cost, as investments in unconsolidated joint ventures, subsequently adjusted for equity in earnings and cash contributions and distributions. The outside basis portion of the Company's joint ventures is amortized over the anticipated useful lives of the underlying ventures' tangible and intangible assets acquired and liabilities assumed. Generally, the Company would discontinue applying the equity method when the investment (and any advances) is reduced to zero and would not provide for additional losses unless the Company has guaranteed obligations of the venture or is otherwise committed to providing further financial support for the investee. If the venture subsequently generates income, the Company only recognizes its share of such income to the extent it exceeds its share of previously unrecognized losses.

On a periodic basis, management assesses whether there are any indicators that the value of the Company's investments in unconsolidated joint ventures may be impaired. An investment is impaired only if management's estimate of the value of the investment is less than the carrying value of the investment, and such decline in value is deemed to be other than temporary. To the extent impairment has occurred, the loss shall be measured as the excess of the carrying amount of the investment over the value of the investment. The Company's estimates of value for each investment (particularly in commercial real estate joint ventures) are based on a number of assumptions that are subject to economic and market uncertainties including, among others, demand for space, competition for tenants, changes in market rental rates, and operating costs. As these factors are difficult to predict and are subject to future events that may alter management's assumptions, the values estimated by management in its impairment analyses may not be realized, and actual losses or impairment may be realized in the future. See Note 6, Investment in Unconsolidated Joint Ventures.

Capitalization of Interest

Capitalization of costs begins when the activities necessary to get the development project ready for its intended use begins, which include costs incurred before the beginning of construction. Capitalization of costs ceases when the development project is substantially complete and ready for its intended use. Determining when a development project commences, and when it is substantially complete and ready for its intended use involves a degree of judgment. We generally consider a development project to be substantially complete and ready for its intended use upon receipt of a certificate of occupancy. We cease cost capitalization if activities necessary for the development of the property have been suspended. Capitalized costs are allocated to the specific components of a project that are benefited.

Interest shall be capitalized for investments accounted for by the equity method while the investee has activities in progress necessary to commence its planned principal operations, provided that the investee's activities include the use of funds to acquire qualifying assets for its operations. The investor's investment in the investee, not the individual assets or projects of the investee, is the qualifying asset for purposes of interest capitalization.

Valuation of Financial Instruments

Considerable judgment is necessary to interpret market data and develop estimated fair values. Accordingly, fair values are not necessarily indicative of the amounts the Company could realize upon disposition of the financial instruments. Financial instruments with readily available active quoted prices, or for which fair value can be measured from actively quoted prices, generally will have a higher degree of pricing observability and will therefore require a lesser degree of judgment to be utilized in measuring fair value. Conversely, financial instruments rarely traded or not quoted will generally have less, or no, pricing observability and will require a higher degree of judgment in measuring fair value. Pricing observability is generally affected by such items as the type of financial instrument, whether the financial instrument is new to the market and not yet established, the characteristics specific to the transaction and overall market conditions. The use of different market assumptions and/or estimation methodologies may have a material effect on estimated fair value amounts.

For a further discussion regarding the measurement of financial instruments see Note 8, Fair Value of Financial Instruments.

Valuation Hierarchy

In accordance with the authoritative guidance on fair value measurements and disclosures under ASC 820, Fair Value Measurement, the methodologies used for valuing such instruments have been categorized into three broad levels as follows:

Level 1 - Quoted prices in active markets for identical instruments.

Level 2 - Valuations based principally on other observable market parameters, including:

- Quoted prices in active markets for similar instruments,
- Quoted prices in less active or inactive markets for identical or similar instruments,
- Other observable inputs (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates), and

- Market corroborated inputs (derived principally from or corroborated by observable market data).

Level 3 - Valuations based significantly on unobservable inputs.

- Valuations based on third party indications (broker quotes, counterparty quotes or pricing services) which were, in turn, based significantly on unobservable inputs or were otherwise not supportable as Level 2 valuations, and

- Valuations based on internal models with significant unobservable inputs.

Pursuant to the authoritative guidance, these levels form a hierarchy. The Company follows this hierarchy for its financial instruments measured at fair value on a recurring basis. The classifications are based on the lowest level of input that is significant to the fair value measurement.

It is the Company's policy to determine when transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Tuebor/Federal Home Loan Bank Membership

Tuebor Captive Insurance Company LLC ("Tuebor"), was licensed in Michigan and approved to operate as a captive insurance company as well as being approved to become a member of the Federal Home Loan Bank ("FHLB"), with membership finalized with the purchase of stock, in the FHLB on July 11, 2012. That approval allowed Tuebor to purchase capital stock in the FHLB, the prerequisite to obtaining financing on eligible collateral. Refer to Note 7, Debt Obligations, Net.

Each member of the FHLB must purchase and hold FHLB stock as a condition of initial and continuing membership, in proportion to their borrowings from the FHLB and levels of certain assets. Members may need to purchase additional stock to comply with these capital requirements from time to time. FHLB stock is redeemable by Tuebor upon five (5) years' prior written notice, subject to certain restrictions and limitations. Under certain conditions, the FHLB may also, at its sole discretion, repurchase FHLB stock from its members. The Company records its investment in FHLB stock at its par value and the FHLB stock is expected to be repurchased by the FHLB at its par value.

Debt Issuance Costs

In April 2015, the FASB issued Accounting Standards Update ("ASU") 2015-03, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"), which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Beginning April 1, 2015, the Company elected to early adopt ASU 2015-03 and appropriately retrospectively applied the guidance to its senior unsecured notes, to all periods presented. Unamortized debt issuance costs of $4.0 million are included in senior unsecured notes as of December 31, 2016, and unamortized debt issuance costs of $6.9 million are included in senior unsecured notes as of December 31, 2015. This new guidance is framed around how to account for costs related to term debt and it does not address how to present fees paid to lenders or other costs to secure revolving lines of credit, which are, at the outset, not associated with an outstanding borrowing. In August 2015, the FASB issued ASU 2015-15, *Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements* ("ASU 2015-15"), which amends ASC 835-30, *Interest - Imputation of Interest.* This update clarifies the presentation and subsequent measurement of debt issuance costs associated with lines of credit. These costs may be deferred and presented as an asset and subsequently amortized ratably over the term of the revolving debt arrangement. The Company considers its committed loan master repurchase facilities, borrowings under credit agreement and revolving credit facility to be revolving debt arrangements. Refer to Note 7, Debt Obligations, Net.

Derivative Instruments

In the normal course of business, the Company is exposed to the effect of interest rate changes and may undertake a strategy to limit these risks through the use of derivatives. To address exposure to interest rates, the Company uses derivatives primarily to economically hedge the fair value variability of fixed rate assets caused by interest rate fluctuations and overall portfolio market risk. The Company may use a variety of derivative instruments that are considered conventional, or “plain vanilla” derivatives, including interest rate swaps, futures, caps, collars and floors, to manage interest rate risk.

To determine the fair value of derivative instruments, the Company uses a variety of methods and assumptions that are based on market conditions and risks existing at each balance sheet date. Standard market conventions and techniques such as discounted cash flow analysis, option-pricing models, and termination cost may be used to determine fair value. All such methods of measuring fair value for derivative instruments result in an estimate of fair value, and such value may never actually be realized.

The Company recognizes all derivatives on the combined consolidated balance sheets at fair value. The Company does not generally designate derivatives as hedges to qualify for hedge accounting for financial reporting purposes and therefore any net payments under, or fluctuations in the fair value of, these derivatives have been recognized currently in net result from derivative transactions in the accompanying combined consolidated statements of income. The Company records derivative asset and liability positions on a gross basis with any collateral posted with or received from counterparties recorded separately on the Company’s combined consolidated balance sheets.

Repurchase Agreements

The Company finances certain of its mortgage loan receivables held for sale, a portion of its mortgage loan receivables held for investment and the majority of its real estate securities using repurchase agreements. Under a repurchase agreement, an asset is sold to a counterparty to be repurchased at a future date at a predetermined price, which represents the original sales price plus interest. The Company accounts for these repurchase agreements as financings under ASC 860-10-40. Under this standard, for these transactions to be treated as financings, they must be separate transactions and not linked. If the Company finances the purchase of its mortgage loan receivables held for sale, mortgage loan receivables held for investment and real estate securities with repurchase agreements with the same counterparty from which the securities are purchased and both transactions are entered into contemporaneously or in contemplation of each other, the transactions are presumed under GAAP to be part of the same arrangement, or a “Linked Transaction,” unless certain criteria are met. As of December 31, 2016 and 2015, none of the Company’s repurchase agreements are accounted for as linked transactions.

Deferred Tax Asset and Amount Due Pursuant to Tax Receivable Agreement

In conjunction with the IPO, the Company is treated for U.S. federal income tax purposes as having directly purchased LP Units in LCFH from the existing unitholders. In the future, additional Series REIT LP Units, LC TRS I Shares (or Series TRS LP Units in lieu of such LC TRS I Shares) and shares of our Class B common stock may be exchanged for shares of Class A common stock in the Company. The initial purchase and these future exchanges may result in an increase in the tax basis of LCFH's assets attributable to the Company's interest in LCFH. These increases in the tax basis of LCFH's assets attributable to the Company's interest in LCFH would not have been available but for this initial purchase and future exchanges. Such increases in tax basis may increase (for tax purposes) depreciation and amortization deductions and therefore reduce the amount of income tax the Company would otherwise be required to pay in the future. The Tax Receivable Agreement provides for the payment by the Company to the TRA Members of 85% of the amount of cash savings in U.S. federal, state and local income tax or franchise tax that the Company actually realizes as a result of (a) the increase in tax basis attributable to exchanges by the TRA Members and (b) tax benefits related to imputed interest deemed to be paid by the Company as a result of this Tax Receivable Agreement. The Company may benefit from the remaining 15% of cash savings, if any, in income tax that it realizes and record any such estimated tax benefits as an increase to additional paid-in-capital. For purposes of the Tax Receivable Agreement, cash savings in income tax will be computed by comparing the Company's actual income tax liability to the amount of such taxes that it would have been required to pay had there been no increase to the tax basis of the assets of LCFH as a result of the exchanges and had it not entered into the Tax Receivable Agreement. The term of the Tax Receivable Agreement commenced upon consummation of the IPO and will continue until all such tax benefits have been utilized or expired, unless the Company exercises its right to terminate the Tax Receivable Agreement for an amount based on an agreed value of payments remaining to be made under the agreement. The Company has recorded the estimated tax benefits related to the increase in tax basis and imputed interest as a result of the future exchanges described above as a deferred tax asset in the combined consolidated statements of financial condition. The amount due to the TRA Members related to the Tax Receivable Agreement as a result of the future exchanges described above is recorded as amount due pursuant to Tax Receivable Agreement in the combined consolidated statements of financial condition.

The Tax Receivable Agreement was amended and restated in connection with our REIT Election, effective as of December 31, 2014 (the "TRA Amendment"), in order to preserve a portion of the potential tax benefits currently existing under the Tax Receivable Agreement that would otherwise be reduced in connection with our REIT Election. The TRA Amendment provides that, in lieu of the existing tax benefit payments under the Tax Receivable Agreement for the 2015 taxable year and beyond, LC TRS I will pay to the TRA Members 85% of the amount of the benefits, if any, that LC TRS I realizes or under certain circumstances (such as a change of control) is deemed to realize as a result of (i) the increases in tax basis resulting from the TRS Exchanges by the TRA Members, (ii) any incremental tax basis adjustments attributable to payments made pursuant to the TRA Amendment, and (iii) any deemed interest deductions arising from payments made by LC TRS I under the TRA Amendment. Under the TRA Amendment, LC TRS I may benefit from the remaining 15% of cash savings in income tax that it realizes, which is in the same proportion realized by the Company under the existing Tax Receivable Agreement. The purpose of the TRA Amendment was to preserve the benefits of the Tax Receivable Agreement to the extent possible in a REIT, although, as a result, the amount of payments made to the TRA Members under the TRA Amendment is expected to be less than would be made under the prior Tax Receivable Agreement. The TRA Amendment continues to share such benefits in the same proportions and otherwise has substantially the same terms and provisions as the prior Tax Receivable Agreement. See Note 1 and Note 15 for further discussion of the Tax Receivable Agreement.

Income Taxes

The Company has elected to be qualified and taxed as a REIT under the Code effective January 1, 2015. The Company is subject to federal income taxation at corporate rates on its REIT taxable income; however, the Company is allowed a deduction for the amount of dividends paid to its stockholders, thereby subjecting the distributed net income of the Company to taxation at the stockholder level only. Any income associated with a TRS is fully taxable because a TRS is subject to federal and state income taxes as a domestic C corporation based upon its net income. The Company is also subject to U.S. federal income tax (and possibly state and local taxes) to the extent it recognizes any "built-in gains" that existed as of the date of the REIT Election for the five year period following the REIT Election. The Company intends to continue to operate in a manner consistent with and to elect to be treated as a REIT for tax purposes.

Prior to electing REIT status, a portion of the Company's income was subject to U.S. federal, state and local corporate income taxes and taxed at the prevailing corporate tax rates in addition to being subject to NYC UBT. Prior to February 11, 2014, the Company's predecessor had not been subject to U.S. federal income taxes as the predecessor entity is a Limited Liability Limited Partnership, but had been subject to the New York City Unincorporated Business Tax ("NYC UBT").

The Company accounts for income taxes in accordance with ASC *Topic 740 - Income Taxes* ("ASC 740"), which requires the recognition of tax benefits or expenses on the temporary differences between financial reporting and tax bases of assets and liabilities. The Company determines whether a tax position of the Company is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement which could result in the Company recording a tax liability that would reduce shareholders' equity.

The Company's policy is to classify interest and penalties associated with underpayment of U.S. federal and state income taxes, if any, as a component of general and administrative expense on its combined consolidated statements of income. For the years ended December 31, 2016 and 2015, the Company did not have material interest or penalties associated with the underpayment of any income taxes. The last three tax years remain open and subject to examination by tax jurisdictions.

Interest Income

Interest income is accrued based on the outstanding principal amount and contractual terms of the Company's loans and securities. Discounts or premiums associated with the purchase of loans and investment securities are amortized or accreted into interest income as a yield adjustment on the effective interest method, based on expected cash flows through the expected recovery period of the investment. On at least a quarterly basis, the Company reviews and, if appropriate, makes adjustments to its cash flow projections. The Company has historically collected, and expects to continue to collect, all contractual amounts due on its originated loans. As a result, the Company does not adjust the projected cash flows to reflect anticipated credit losses for these loans. If the performance of a credit deteriorated security is more favorable than forecasted, the Company will generally accrete more credit discount into interest income than initially or previously expected. These adjustments are made prospectively beginning in the period subsequent to the determination that a favorable change in performance is projected. Conversely, if the performance of a credit deteriorated security is less favorable than forecasted, an other-than-temporary impairment may be taken, and the amount of discount accreted into income will generally be less than previously expected.

The effective yield on securities is based on the projected cash flows from each security, which is estimated based on the Company's observation of the then current information and events and will include assumptions related to interest rates, prepayment rates and the timing and amount of credit losses. On at least a quarterly basis, the Company reviews and, if appropriate, makes adjustments to its cash flow projections based on input and analysis received from external sources, internal models, and its judgment about interest rates, prepayment rates, the timing and amount of credit losses (if applicable), and other factors. Changes in cash flows from those originally projected, or from those estimated at the last evaluation, may result in a prospective change in the yield/interest income recognized on such securities. Actual maturities of the securities are affected by the contractual lives of the associated mortgage collateral, periodic payments of scheduled principal, and repayments of principal. Therefore, actual maturities of the securities will generally be shorter than stated contractual maturities.

For loans classified as held for investment and that the Company has not elected to record at fair value under FASB ASC 825, origination fees and direct loan origination costs are recognized in interest income over the loan term as a yield adjustment using the effective interest method. For loans classified as held for sale and that the Company has not elected to record at fair value under FASB ASC 825, origination fees and direct loan origination costs are deferred adjusting the basis of the loan and are realized as a portion of the gain/(loss) on sale of loans when sold. As of December 31, 2016, the Company did not hold any loans for which the fair value option was elected.

For our CMBS rated below AA, which represents 2.6% of the Company's CMBS portfolio as of December 31, 2016, cash flows from a security are estimated by applying assumptions used to determine the fair value of such security and the excess of the future cash flows over the investment are recognized as interest income under the effective yield method. The Company will review and, if appropriate, make adjustments to, its cash flow projections at least quarterly and monitor these projections based on input and analysis received from external sources and its judgment about interest rates, prepayment rates, the timing and amount of credit losses and other factors. Changes in cash flows from those originally projected, or from those estimated at the last evaluation, may result in a prospective change in interest income recognized and amortization of any premium or discount on, or the carrying value of, such securities.

For investments purchased with evidence of deterioration of credit quality for which it is probable, at acquisition, that the Company will be unable to collect all contractually required payments receivable, the Company will apply the provisions of ASC 310-30, "Loans and Debt Securities Acquired with Deteriorated Credit Quality." ASC 310-30 addresses accounting for differences between contractual cash flows and cash flows expected to be collected from an investor's initial investment in loans or debt securities (loans) acquired in a transfer if those differences are attributable, at least in part, to credit quality. ASC 310-30 limits the yield that may be accreted (accretable yield) to the excess of the investor's estimate of undiscounted expected principal, interest and other cash flows (cash flows expected at acquisition to be collected) over the investor's initial investment in the loan. ASC 310-30 requires that the excess of contractual cash flows over cash flows expected to be collected (nonaccretable difference) not be recognized as an adjustment of yield, loss accrual or valuation allowance. Subsequent increases in cash flows expected to be collected generally should be recognized prospectively through adjustment of the loan's yield over its remaining life. Decreases in cash flows expected to be collected should be recognized as impairment.

Recognition of Operating Lease Income and Tenant Recoveries

Operating lease income is recognized on a straight-line basis over the respective lease terms. We classify amounts currently recognized as income, and expected to be received in later years, as assets in other assets in the accompanying combined consolidated balance sheets. Amounts received currently, but recognized as income in future years, are classified in other liabilities in the accompanying combined consolidated balance sheets. We commence recognition of operating lease income at the date the property is ready for its intended use and the tenant takes possession of or controls the physical use of the property.

Tenant recoveries related to reimbursement of real estate taxes, insurance, utilities, repairs and maintenance, and other operating expenses are recognized as revenue in the period during which the applicable expenses are incurred.

Sales of Loans

We recognize gains on sale of loans net of any costs related to that sale.

Transfers of Financial Assets

For a transfer of financial assets to be considered a sale, the transfer must meet the sale criteria of ASC 860 under which the Company must surrender control over the transferred assets which must qualify as recognized financial assets at the time of transfer. The assets must be isolated from the Company, even in bankruptcy or other receivership; the purchaser must have the right to pledge or sell the assets transferred and the Company may not have an option or obligation to reacquire the assets. If the sale criteria are not met, the transfer is considered to be a secured borrowing, the assets remain on the Company's combined consolidated balance sheets and the sale proceeds are recognized as a liability.

Debt Issued

From time to time, a subsidiary of the Company will originate a loan (each, an "Intercompany Loan," and collectively, "Intercompany Loans") to another subsidiary of the Company to finance the purchase of real estate. The mortgage loan receivable and the related obligation do not appear in the Company's combined consolidated balance sheets as they are eliminated upon consolidation. Once the Company issues (sells) an Intercompany Loan to a third party securitization trust (for cash), the related mortgage note is held for the first time by a creditor external to the Company. The accounting for the securitization of an Intercompany Loan—a financial instrument that has never been recognized in our combined consolidated financial statements as an asset—is considered a financing transaction under ASC 470, Debt, and ASC 835, Interest.

The periodic securitization of the Company's mortgage loans involves both Intercompany Loans and mortgage loans made to third parties with the latter recognized as financial assets in the Company's combined consolidated financial statements as part of an integrated transaction. The Company receives aggregate proceeds equal to the transaction's all-in securitization value and sales price. In accordance with the guidance under ASC 835, when initially measuring the obligation arising from an Intercompany Loan's securitization, the Company allocates the proceeds from each securitization transaction between the third-party loans and each Intercompany Loan so securitized on a relative fair value basis determined in accordance with the guidance in ASC 820, Fair Value Measurement. The difference between the amount allocated to each Intercompany Loan and the loan's face amount is recorded as a premium or discount, and is amortized, using the effective interest method, as a reduction or increase in reported interest expense, respectively.

Fee and Other Income

Fee and other income is composed of income from the management of our institutional partnership and managed accounts, dividend income on our investment in FHLB stock, as well as from origination fees, exit fees and other fees on the loans we originate and in which we invest. For the year ended December 31, 2015, it also includes a gain on the disposition of a loan, that was not originated by the Company, through foreclosure of real estate. Such foreclosed loan was credit impaired at the time of acquisition, which was reflected in Ladder's purchase price.

Fee Expense

Fee expense is composed primarily of fees related to financing arrangements, transaction related costs and management fees incurred. In addition, fees under a loan referral agreement with Meridian Capital Group LLC ("Meridian"), as disclosed in Note 16, are reflected as fee expense. The agreement provides for the payment of referral fees for loans originated pursuant to a formula based on the Company's net profit on such referred loan, as defined in the agreement, payable annually in arrears. While the arrangement gives rise to a potential conflict of interest, full disclosure is given and the borrower waives the conflict in writing. The Company terminated the loan referral agreement on April 2, 2014, as a result of the IPO on February 11, 2014.

Stock Based Compensation Plan

The Company accounts for its equity-based compensation awards using the fair value method, which requires an estimate of fair value of the award at the time of grant. The Company recognizes the compensation expense related to the time-based vesting criteria on a straight-line basis over the requisite service period. Accruals of compensation cost for an award with a performance condition shall be based on the probable outcome of that performance condition. Therefore, compensation cost shall be accrued if it is probable that the performance condition will be achieved and shall not be accrued if it is not probable that the performance condition will be achieved. During the year ended December 31, 2016, the Company made a policy election to account for forfeitures as they occur rather than on an estimated basis.

Out-of-Period Adjustments

During the first quarter of 2016, the Company had recorded the following out-of-period adjustments to correct errors from prior periods: (i) additional deferred financing cost amortization of $0.5 million relating to 2015; (ii) additional taxes of $1.2 million representing additional state taxes relating to 2015 and (iii) additional return on equity of $0.9 million from the Company's investment in an unconsolidated joint venture relating to prior years. During the fourth quarter of 2016, the Company recorded an out-of-period adjustment for additional depreciation of $1.2 million, of which, $0.6 million related to prior years and the remainder related to earlier quarters in 2016. The Company has concluded that these adjustments are not material to the financial position or results of operations for any annual or quarterly periods in 2016, or any prior periods; accordingly, the Company recorded the related adjustments when they were identified.

Recently Adopted Accounting Pronouncements

In June 2014, the FASB issued ASU 2014-12, *Compensation-Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period (a consensus of the FASB Emerging Issues Task Force)* ("ASU 2014-12"). ASU 2014-12 requires that a performance target that affects vesting of share-based payment awards and that could be achieved after the requisite service period be treated as a performance condition. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the periods for which the requisite service has already been rendered. If the performance target becomes likely to be achieved before the end of the requisite service period, the remaining unrecognized compensation cost should be recognized prospectively over the remaining requisite service period. The total amount of compensation cost recognized during and after the requisite service period should reflect the number of awards that are expected to vest and should be adjusted to reflect those awards that ultimately vest. The requisite service period ends when the employee can cease rendering service and still be eligible to vest in the award if the performance target is achieved. ASU 2014-12 is effective for all entities for interim and annual periods beginning after December 15, 2015. An entity may apply the amendments in ASU 2014-12 either (i) prospectively to all awards granted or modified after the effective date or (ii) retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. The Company adopted this update in the quarter ended March 31, 2016 applying the amendment prospectively. The adoption has not had a material impact on the Company's combined consolidated financial statements.

In August 2014, the FASB issued ASU 2014-13, *Consolidation (Topic 810): Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity (a consensus of the FASB Emerging Issues Task Force)* ("ASU 2014-13"). For entities that consolidate a collateralized financing entity within the scope of this update, an option to elect to measure the financial assets and the financial liabilities of that collateralized financing entity using either the measurement alternative included in ASU 2014-13 or Topic 820 on fair value measurement is provided. The guidance is effective for fiscal years beginning after December 15, 2015, and the interim periods within those fiscal years. The Company adopted this update in the quarter ended March 31, 2016. The adoption did not have a material effect on the Company's combined consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern* ("ASU 2014-15"). The guidance in ASU 2014-15 sets forth management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern as well as the related required disclosures. ASU 2014-15 indicates that, when preparing interim and annual financial statements, management should evaluate whether conditions or events, in the aggregate, raise substantial doubt about the entity's ability to continue as a going concern for one year from the date the financial statements are issued or are available to be issued. This evaluation should include consideration of conditions and events that are either known or are reasonably knowable at the date the financial statements are issued or are available to be issued, and, if applicable, whether it is probable that management's plans to address the substantial doubt will be implemented and, if so, whether it is probable that the plans will alleviate the substantial doubt. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and interim periods and annual periods thereafter. The Company adopted this update in the year ended December 31, 2016. The adoption did not have a material effect on the Company's combined consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis* ("ASU 2015-02"). This ASU makes changes to the VIE model and voting interest ("VOE") model consolidation guidance. The main provisions of the ASU include the following: (i) adding a requirement that limited partnerships and similar legal entities must provide partners with either substantive kick-out rights or substantive participating rights over the general partner to qualify as a VOE rather than a VIE; (ii) eliminating the presumption that the general partner should consolidate a limited partnership; (iii) eliminating certain conditions that need to be met when evaluating whether fees paid to a decision maker or service provider are considered a variable interest; (iv) excluding certain fees paid to decision makers or service providers when evaluating which party is the primary beneficiary of a VIE; and (v) revising how related parties are evaluated under the VIE guidance. Lastly, the ASU eliminates the indefinite deferral of ASU 810, which allowed reporting entities with interests in certain investment funds to follow previous guidance in FIN 46 (R). However, the ASU permanently exempts reporting entities from consolidating registered money market funds that operate in accordance with Rule 2a-7 under the Investment Company Act. The ASU is effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Entities may apply this ASU either using a modified retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning period of adoption or retrospectively to all prior periods presented in the financial statements.The Company adopted this update in the quarter ended March 31, 2016. Under this ASU, the Operating Partnership is now considered a VIE. Since the Company was previously consolidating the Operating Partnership, however, the adoption of this ASU had no material impact on the Company's combined consolidated financial statements. Substantially all of the Company's assets, liabilities, operations and cash flows are those of the Operating Partnership.

In June 2015, the FASB issued ASU 2015-10, *Technical Corrections and Improvements* ("ASU 2015-10"). The amendments in this update cover a wide range of topics in the codification and are generally categorized as follows: amendments related to differences between original guidance and the codification; guidance clarification and reference corrections; simplification and minor improvements. The amendments are effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2015. As the objectives of this standard are to clarify the codification, correct unintended application of guidance, eliminate inconsistencies and to improve the codification's presentation of guidance, the adoption of this standard was not expected to have a significant effect on current accounting practice or create a significant administrative cost on most entities. The Company adopted this update in the quarter ended March 31, 2016. The adoption did not have a material impact on the Company's combined consolidated financial statements.

In September 2015, the FASB issued ASU 2015-16, *Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments* ("ASU 2015-16"). This update requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. ASU 2015-16 applies to fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Entities must apply the new guidance prospectively to adjustments to provisional amounts that occur after the effective date of ASU 2015-16, with earlier adoption permitted for financial statements that have not yet been made available for issuance. The Company adopted this update in the quarter ended March 31, 2016. The adoption did not have a material impact on the Company's combined consolidated financial statements.

In March 2016, the FASB issued ASU 2016-07, *Investments - Equity Method and Joint Ventures (Topic 323)* ("ASU 2016-07"). ASU 2016-07 simplifies the transition to the equity method of accounting. ASU 2016-07 eliminates the requirement to apply the equity method of accounting retrospectively when a reporting entity obtains significant influence over a previously held investment. Instead, the equity method of accounting will be applied prospectively from the date significant influence is obtained. The new standard should be applied prospectively for investments that qualify for the equity method of accounting in interim and annual periods beginning after December 15, 2016. Early adoption is permitted and the Company elected to early adopt this standard as of October 1, 2016. The adoption of this standard did not have a material effect on the Company's combined consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting* ("ASU 2016-09"). The guidance requires the recognition of the income tax effects of awards in the income statement when the awards vest or are settled, thus eliminating additional paid in capital pools. The guidance also allows the employer to repurchase more of an employee's shares for tax withholding purposes without triggering liability accounting. In addition, the guidance allows for a policy election to account for forfeitures as they occur rather than on an estimated basis. For a public company, ASU 2016-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is permitted in any interim or annual period. The Company adopted this update in the year ended December 31, 2016. The adoption did not have a material effect on the Company's combined consolidated financial statements; however, the Company did make a policy election to account for forfeitures as they occur rather than on an estimated basis.

In December 2016, the FASB issued ASU 2016-19, *Technical Corrections and Improvements* (“ASU 2016-19”). The amendments cover a wide range of topics in the FASB ASC. The amendments make corrections and improvements to the ASC that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. ASU 2016-19 is effective for the Company immediately. The adoption did not have a material effect on the Company’s combined consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business* (“ASU 2017-01”). The amendments in this ASU clarify the definition of a business to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. The guidance is effective for annual periods beginning after December 15, 2017, including interim periods within those periods. Early application of the amendments in this ASU is allowed for transactions for which the acquisition date occurs before the issuance date or effective date of the amendments, only when the transaction has not been reported in financial statements that have been issued or made available for issuance. This ASU will be effective for the Company on January 1, 2018, however, the Company elected to adopt ASU 2017-01 as of October 1, 2016, with prospective application to any business development transaction. The adoption of the ASU changes the Company’s determination of whether a real estate transaction is a sale or an acquisition of a business or an asset. Acquisitions of real estate or in-substance real estate generally will not meet the revised definition of a business because substantially all of the fair value is concentrated in a single identifiable asset or group of similar identifiable assets (i.e. land, buildings, and related intangible assets) or because the acquisition does not include a substantive process in the form of an acquired workforce or an acquired contract that cannot be replaced without significant cost, effort or delay.

In January 2017, the FASB issued ASU 2017-03, *Accounting Changes and Error Corrections (Topic 250) and Investments-Equity Method and Joint Ventures (Topic 323)* (“ASU 2017-03”). This ASU amends the Codification for SEC staff announcements made at recent Emerging Issues Task Force (“EITF”) meetings. The SEC guidance that specifically relates to the Company’s combined consolidated financial statements was from the September 2016 meeting, where the SEC staff expressed their expectations about the extent of disclosures registrants should make about the effects of the new FASB guidance as well as any amendments issued prior to adoption, on revenue (ASU 2014-09), leases (ASU 2016-02) and credit losses on financial instruments (ASU 2016-13) in accordance with Staff Accounting Bulletin (“SAB”) Topic 11.M. Registrants are required to disclose the effect that recently issued accounting standards will have on their financial statements when adopted in a future period. In cases where a registrant cannot reasonably estimate the impact of the adoption, additional qualitative disclosures should be considered. The ASU incorporates these SEC staff views into ASC 250 and adds references to that guidance in the transition paragraphs of each of the three new standards. The adoption of this ASU did not have a material effect on the Company's combined consolidated financial statements.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* (“ASU 2014-09”). ASU 2014-09 is a comprehensive new revenue recognition model requiring a company to recognize revenue to depict the transfer of goods or services to a customer at an amount reflecting the consideration it expects to receive in exchange for those goods or services. In adopting ASU 2014-09, companies may use either a full retrospective or a modified retrospective approach. Additionally, this guidance requires improved disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. In August 2015, the FASB issued ASU 2015-14, *Deferral of the Effective Date* (“ASU 2015-14”), which amends ASU 2014-09. As a result, the effective date for the amendments contained in ASU 2014-09 will be the first quarter of fiscal year 2018, with early adoption permitted in the first quarter of fiscal year 2017. FASB allows two adoption methods under ASU 2014-09. Under the full retrospective method, a company will apply the rules to contracts in all reporting periods presented, subject to certain allowable exceptions. Under the modified retrospective method, a company will apply the rules to all contracts existing as of January 1, 2018, recognizing in beginning retained earnings an adjustment for the cumulative effect of the change and providing additional disclosures comparing results to previous rules. The Company continues to evaluate the available adoption methods and has not yet selected which transition method it will apply. The Company believes the effects on its existing accounting policies will be associated with its non-leasing revenue components, specifically the amount, timing and presentation of tenant expense reimbursements revenue. The Company is also currently evaluating the impact to the amount and timing of historical real estate sales and associated gain recognition. The Company continues to evaluate other areas of the standard and is currently assessing the impact on its combined consolidated financial statements. The Company expects to adopt this update beginning January 1, 2018.

In March 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)* (“ASU 2016-08”). This update provides clarifying guidance regarding the application of ASU 2014-09 when another party, along with the reporting entity, is involved in providing a good or a service to a customer. In these circumstances, an entity is required to determine whether the nature of its promise is to provide that good or service to the customer (that is, the entity is a principal) or to arrange for the good or service to be provided to the customer by the other party (that is, the entity is an agent). In April 2016, the FASB issued ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing* (“ASU 2016-10”), which clarifies the identification of performance obligations and the licensing implementation guidance. In May 2016, the FASB issued ASU 2016-11, *Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815): Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 Emerging Issues Task Force (“EITF”) Meeting (SEC Update)* (“ASU 2016-11”), which rescinds SEC paragraphs pursuant to SEC staff announcements. These rescissions include changes to topics pertaining to accounting for shipping and handling fees and costs and accounting for consideration given by a vendor to a customer. In May 2016, the FASB issued ASU 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients* (“ASU 2016-12”), which provides clarifying guidance in certain narrow areas and adds some practical expedients. The effective dates for these ASUs are the same as the effective date for ASU No. 2014-09, for annual and interim periods beginning after December 15, 2017. The Company is reviewing its policies and processes to ensure compliance with the requirements in these updates.

In December 2016, the FASB issued ASU 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers* (“ASU 2016-20”). The amendments in this ASU affect the guidance in ASU 2014-09, which is not yet effective. The effective date and transition requirements for the amendments are the same as the effective date and transition requirements of Topic 606 (and any other Topic amended by Update 2014-09). ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, defers the effective date of ASU 2014-09 by one year.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* (“ASU 2016-01”). The update provides guidance to improve certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The standard is effective for public companies for fiscal years beginning after December 15, 2017, and for interim periods within those fiscal years. Early adoption by public companies for fiscal year or interim period financial statements that have not yet been issued or, by all other entities, that have not yet been made available for issuance of this guidance, is permitted as of the beginning of the fiscal year of adoption, under certain restrictions. The Company is required to apply the guidance by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The guidance related to equity securities without readily determinable fair values should be applied prospectively to equity investments that exist at the date of adoption. The Company anticipates adopting this update in the quarter ending March 31, 2018 and is currently evaluating the impact on the Company’s combined consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* ("ASU 2016-02"), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sale-type leases, direct financing leases and operating leases. ASU 2016-02 supersedes the previous lease standard, *Leases (Topic 840)*. The standard is effective for the Company on January 1, 2019, with an early adoption permitted. The Company continues to evaluate the effect the adoption of ASU 2016-02 will have on the Company's financial position and/or results of operations. The Company currently believes that the adoption of ASU 2016-02 will not have a material impact for operating leases where it is a lessor and will continue to record revenues from rental properties for its operating leases on a straight-line basis. However, for leases where the Company is the lessee, primarily for the Company's corporate headquarters and regional offices leases, the Company will be required to record a lease liability and a right of use asset on its Combined Consolidated Balance Sheet at fair vale upon adoption.

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

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"). ASU 2016-15 provides cash flow statement classification guidance for certain transactions, including how the predominance principle should be applied when cash receipts and cash payments have aspects of more than one class of cash flows. For a public company, ASU 2016-15 is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption is permitted in any interim or annual period. The Company is currently assessing the impact that this guidance and currently does not anticipate any significant change to its combined consolidated financial statements when adopted.

In October 2016, the FASB issued ASU 2016-17, *Consolidation (Topic 810): Interests Held through Related Parties That Are under Common Control* ("ASU 2016-17"). ASU 2016-17 changes how a reporting entity that is a decision maker should consider indirect interests in a VIE held through an entity under common control. If a decision maker must evaluate whether it is the primary beneficiary of a VIE, it will only need to consider its proportionate indirect interest in the VIE held through a common control party. ASU 2016-17 amends ASU 2015-02, which the Company adopted on January 1, 2016, and which currently directs the decision maker to treat the common control party's interest in the VIE as if the decision maker held the interest itself. ASU 2016-17 is effective for public business entities in fiscal years beginning after December 15, 2016, including interim periods within those fiscal years, with early adoption permitted. We are in the process of evaluating the impact of adopting ASU 2016-17 on our consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* ("ASU 2016-18"). ASU 2016-18 requires the inclusion of restricted cash with cash and cash equivalents when reconciling the beginning-of-the period and end-of-period total amounts shown on the statement of cash flows. For a public company, ASU 2016-18 is effective for annual reporting periods, beginning after December 15, 2017, including interim periods within that reporting period. Early adoption is permitted in any interim or annual period. A reporting entity should apply the amendment on a retrospective basis as of the beginning of the fiscal year for which the amendment is effective. The Company is currently assessing the impact that this guidance will have on its combined consolidated financial statements when adopted.

In January 2017, the FASB issued ASU 2017-04, *Intangibles—Goodwill and Other (Topic 350)* ("ASU 2017-04"). The ASU simplifies the accounting for goodwill impairment. The guidance removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The guidance will be applied prospectively and is effective for annual or any interim goodwill impairment tests in years beginning after December 15, 2019 with early adoption permitted. The Company is currently assessing the impact that this guidance will have on its combined consolidated financial statements when adopted.

3. MORTGAGE LOAN RECEIVABLES

December 31, 2016 ($ in thousands)

	Outstanding Face Amount	Carrying Value	Weighted Average Yield (1)	Remaining Maturity (years)
Mortgage loan receivables held for investment, at amortized cost	$ 2,011,309	$ 2,000,095	7.17 %	1.66
Provision for loan losses	N/A	(4,000)		
Total mortgage loan receivables held for investment, at amortized cost	2,011,309	1,996,095		
Mortgage loan receivables held for sale	360,518	357,882	4.20 %	4.55
Total	**$ 2,371,827**	**$ 2,353,977**	**6.73%**	**2.10**

(1) December 31, 2016 London Interbank Offered Rate ("LIBOR") rates are used to calculate weighted average yield for floating rate loans.

As of December 31, 2016, $205.4 million, or 10.3%, of the carrying value of our mortgage loan receivables held for investment, at amortized cost, were at fixed interest rates and $1.8 billion, or 89.7%, of the carrying value of our mortgage loan receivables held for investment, at amortized cost, were at variable interest rates, linked to LIBOR, some of which include interest rate floors. As of December 31, 2016, $360.5 million, or 100.0%, of the carrying value of our mortgage loan receivables held for sale were at fixed interest rates.

December 31, 2015 ($ in thousands)

	Outstanding Face Amount	Carrying Value	Weighted Average Yield (1)	Remaining Maturity (years)
Mortgage loan receivables held for investment, at amortized cost	$ 1,749,556	$ 1,742,345	7.56 %	1.38
Provision for loan losses	N/A	(3,700)		
Total mortgage loan receivables held for investment, at amortized cost	1,749,556	1,738,645		
Mortgage loan receivables held for sale	571,638	571,764	4.56 %	6.20
Total	**2,321,194**	**2,310,409**	**6.83%**	**2.58**

(1) December 31, 2015 LIBOR rates are used to calculate weighted average yield for floating rate loans.

As of December 31, 2015, $343.2 million, or 19.7%, of the carrying value of our mortgage loan receivables held for investment, at amortized cost, were at fixed interest rates and $1.4 billion, or 80.3%, of the carrying value of our mortgage loan receivables held for investment, at amortized cost, were at variable interest rates, linked to LIBOR, some of which include interest rate floors. As of December 31, 2015, $571.8 million, or 100%, of the carrying value of our mortgage loan receivables held for sale were at fixed interest rates.

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

	December 31, 2016		December 31, 2015	
	Outstanding Face Amount	Carrying Value	Outstanding Face Amount	Carrying Value
Mortgage loan receivables held for investment, at amortized cost				
First mortgage loans	$ 1,843,006	$ 1,832,626	$ 1,462,228	$ 1,456,212
Mezzanine loans	168,303	167,469	287,328	286,133
Total mortgage loan receivables held for investment, at amortized cost	2,011,309	2,000,095	1,749,556	1,742,345
Mortgage loan receivables held for sale				
First mortgage loans	360,518	357,882	571,638	571,764
Total mortgage loan receivables held for sale	360,518	357,882	571,638	571,764
Provision for loan losses	N/A	(4,000)	N/A	(3,700)
Total	**$ 2,371,827**	**$ 2,353,977**	**$ 2,321,194**	**$ 2,310,409**

For the years ended December 31, 2016, 2015 and 2014, the activity in our loan portfolio was as follows ($ in thousands):

	Mortgage loan receivables held for investment, at amortized cost (1)		Mortgage loan receivables held for sale
Balance, December 31, 2015	**$ 1,738,645**		**$ 571,764**
Origination of mortgage loan receivables	969,401	(2)	1,128,651
Purchases of mortgage loan receivables	—		73,421
Repayment of mortgage loan receivables	(720,592)	(3)	(1,768)
Proceeds from sales of mortgage loan receivables(4)	—		(1,440,195)
Realized gain on sale of mortgage loan receivables	—		26,009
Accretion/amortization of discount, premium and other fees	8,941		—
Loan loss provision	(300)		—
Balance, December 31, 2016	**$ 1,996,095**		**$ 357,882**

	Mortgage loan receivables held for investment, at amortized cost (1)	Mortgage loan receivables held for sale
Balance, December 31, 2014	**$ 1,521,053**	**$ 417,955**
Origination of mortgage loan receivables	963,023	2,594,141
Repayment of mortgage loan receivables	(752,452)	(2,308)
Proceeds from sales of mortgage loan receivables	—	(2,509,090)
Non-cash disposition of loan via foreclosure	(4,620)	—
Realized gain on sale of mortgage loan receivables	—	71,066
Accretion/amortization of discount, premium and other fees	12,241	—
Loan loss provision	(600)	—
Balance, December 31, 2015	**$ 1,738,645**	**$ 571,764**

	Mortgage loan receivables held for investment, at amortized cost (1)	Mortgage loan receivables held for sale
Balance, December 31, 2013	**$ 539,078**	**$ 440,490**
Origination of mortgage loan receivables	1,201,968	3,345,372
Repayment of mortgage loan receivables	(214,511)	(1,293)
Proceeds from sales of mortgage loan receivables	—	(3,523,689)
Realized gain on sale of mortgage loan receivables	—	145,275
Transfer between held for investment and held for sale	(11,800)	11,800
Accretion/amortization of discount, premium and other fees	6,918	—
Loan loss provision	(600)	—
Balance, December 31, 2014	**$ 1,521,053**	**$ 417,955**

(1) Includes provision for loan losses of $4.0 million, $3.7 million and $3.1 million as of December 31, 2016, 2015 and 2014, respectively.
(2) Includes $50.4 million of non-cash originations.
(3) Includes $70.7 million of non-cash repayments.
(4) Includes $2.6 million of unrealized losses on loans recorded as other than temporary impairments related to lower of cost or market adjustments for the year ended December 31, 2016.

During the years ended December 31, 2016, 2015 and 2014, the transfers of financial assets via sales of loans were treated as sales under ASC Topic 860 — Transfers and Servicing.

At December 31, 2016 and 2015, there was $0.6 million and $0.7 million, respectively, of unamortized discounts included in our mortgage loan receivables held for investment, at amortized cost, on our combined consolidated balance sheets.

The Company evaluates each of its loans for potential losses at least quarterly. Its loans are typically collateralized by real estate directly or indirectly. As a result, the Company regularly evaluates the extent and impact of any credit deterioration associated with the performance and/or value of the underlying collateral property, as well as the financial and operating capability of the borrower. Specifically, a property's operating results and any cash reserves are analyzed and used to assess (i) whether cash flow from operations is sufficient to cover the debt service requirements currently and into the future, (ii) the ability of the borrower to refinance the loan at maturity, and/or (iii) the property's liquidation value. The Company also evaluates the financial wherewithal of any loan guarantors as well as the borrower's competency in managing and operating the properties. In addition, the Company considers the overall economic environment, real estate sector, and geographic sub-market in which the collateral property is located. Such impairment analyses are completed and reviewed by asset management personnel, who utilize various data sources, including (i) periodic financial data such as property occupancy, tenant profile, rental rates, operating expenses, the borrowers' business plan, and capitalization and discount rates, (ii) site inspections, and (iii) current credit spreads and other market data. As a result of this analysis, the Company has concluded that none of its loans are individually impaired as of December 31, 2016 and 2015.

However, based on the inherent risks shared among the loans as a group, it is probable that the loans had incurred an impairment due to common characteristics and inherent risks in the portfolio. Therefore, the Company has recorded a reserve, based on a targeted percentage level which it seeks to maintain over the life of the portfolio, as disclosed in the tables below. Historically, the Company has not incurred losses on any originated loans.

As of December 31, 2016, two of the Company's loans, which were originated simultaneously as part of a single transaction, and had a carrying value of $26.9 million, were in default. The borrower is currently in bankruptcy court, however, the Company determined that no impairment was necessary, continues to accrue interest on these loans because the loans' collateral value was in excess of the outstanding balances and pursue its legal remedies. As of December 31, 2016, accrued but unpaid interest totaled $3.5 million, which included $2.2 million of default interest. As of December 31, 2015, no loans were in default.

As of December 31, 2016 and 2015 there were no loans on non-accrual status. At December 31, 2014, there was one loan on non-accrual status with an amortized cost of $5.5 million and an unamortized discount of $2.6 million included in our mortgage loan receivables held for investment, at amortized cost on our combined consolidated balance sheets. This loan was not originated by the Company. Instead, it was credit impaired at the time of acquisition, which was reflected in Ladder's purchase price. During the year ended December 31, 2015, the Company acquired, via foreclosure, title to real estate, which had a total fair value of $6.7 million and previously served as collateral for the mortgage loan receivable discussed above. The acquisition was accounted for in real estate, net, at fair value on the date of foreclosure. A gain of $0.8 million on disposition of loan, representing the difference between the fair value of the property and the $5.9 million carrying value of the loan on the date of foreclosure, is included in fee and other income in the Company's combined consolidated statement of income for the year ended December 31, 2015.

Provision for Loan Losses ($ in thousands)

	Year Ended December 31,		
	2016	2015	2014
Provision for loan losses at beginning of period	$ 3,700	$ 3,100	$ 2,500
Provision for loan losses	300	600	600
Provision for loan losses at end of period	**$ 4,000**	**$ 3,700**	**$ 3,100**

4. REAL ESTATE SECURITIES

Commercial mortgage backed securities ("CMBS"), CMBS interest-only securities, Agency securities, Government National Mortgage Association ("GNMA") construction securities and Government National Mortgage Association ("GNMA") permanent securities are classified as available-for-sale and reported at fair value with changes in fair value recorded in the current period in other comprehensive income. GNMA and Federal Home Loan Mortgage Corp ("FHLMC") securities (collectively, "Agency interest-only securities") are recorded at fair value with changes in fair value recorded in current period earnings. The following is a summary of the Company's securities at December 31, 2016 and 2015 ($ in thousands):

December 31, 2016

				Gross Unrealized				Weighted Average			
Asset Type	Outstanding Face Amount		Amortized Cost Basis	Gains	Losses	Carrying Value	# of Securities	Rating (1)	Coupon %	Yield %	Remaining Duration (years)
CMBS(2)	$ 1,676,680		$ 1,698,616	$ 10,880	$ (8,101)	$ 1,701,395	131	AAA	3.26 %	2.81 %	3.55
CMBS interest-only (2)	8,160,458	(3)	343,438	1,273	(2,540)	342,171	60	AAA	0.87 %	3.45 %	2.99
GNMA interest-only (4)	478,577	(3)	18,994	159	(2,332)	16,821	17	AA+	0.73 %	4.19 %	4.44
Agency securities(2)	774		802	—	(22)	780	2	AA+	2.90 %	1.29 %	3.27
GNMA permanent securities(2)	38,327		39,144	882	(246)	39,780	9	AA+	4.09 %	3.80 %	10.30
Total	**$ 10,354,816**		**$ 2,100,994**	**$ 13,194**	**$(13,241)**	**$ 2,100,947**	**219**		**1.27%**	**2.94%**	**3.60**

December 31, 2015

				Gross Unrealized				Weighted Average			
Asset Type	Outstanding Face Amount		Amortized Cost Basis	Gains	Losses	Carrying Value	# of Securities	Rating (1)	Coupon %	Yield %	Remaining Duration (years)
CMBS(2)	$ 1,972,492		$ 1,994,928	$ 4,643	$ (8,065)	$ 1,991,506	119	AAA	3.17 %	2.59 %	3.15
CMBS interest-only (2)	7,436,379	(3)	348,222	1,027	(4,826)	344,423	48	AAA	1.02 %	3.81 %	3.34
GNMA interest-only (4)	632,175	(3)	28,311	44	(2,161)	26,194	20	AA+	0.80 %	4.26 %	5.22
GNMA construction securities(2)	27,091		27,581	1,058	—	28,639	1	AA+	4.10 %	3.86 %	9.33
GNMA permanent securities(2)	16,249		16,685	164	(394)	16,455	12	AA+	4.52 %	3.94 %	5.43
Total	**$ 10,084,386**		**$ 2,415,727**	**$ 6,936**	**$(15,446)**	**$ 2,407,217**	**200**		**1.44%**	**3.60%**	**3.29**

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

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

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

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

The following is a breakdown of the carrying value of the Company's securities by remaining maturity based upon expected cash flows at December 31, 2016 and 2015 ($ in thousands):

December 31, 2016

Asset Type	Within 1 year	1-5 years	5-10 years	After 10 years	Total
CMBS(1)	$ 132,730	$ 1,156,026	$ 412,639	$ —	$ 1,701,395
CMBS interest-only(1)	11,188	330,983	—	—	342,171
GNMA interest-only(2)	—	15,914	724	183	16,821
Agency securities(1)	—	780	—	—	780
GNMA permanent securities(1)	—	4,488	27,675	7,617	39,780
Total	**$ 143,918**	**$ 1,508,191**	**$ 441,038**	**$ 7,800**	**$ 2,100,947**

December 31, 2015

Asset Type	Within 1 year	1-5 years	5-10 years	After 10 years	Total
CMBS(1)	$ 610,526	$ 891,752	$ 489,228	$ —	$ 1,991,506
CMBS interest-only(1)	—	344,423	—	—	344,423
GNMA interest-only(2)	6	17,159	8,549	480	26,194
GNMA construction securities(1)	—	386	28,253	—	28,639
GNMA permanent securities(1)	2,220	6,661	7,574	—	16,455
Total	**$ 612,752**	**$ 1,260,381**	**$ 533,604**	**$ 480**	**$ 2,407,217**

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

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

There were $4.7 million, $1.6 million and $3.9 million in unrealized losses on securities recorded as other than temporary impairments for the years ended December 31, 2016, 2015 and 2014, respectively. The determination of whether a security is other-than-temporarily impaired involves judgments and assumptions based on subjective and objective factors. Consideration is given to (i) the length of time and the extent to which the fair value has been less than amortized cost, (ii) the financial condition and near-term prospects of recovery in fair value of the security, and (iii) the Company's intent to sell the security and whether it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis. The Company has no intention to sell the securities before recovery of its amortized cost basis. For cash flow statement purposes, all receipts of interest from interest-only real estate securities are treated as part of cash flows from operations.

5. REAL ESTATE AND RELATED LEASE INTANGIBLES, NET

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

	December 31, 2016	December 31, 2015
Land	$ 143,286	$ 138,128
Building	646,372	640,206
In-place leases and other intangibles	154,687	139,501
Less: Accumulated depreciation and amortization	(122,007)	(83,056)
Real estate and related lease intangibles, net	**$ 822,338**	**$ 834,779**
Below market lease intangibles, net (other liabilities)	$ (16,506)	$ (17,021)

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

	Year Ended December 31,		
	2016	2015	2014
Depreciation expense (1)	$ 26,031	$ 23,922	$ 18,034
Amortization expense	13,302	15,031	10,238
Total real estate depreciation and amortization expense	**$ 39,333**	**$ 38,953**	**$ 28,272**

(1) Depreciation expense on the combined consolidated statements of income also includes $0.1 million, $0.1 million and $0.2 million of depreciation on corporate fixed assets for the years ended December 31, 2016, 2015 and 2014, respectively.

The Company's intangible assets are comprised of in-place leases, favorable leases compared to market leases and other intangibles. At December 31, 2016, gross intangible assets totaled $154.7 million with total accumulated amortization of $48.1 million, resulting in net intangible assets of $106.6 million, including $7.0 million of unamortized favorable lease intangibles which are included in real estate and related lease intangibles, net on the combined consolidated balance sheets. At December 31, 2015, gross intangible assets totaled $139.5 million with total accumulated amortization of $32.7 million, resulting in net intangible assets of $106.8 million, including $6.5 million of unamortized favorable lease intangibles which are included in real estate and related lease intangibles, net on the combined consolidated balance sheets. For the years ended December 31, 2016, 2015 and 2014, the Company recorded a net reduction in operating lease income of $1.3 million, $1.4 million and $1.3 million, respectively, for amortization of above market lease intangibles acquired. For the years ended December 31, 2016, 2015 and 2014, the Company recorded a net increase in operating lease income of $1.4 million, $1.8 million and $0.9 million, respectively, for amortization of below market lease intangibles acquired.

The following table presents expected amortization expense during the next five years and thereafter related to the acquired in-place lease intangibles for property owned as of December 31, 2016 ($ in thousands):

Period Ending December 31,	Amount
2017	$ 10,307
2018	8,219
2019	8,175
2020	8,175
2021	8,101
Thereafter	63,578
Total	**$ 106,555**

There were $0.7 million and $5.0 million of unbilled rent receivables included in other assets on the combined consolidated balance sheets as of December 31, 2016 and 2015, respectively.

There was unencumbered real estate of $70.3 million and $47.8 million as of December 31, 2016 and 2015, respectively.

The following is a schedule of non-cancellable, contractual, future minimum rent under leases (excluding property operating expenses paid directly by tenant under net leases or rent escalations under other leases from tenants) at December 31, 2016 ($ in thousands):

Period Ending December 31,	Amount
2017	$ 73,960
2018	68,757
2019	63,666
2020	61,789
2021	56,929
Thereafter	500,481
Total	**$ 825,582**

Acquisitions

During the year ended December 31, 2016, the Company acquired the following properties ($ in thousands):

Acquisition Date	Type	Primary Location(s)	Purchase Price	Ownership Interest (1)
April 2016	Land	St. Paul, MN	$ 200	100.0%
April 2016	Net Lease	Dimmitt, TX	1,319	100.0%
April 2016	Net Lease	Philo, IL	1,156	100.0%
April 2016	Net Lease	St. Charles, MN	1,198	100.0%
May 2016	Net Lease	San Antonio, TX	1,096	100.0%
May 2016	Net Lease	Borger, TX	978	100.0%
June 2016	Net Lease	Champaign, IL	1,324	100.0%
June 2016	Net Lease	Decatur-Sunnyside, IL	1,181	100.0%
June 2016	Net Lease	Flora Vista, NM	1,305	100.0%
June 2016	Net Lease	Mountain Grove, MO	1,279	100.0%
June 2016	Net Lease	Rantoul, IL	1,204	100.0%
June 2016	Net Lease	Decatur-Pershing, IL	1,365	100.0%
June 2016	Net Lease	Cape Girardeau, MO	1,281	100.0%
June 2016	Net Lease	Linn, MO	1,122	100.0%
July 2016	Net Lease	Union, MO	1,227	100.0%
July 2016	Net Lease	Pawnee, IL	1,201	100.0%
July 2016	Net Lease	Lamar, MO	1,176	100.0%
August 2016	Other	Ewing, NJ	30,640	100.0%
October 2016	Other	Peoria, IL	2,760	100.0%
October 2016	Net Lease	Dryden Township, MI	1,190	100.0%
November 2016	Net Lease	Fayetteville, NC	6,971	100.0%
November 2016	Net Lease	Springfield, IL	1,322	100.0%
Total			**$ 62,495**	

(1) Properties were consolidated as of acquisition date.

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

The purchase prices were allocated to the net assets acquired, which also include asset acquisitions occurring on or after October 1, 2016, during the year ended December 31, 2016, as follows ($ in thousands):

		Purchase Price Allocation
Land	$	9,242
Building		39,609
Intangibles		15,854
Below Market Lease Intangibles		(2,210)
Total purchase price	**$**	**62,495**

The weighted average amortization period for intangible assets acquired during the year ended December 31, 2016 was 19.5 years.

During the year ended December 31, 2015, the Company acquired the following properties ($ in thousands):

Acquisition Date	Type	Primary Location(s)		Purchase Price	Ownership Interest (1)
January 2015	Net Lease	Jacksonville, NC	$	7,877	100.0%
January 2015	Net Lease	Iberia, MO		1,328	100.0%
January 2015	Net Lease	Isle, MN		1,078	100.0%
January 2015	Net Lease	Pine Island, MN		1,142	100.0%
January 2015	Net Lease	Kings Mountain, NC		21,241	100.0%
February 2015	Net Lease	Village of Menomonee Falls, WI		17,050	100.0%
February 2015	Net Lease	Rockland, MA		7,316	100.0%
February 2015	Net Lease	Crawfordsville, IA		6,000	100.0%
February 2015	Net Lease	Boardman Township, OH		5,400	100.0%
March 2015	Net Lease	Hilliard, OH		6,384	100.0%
March 2015	Net Lease	Weathersfield Township, OH		5,200	100.0%
March 2015	Net Lease	Rotterdam, NY		12,000	100.0%
March 2015	Net Lease	Wheaton, MO		970	100.0%
March 2015	Net Lease	Paynesville, MN		1,254	100.0%
March 2015	Net Lease	Loveland, CO		5,600	100.0%
March 2015	Net Lease	Battle Lake, MN		1,098	100.0%
March 2015	Net Lease	Yorktown, TX		1,207	100.0%
March 2015	Net Lease	St. Francis, MN		1,117	100.0%
May 2015	Net Lease	Red Oak, IA		1,185	100.0%
May 2015	Net Lease	Zapata, TX		1,150	100.0%
June 2015	Net Lease	Aurora, MN		952	100.0%
June 2015	Net Lease	Canyon Lake, TX		1,377	100.0%
June 2015	Net Lease	Wheeler, TX		1,075	100.0%
June 2015	Other	Grand Rapids, MI		9,300	97.0%
June 2015	Other	Grand Rapids, MI		6,300	97.0%
June 2015	Net Lease	Bridgeport, IL		1,186	100.0%
June 2015	Net Lease	Peoria, IL		1,226	100.0%
June 2015	Net Lease	Pleasanton, TX		1,316	100.0%
June 2015	Other	Wayne, NJ		9,700	100.0%
June 2015	Net Lease	Warren, MN		1,055	100.0%

Acquisition Date	Type	Primary Location(s)	Purchase Price	Ownership Interest (1)
June 2015	Net Lease	Tremont, IL	1,150	100.0%
August 2015	Net Lease	Ponce, Puerto Rico	8,900	100.0%
August 2015	Net Lease	Effingham County, IL	1,195	100.0%
August 2015	Net Lease	Lebanon, MI	1,200	100.0%
August 2015	Net Lease	Minot, ND	6,644	100.0%
August 2015	Net Lease	Floresville, TX	1,251	100.0%
August 2015	Net Lease	Kerrville, TX	1,174	97.0%
September 2015	Net Lease	De Soto, IL	1,066	97.0%
September 2015	Net Lease	Biscoe, NC	1,216	100.0%
September 2015	Net Lease	Moultrie, GA	1,305	100.0%
September 2015	Net Lease	Rose Hill, NC	1,420	100.0%
September 2015	Net Lease	Rockingham, NC	1,158	100.0%
October 2015	Net Lease	Wilmington, IL	1,309	100.0%
October 2015	Net Lease	Danville, IL	1,074	100.0%
October 2015	Net Lease	Bloomington, IL	1,193	100.0%
October 2015	Net Lease	Lincoln County , MO	1,072	100.0%
October 2015	Net Lease	Montrose, MN	1,167	100.0%
October 2015	Net Lease	Jenks, OK	12,160	100.0%
October 2015	Net Lease	Grove, OK	5,030	100.0%
October 2015	Net Lease	Farmington, IL	1,303	100.0%
October 2015	Net Lease	Bixby, OK	10,978	100.0%
October 2015	Net Lease	Rice, MN	1,200	100.0%
November 2015	Net Lease	Gordonville, MO	1,125	100.0%
December 2015	Net Lease	Malone, NY	1,466	100.0%
December 2015	Net Lease	Mercedes, TX	1,204	100.0%
December 2015	Net Lease	Albion, PA	1,525	100.0%
December 2015	Net Lease	Radford, VA	1,564	100.0%
December 2015	Net Lease	Rural Retreat, VA	1,399	100.0%
December 2015	Net Lease	Mount Vernon, AL	1,224	100.0%
Total purchases of real estate			**$ 212,756**	
October 2015	Other	Carmel, NY	6,700	100.0%
Total real estate acquired via foreclosure			**$ 6,700**	
Total real estate acquisitions			**$ 219,456**	

(1) Properties were consolidated as of acquisition date.

The purchase prices were allocated to the net assets acquired during the year ended December 31, 2015, as follows ($ in thousands):

		Purchase Price Allocation
Land	$	32,260
Building		166,556
Intangibles		32,084
Below Market Lease Intangibles		(11,444)
Total purchase price	**$**	**219,456**

The weighted average amortization period for intangible assets acquired during the year ended December 31, 2015 was 22.6 years.

During the year ended December 31, 2015, the Company acquired, via foreclosure, title to one commercial retail operating property, which had a total fair value of $6.7 million and previously served as collateral for mortgage loan receivables held for investment. The acquisition was accounted for at fair value on the date of foreclosure. This loan was not originated by the Company. Instead, it was credit impaired at the time of acquisition, which was reflected in Ladder's purchase price. A gain of $0.8 million on disposition of loan, representing the difference between the fair value of the property and the $5.9 million carrying value of the loan on the date of foreclosure, is included in fee and other income in the Company's combined consolidated statement of income for the year ended December 31, 2015.

During the year ended December 31, 2014, the Company acquired the following properties ($ in thousands):

Acquisition Date	Type	Primary Location(s)		Purchase Price	Ownership Interest (1)
August 2014	Net Lease	O'Fallon, IL	$	8,000	100.0%
August 2014	Net Lease	El Centro, CA		4,277	100.0%
August 2014	Other	Richmond, VA		19,850	77.5%
August 2014	Net Lease	Conyers, GA		32,530	100.0%
September 2014	Other	St. Paul, MN		62,340	97.0%
October 2014	Net Lease	Bennett, CO		3,522	100.0%
October 2014	Net Lease	Memphis, TN		5,310	100.0%
November 2014	Net Lease	Ankemy, IA		16,510	100.0%
November 2014	Net Lease	Springfield, MO		11,675	100.0%
November 2014	Net Lease	Sheldon, IA		4,300	100.0%
November 2014	Net Lease	Cedar Rapids, IA		11,000	100.0%
November 2014	Net Lease	Fairfield, IA		10,695	100.0%
November 2014	Net Lease	Muscatine, IA		7,150	100.0%
November 2014	Net Lease	Owatonna, MN		9,970	100.0%
November 2014	Net Lease	Bellport, NY		18,100	100.0%
November 2014	Net Lease	Woodland Park, CO		3,969	100.0%
November 2014	Net Lease	Evansville, IN		9,000	100.0%
December 2014	Net Lease	Plattsmouth, NE		7,979	100.0%
December 2014	Net Lease	Worthington, MN		8,320	100.0%
Total			**$**	**254,497**	

(1) Properties were consolidated as of acquisition date.

The purchase prices were allocated to the net assets acquired during the year ended December 31, 2014, as follows ($ in thousands):

	Purchase Price Allocation
Land	$ 41,908
Building	168,714
Intangibles	48,819
Below Market Lease Intangibles	(4,944)
Total purchase price	**$ 254,497**

The weighted average amortization period for intangible assets acquired during the year ended December 31, 2014 was 17.1 years.

Sales

The Company sold the following properties during the year ended December 31, 2016 ($ in thousands):

Sales Date	Type	Primary Location(s)	Net Sales Proceeds	Net Book Value	Realized Gain/(Loss)	Properties	Units Sold	Units Remaining
Mar 2016	Net Lease	Rockland, MA	7,922	7,210	712	1	—	—
Sep 2016	Net Lease	Crawfordsville, IN	6,192	5,726	466	1	—	—
Various	Condominium	Las Vegas, NV	34,049	18,907	15,142	—	73	59
Various	Condominium	Miami, FL	18,307	13,991	4,316	—	65	88
Totals			**$ 66,470**	**$ 45,834**	**$ 20,636**			

The Company sold the following properties during the year ended December 31, 2015 ($ in thousands):

Sales Date	Type	Primary Location(s)	Net Sales Proceeds		Net Book Value	Realized Gain/(Loss)		Properties	Units Sold	Units Remaining
May 2015	Net Lease	Plattsmouth, NE	$ 8,440		$ 7,983	$ 457		1	—	—
May 2015	Net Lease	Worthington, MN	8,793		8,321	472		1	—	—
May 2015	Net Lease	Loveland, CO	6,249		5,600	649		1	—	—
Sep 2015	Net Lease	Village of Menomonee Falls, WI	17,856	(1)	16,827	1,029	(2)	1	—	—
Nov 2015	Other	Minneapolis, MN	62,093	(3)	49,022	13,071	(4)	1	—	—
Various	Condominium	Las Vegas, NV	38,779		22,310	16,469		—	88	132
Various	Condominium	Miami, FL	29,924		22,942	6,982		—	99	153
Totals			**$ 172,134**		**$ 133,005**	**$ 39,129**	**(5)**			

(1) Includes $11.3 million of mortgage debt assumed by the buyer, which is included in non-cash transactions on the Company's combined consolidated statement of cash flows.
(2) Excludes $0.3 million of gain on mortgage debt assumed by the buyer, which is included in realized gain on sale of real estate, net on the Company's combined consolidated statement of cash flows.
(3) Includes $39.8 million of mortgage debt assumed by the buyer, which is included in non-cash transactions on the Company's combined consolidated statement of cash flows.
(4) Excludes $1.1 million of gain on mortgage debt assumed by the buyer, which is included in realized gain on sale of real estate, net on the Company's combined consolidated statement of cash flows.
(5) Includes $0.2 million loss on sales of fixed assets, which is included in realized gain on sale of real estate, net on the Company's combined consolidated statements of income.

The Company sold the following properties during the year ended December 31, 2014 ($ in thousands):

Sales Date	Type	Primary Location(s)	Net Sales Proceeds	Net Book Value	Realized Gain/(Loss)	Properties	Units Sold	Units Remaining
May 2014	Net Lease	Tilton, NH	$ 8,432	$ 6,743	$ 1,689	1	—	—
Jun 2014	Other	Richmond, VA	16,754	15,643	1,111	1	—	—
Sep 2014	Net Lease	Yulee, FL	1,436	1,246	190	1	—	—
Sep 2014	Net Lease	Middleburg, FL	1,262	1,077	185	1	—	—
Sep 2014	Net Lease	Jonesboro, AR	9,413	8,016	1,397	1	—	—
Sep 2014	Net Lease	Mt. Juliet, TN	10,168	8,724	1,444	1	—	—
Various	Condominium	Las Vegas, NV	52,976	33,925	19,051	—	113	220
Various	Condominium	Miami, FL	23,003	18,310	4,693	—	72	252
Totals			**$ 123,444**	**$ 93,684**	**$ 29,760**			

Real Estate Sold or Classified as Held for Sale

On January 1, 2014, the Company early adopted ASU 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*, and as the properties sold or classified as real estate held for sale in the years ended December 31, 2016, 2015 and 2014 did not represent a strategic shift (as the Company is not entirely exiting markets or property types), they have not been reflected as part of discontinued operations.

Unaudited Pro Forma Information

The following unaudited pro forma information has been prepared based upon our historical combined consolidated financial statements and certain historical financial information of the acquired properties, which are accounted for as business combinations, and should be read in conjunction with the combined consolidated financial statements and notes thereto. The unaudited pro forma combined consolidated financial information reflects the 2016 acquisition adjustments made to present financial results as though the acquisition of such properties occurred on January 1, 2015, through the date of acquisition, the 2015 acquisition adjustments made to present financial results as though the acquisition of the properties occurred on January 1, 2014, through the date of acquisition and the 2014 acquisition adjustments made to present financial results as though the acquisition of the properties occurred on January 1, 2013, through the date of acquisition. This unaudited pro forma information may not be indicative of the results that actually would have occurred if these transactions had been in effect on the dates indicated, nor do they purport to represent our future results of operations ($ in thousands):

	Year Ended December 31, 2016		
	Company Historical	Acquisitions	Consolidated Pro Forma
Operating lease income	$ 77,277	$ 2,473	$ 79,750
Net income (loss)	113,720	2,080	115,800
Net (income) loss attributable to noncontrolling interest in consolidated joint ventures	138	—	138
Net (income) loss attributable to noncontrolling interest in operating partnership	(47,131)	(865)	(47,996)
Net income attributable to Class A common shareholders	66,727	1,215	67,942

The Company recorded $2.8 million in revenues and $(0.3) million in earnings (losses) from its 2016 acquisitions for the year ended December 31, 2016, which are included in our combined consolidated statements of income.

	Year Ended December 31, 2015		
	Company Historical	Acquisitions	Consolidated Pro Forma
Operating lease income	$ 80,465	$ 10,966	$ 91,431
Net income	146,134	7,363	153,497
Net (income) loss attributable to noncontrolling interest in consolidated joint ventures	(1,568)	—	(1,568)
Net (income) loss attributable to noncontrolling interest in operating partnership	(70,745)	(3,334)	(74,079)
Net income attributable to Class A common shareholders	73,821	4,029	77,850

The Company recorded $14.0 million in revenues and $3.2 million in earnings from its 2015 acquisitions for the year ended December 31, 2015, which are included in our combined consolidated statements of income.

	Year Ended December 31, 2014		
	Company Historical	Acquisitions	Consolidated Pro Forma
Operating lease income	$ 56,649	$ 34,446	$ 91,095
Net income	97,626	10,518	108,144
Net (income) loss attributable to noncontrolling interest in consolidated joint ventures	370	257	627
Net (income) loss attributable to predecessor unitholders	12,628	—	12,628
Net (income) loss attributable to noncontrolling interest in operating partnership	(66,437)	(4,922)	(71,359)
Net income attributable to Class A common shareholders	44,187	5,852	50,039

The Company recorded $7.3 million in revenues and $(1.6) million in earnings (losses) from its 2014 acquisitions for the year ended December 31, 2014, which are included in our combined consolidated statements of income.

The most significant adjustments made in preparing the unaudited pro forma information were to: (i) include the incremental operating lease income, (ii) include the incremental depreciation, and (iii) adjust for transaction costs associated with the properties acquired in 2016 as if they were incurred on January 1, 2015, the properties acquired in 2015 as if they were incurred on January 1, 2014 and the properties acquired in 2014 as if they were incurred on January 1, 2013.

6. INVESTMENT IN UNCONSOLIDATED JOINT VENTURES

As of December 31, 2016, the Company had an aggregate investment of $34.0 million in its equity method joint ventures with unaffiliated third parties.

Included in the Company's investments in unconsolidated joint ventures as of December 31, 2016 is one unconsolidated joint venture, which is a VIE for which the Company is not the primary beneficiary. This joint venture is primarily established to develop real estate property for long-term investment and was deemed to be a VIE primarily based on the fact there are disproportionate voting and economic rights within the joint venture. The Company determined that it was not the primary beneficiary of this VIE based on the fact that the Company has shared control of this entity along with the entity's partner and therefore does not have controlling financial interests in this VIE. The Company's aggregate investment in this VIE was $30.3 million. The Company's maximum exposure to loss is limited to its investment in the VIE. The Company has not provided financial support to this VIE that it was not previously contractually required to provide. In general, future costs of development not financed through a third party will be funded with capital contributions from the Company and its outside partner in accordance with their respective ownership percentages.

The following is a summary of the Company's investments in unconsolidated joint ventures, which we account for using the equity method, as of December 31, 2016 and 2015 ($ in thousands):

Entity	December 31, 2016	December 31, 2015
Ladder Capital Realty Income Partnership I LP	$ —	$ 49
Grace Lake JV, LLC	3,719	2,891
24 Second Avenue Holdings LLC	30,306	30,857
Investment in unconsolidated joint ventures	**$ 34,025**	**$ 33,797**

The following is a summary of the Company's allocated earnings (losses) based on its ownership interests from investment in unconsolidated joint ventures for the years ended December 31, 2016, 2015 and 2014 ($ in thousands):

	Year Ended December 31,		
Entity	2016	2015	2014
Ladder Capital Realty Income Partnership I LP	$ 892	$ 116	$ 1,090
Grace Lake JV, LLC	953	823	900
24 Second Avenue Holdings LLC	(1,419)	(568)	—
Earnings from investment in unconsolidated joint ventures	**$ 426**	**$ 371**	**$ 1,990**

Ladder Capital Realty Income Partnership I LP

On April 15, 2011, the Company entered into a limited partnership agreement, becoming the general partner and acquiring a 10% limited partnership interest in LCRIP I to invest in first mortgage loans held for investment and acted as general partner and manager to LCRIP I. The Company accounted for its interest in LCRIP I using the equity method of accounting, as it exerted significant influence but the unrelated limited partners had substantive participating rights, as well as kick-out rights. During the quarter ended June 30, 2015, the last loan held by LCRIP I was repaid. The term of the partnership expired on April 15, 2016. At that time, LCRIP I made distributions to the partners in the aggregate amounts determined by the general partner in accordance with the Limited Partnership Agreement. Simultaneously with the execution of the LCRIP I Partnership Agreement, the Company was engaged as the manager of LCRIP I and was entitled to a fee based upon the average net equity invested in LCRIP I, which was subject to a fee reduction in the event average net equity invested in LCRIP I exceeded $100.0 million. As discussed in "Out-of-Period Adjustments" in Note 2. Significant Accounting Policies, during 2016 the Company recorded an additional return on equity of $0.9 million in this investment in unconsolidated joint venture predominately relating to prior years. During the years ended December 31, 2016, 2015 and 2014, the Company recorded $6,905, $77,447 and $0.4 million, respectively, in management fees, which is reflected in fee and other income in the combined consolidated statements of income.

Grace Lake JV, LLC

In connection with the origination of a loan in April 2012, the Company received a 25% equity kicker with the right to convert upon a capital event. On March 22, 2013, the loan was refinanced, and the Company converted its interest into a 25% limited liability company membership interest in Grace Lake JV, LLC ("Grace Lake LLC"), which holds an investment in an office building complex. After taking into account the preferred return of 8.25% and the return of all equity remaining in the property to the Company's operating partner, the Company is entitled to 25% of the distribution of all excess cash flows and all disposition proceeds upon any sale. The Company is not legally required to provide any future funding to Grace Lake JV. The Company accounts for its interest in Grace Lake JV using the equity method of accounting, as it has a 25% investment, compared to the 75% investment of its operating partner and does not control the entity.

24 Second Avenue Holdings LLC

On August 7, 2015, the Company entered into a joint venture, 24 Second Avenue Holdings LLC ("24 Second Avenue"), with an operating partner to invest in a ground-up condominium construction and development project located at 24 Second Avenue, New York, NY. The Company accounts for its interest in 24 Second Avenue using the equity method of accounting as its joint venture partner is the managing member of 24 Second Avenue and has substantive participating rights. The Company contributed $31.1 million for a 73.8% interest, with the operating partner holding the remaining 26.2% interest. The Company is entitled to income allocations and distributions based upon its membership interest of 73.8% until the Company achieves a 1.70x profit multiple, after which, ultimately, income is allocated and distributed 50% to the Company and 50% to the operating partner. During the years ended December 31, 2016 and 2015, the Company recorded $1.4 million and $0.6 million, respectively, in expenses, which is recorded in earnings (loss) from investment in unconsolidated joint ventures in the combined consolidated statements of income. The Company capitalizes interest related to the cost of its investment, as 24 Second Avenue has activities in progress necessary to construct and ultimately sell condominium units. During the years ended December 31, 2016 and 2015, the Company capitalized $0.9 million and $0.3 million, respectively, of interest expense, using a weighted average interest rate, which is recorded in investment in unconsolidated joint ventures in the combined consolidated balance sheets. As of December 31, 2016 and 2015, 24 Second Avenue had $21.6 million and $13.1 million, respectively, of loans payable. As of December 31, 2016, the existing building has been demolished and we are anticipating completion in 2018. Our operating partner entered into a construction loan in the amount of $50.5 million to fund the project. As of December 31, 2016, draws of $21.6 million have been taken against the construction loan. The Company has no remaining capital commitment to our operating partner.

Combined Summary Financial Information for Unconsolidated Joint Ventures

The following is a summary of the combined financial position of the unconsolidated joint ventures in which the Company had investment interests as of December 31, 2016 and 2015 ($ in thousands):

	December 31, 2016	December 31, 2015
Total assets	$ 138,298	$ 131,214
Total liabilities	94,964	88,973
Partners'/members' capital	$ 43,334	$ 42,241

The following is a summary of the combined results from operations of the unconsolidated joint ventures for the period in which the Company had investment interests during the years ended December 31, 2016, 2015 and 2014 ($ in thousands):

	Year Ended December 31,		
	2016	2015	2014
Total revenues	$ 17,047	$ 18,886	$ 26,059
Total expenses	15,861	15,849	16,864
Net income	**$ 1,186**	**$ 3,037**	**$ 9,195**

7. DEBT OBLIGATIONS, NET

The details of the Company's debt obligations at December 31, 2016 and December 31, 2015 are as follows ($ in thousands):

December 31, 2016

Debt Obligations	Committed Financing	Debt Obligations Outstanding		Committed but Unfunded	Interest Rate at December 31, 2016(1)	Current Term Maturity	Remaining Extension Options	Eligible Collateral	Carrying Amount of Collateral	Fair Value of Collateral	
Committed Loan Repurchase Facility	$ 600,000	$ 183,604		$ 416,396	2.45% - 3.27%	10/30/2018	(2)	(3)	$ 292,628	$ 293,618	
Committed Loan Repurchase Facility	450,000	184,158		265,842	2.95% - 3.70%	5/24/2017	(4)	(3)	286,848	288,267	
Committed Loan Repurchase Facility	400,000	100,979		299,021	2.95% - 3.99%	4/9/2017	(5)	(6)	235,878	236,696	
Committed Loan Repurchase Facility	100,000	27,132		72,868	2.90% - 3.13%	6/28/2019	—	(3)	36,166	36,410	
Committed Loan Repurchase Facility	100,000	71,290		28,710	2.93% - 3.68%	8/2/2019	(7)	(3)	110,271	110,897	
Total Committed Loan Repurchase Facilities	1,650,000	567,163		1,082,837					961,791	965,888	
Committed Securities Repurchase Facility	400,000	228,317		171,683	1.00% - 2.59%	7/1/2018	N/A	(8)	272,402	272,402	
Uncommitted Securities Repurchase Facility	N/A (9)	311,705		N/A (9)	1.00% - 2.41%	1/2017 - 3/2017	N/A	(8)	368,638	368,638	
Total Repurchase Facilities	2,050,000	1,107,185		1,254,520					1,602,831	1,606,928	
Revolving Credit Facility	143,000	25,000		118,000	3.16%	2/11/2017	(10)	N/A (11)	N/A (11)	N/A (11)	
Mortgage Loan Financing	590,106	590,106		—	4.25% - 6.75%	2018 - 2026	N/A	(12)	757,468	875,160	(13)
Borrowings from the FHLB	1,998,931	1,660,000		338,931	0.43% - 2.74%	2017 - 2024	N/A	(14)	2,162,779	2,167,017	
Senior Unsecured Notes	563,872	559,847	(15)	—	5.875% - 7.375%	2017 - 2021	N/A	N/A (16)	N/A (16)	N/A (16)	
Total Debt Obligations	**$ 5,345,909**	**$ 3,942,138**		**$ 1,711,451**					**$4,523,078**	**$4,649,105**	

(1) December 31, 2016 LIBOR rates are used to calculate interest rates for floating rate debt.
(2) Three additional 12-month periods at Company's option. No new advances are permitted after the initial maturity date, or if the lender consents, October 30, 2019, the initial extended maturity date.
(3) First mortgage commercial real estate loans. It does not include the real estate collateralizing such loans.
(4) Three additional 12-month periods at Company's option.
(5) Two additional 364-day periods at Company's option.
(6) First mortgage and mezzanine commercial real estate loans. It does not include the real estate collateralizing such loans.
(7) One additional 12-month extension period and two additional 6-month extension periods at Company's option.
(8) Commercial real estate securities. It does not include the real estate collateralizing such securities.
(9) Represents uncommitted securities repurchase facilities for which there is no committed amount subject to future advances.
(10) Two additional 12-month extension periods at Company's option.
(11) The obligations under the Revolving Credit Facility are guaranteed by the Company and certain of its subsidiaries and secured by equity pledges in certain Company subsidiaries.
(12) Real estate.
(13) Using undepreciated carrying value of commercial real estate to approximate fair value.
(14) First mortgage commercial real estate loans and investment grade commercial real estate securities. It does not include the real estate collateralizing such loans and securities.
(15) Presented net of unamortized debt issuance costs of $4.0 million at December 31, 2016.
(16) The obligations under the senior unsecured notes are guaranteed by the Company and certain of its subsidiaries.

December 31, 2015

Debt Obligations	Committed Financing	Debt Obligations Outstanding	Committed but Unfunded	Interest Rate at December 31, 2015(1)	Current Term Maturity	Remaining Extension Options	Eligible Collateral	Carrying Amount of Collateral	Fair Value of Collateral
Committed Loan Repurchase Facility	$ 600,000	$ 229,533	$ 370,467	2.08% - 2.93%	10/30/2016	(2)	(3)	$ 364,978	$ 366,676
Committed Loan Repurchase Facility	400,000	204,262	195,738	2.44% - 4.33%	4/10/2016	(4)	(5)	299,714	342,307 (6)
Committed Loan Repurchase Facility	450,000	269,779	180,221	2.58% - 4.33%	5/24/2016	(2)	(3)	436,901	466,640 (7)
Committed Loan Repurchase Facility	35,000	575	34,425	3.02%	10/24/2016	(8)	(9)	—	794 (10)
Total Committed Loan Repurchase Facilities	1,485,000	704,149	780,851					1,101,593	1,176,417
Committed Securities Repurchase Facility	300,000	161,887	138,113	0.88% - 1.34%	10/31/2016	N/A	(11)	193,530	193,530
Uncommitted Securities Repurchase Facility	N/A (12)	394,719	N/A (6)	0.73% - 2.02%	1/2016	N/A	(11)	458,615	458,615
Total Repurchase Facilities	1,785,000	1,260,755	918,964					1,753,738	1,828,562
Borrowings Under Credit Agreement	50,000	—	50,000		1/24/2016	N/A	(13)	—	—
Revolving Credit Facility	75,000	—	75,000		2/11/2017	(2)	N/A (14)	N/A (14)	N/A (14)
Mortgage Loan Financing	544,663	544,663	—	4.25% - 6.75%	2018 - 2025	N/A	(15)	711,090	788,369
Borrowings from the FHLB	2,237,113	1,856,700	380,413	0.28% - 2.74%	2016 - 2024	N/A	(13)	2,317,534	2,323,765
Senior Unsecured Notes	619,555	612,605 (16)	—	5.875% - 7.375%	2017 -2021	N/A	N/A (17)	N/A (17)	N/A (17)
Total Debt Obligations	**$ 5,311,331**	**$ 4,274,723**	**$ 1,424,377**					**$4,782,362**	**$4,940,696**

(1) December 31, 2015 LIBOR rates are used to calculate interest rates for floating rate debt.
(2) Two additional 12-month periods at Company's option.
(3) First mortgage commercial real estate loans. It does not include the real estate collateralizing such loans.
(4) Two additional 364-day periods at Company's option.
(5) First mortgage and mezzanine commercial real estate loans. It does not include the real estate collateralizing such loans.
(6) Includes $36.5 million of loans made to consolidated subsidiaries.
(7) Includes $28.2 million of loans made to consolidated subsidiaries.
(8) Two 6-month extension periods.
(9) First mortgage commercial real estate loans held for sale. It does not include the real estate collateralizing such loans.
(10) Includes $0.8 million of loans made to consolidated subsidiaries.
(11) Investment grade commercial real estate securities. It does not include the real estate collateralizing such securities.
(12) Represents uncommitted securities repurchase facilities for which there is no committed amount subject to future advances.
(13) First mortgage and mezzanine commercial real estate loans and investment grade commercial real estate securities. It does not include the real estate collateralizing such loans and securities.
(14) The obligations under the Revolving Credit Facility are guaranteed by the Company and certain of its subsidiaries and secured by equity pledges in certain Company subsidiaries.
(15) Using undepreciated carrying value of commercial real estate to approximate fair value.
(16) Presented net of unamortized debt issuance costs of $6.9 million at December 31, 2015.
(17) The obligations under the senior unsecured notes are guaranteed by the Company and certain of its subsidiaries.

Committed Loan and Securities Repurchase Facilities

The Company has entered into multiple committed master repurchase agreements in order to finance its lending activities. The Company has entered into five committed master repurchase agreements, as outlined in the December 31, 2016 table above, totaling $1.7 billion of credit capacity. Assets pledged as collateral under these facilities are limited to whole mortgage loans or participation interests in mortgage loans collateralized by first liens on commercial properties and mezzanine debt. The Company also has a term master repurchase agreement with a major U.S. bank to finance CMBS totaling $400.0 million. The Company's repurchase facilities include covenants covering net worth requirements, minimum liquidity levels, and maximum leverage ratios. The Company believes it was in compliance with all covenants as of December 31, 2016 and 2015.

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

On February 19, 2015, the Company executed an amendment and extension of one of its credit facilities with a major banking institution, providing for, among other things, extending the maximum term of the facility to May 24, 2018, limiting the recourse exposure to the Company and modifying the pricing terms of the facility.

On April 10, 2015, the Company executed an amendment and extension of one of its credit facilities with a major banking institution, providing for, among other things, the extension of the maximum term of the facility to April 10, 2019 and increasing the maximum funding capacity of the facility to $400.0 million.

On August 14, 2015, the Company executed an amendment of one of its credit facilities with a major banking institution, providing for, among other things, an increase in the maximum funding capacity to $600.0 million.

On October 25, 2015, the Company entered into a committed loan repurchase facility with a major banking institution with total capacity of $35.0 million and an initial maturity date of October 24, 2016, with two six-month extension periods.

On December 15, 2015, the Company executed an amendment of one of its credit facilities with a major banking institution, providing for, among other thing, changes to our financial covenants and an increase in the maximum advance rate on certain assets, subject to the buyer's discretion.

On April 19, 2016, the Company entered into an amendment to its committed loan repurchase facility with one of its multiple major banking institutions, adding two one-year extension options and extending the maximum term of such facility to May 24, 2020.

On May 26, 2016, the Company entered into an amendment to its committed repurchase facility with a major banking institution to memorialize the replacement of the servicer under such facility.

On June 27, 2016, the Company executed an amendment and extension of one of its credit facilities with a major banking institution, with an effective date of July 1, 2016, providing for, among other things, the extension of the maximum term of the facility to July 1, 2018 and increasing the maximum funding capacity to $400.0 million.

On June 28, 2016, the Company entered into a committed loan repurchase facility with a major banking institution with total capacity of $100.0 million and a final maturity date of June 28, 2019.

On August 3, 2016, the Company executed a committed loan repurchase facility with a major banking institution with total capacity of $100.0 million and an initial maturity date of August 2, 2019, with one twelve-month extension period, followed by two six-month extension periods. In connection with the execution of this new facility, the Company terminated its existing committed loan repurchase facility with total capacity of $35.0 million.

On November 9, 2016, the Company entered into an amendment to its committed repurchase facility with a major banking institution to, among other things, extend the initial term to October 30, 2018 and add three (3) additional one year extension options to the term thereof, provided that the Company will not be permitted to obtain advances under such facility after October 30, 2018, or if the lender thereunder consents, October 30, 2019.

As of December 31, 2016, we had repurchase agreements with nine counterparties, with total debt obligations outstanding of $1.1 billion. As of December 31, 2016, three counterparties, Deutsche Bank, J.P. Morgan and Wells Fargo, held collateral that exceeded the amounts borrowed under the related repurchase agreements by more than $75.5 million, or 5% of our total equity. As of December 31, 2016, the weighted average haircut, or the percent of collateral value in excess of the loan amount, under our repurchase agreements was 31.1%. There have been no significant fluctuations in haircuts across asset classes on our repurchase facilities.

Borrowings under Credit Agreement

On January 24, 2013, the Company entered into a $50.0 million credit agreement with one of its multiple committed financing counterparties in order to finance its securities and lending activities (the “Credit Agreement”). LCFH is subject to customary affirmative covenants and negative covenants, including limitations on the assumption or incurrence of additional liens or debt, restrictions on certain payments or transfers of assets, and restrictions on the amendment of contracts or documents related to the assets under pledge. Under the Credit Agreement, LCFH is subject to customary financial covenants relating to maximum leverage, minimum tangible net worth, and minimum liquidity consistent with our other credit facilities. The Company’s ability to borrow under the Credit Agreement is dependent on, among other things, LCFH’s compliance with the financial covenants. The Company believed it was in compliance with all covenants as of December 31, 2015. The Credit Agreement matured on June 23, 2016 with no further extension options.

Revolving Credit Facility

On February 11, 2014, the Company entered into a revolving credit facility (the “Revolving Credit Facility”), which was subsequently amended on February 26, 2016 to increase its maximum funding capacity. The Revolving Credit Facility provides for an aggregate maximum borrowing amount of $143.0 million, including a $25.0 million sublimit for the issuance of letters of credit. The Revolving Credit Facility is available on a revolving basis to finance the Company’s working capital needs and for general corporate purposes. The Revolving Credit Facility has a three-year maturity, which may be extended by two 12-month periods subject to the satisfaction of customary conditions, including the absence of default. Interest on the Revolving Credit Facility is one-month LIBOR plus 3.50% per annum payable monthly in arrears.

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

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

Debt Issuance Costs

As discussed in Note 2, Significant Accounting Policies in this Annual Report, the Company considers its committed loan master repurchase facilities, borrowings under the Credit Agreement and Revolving Credit Facility to be revolving debt arrangements. As such, the Company continues to defer and present costs associated with these facilities as an asset, subsequently amortizing those costs ratably over the term of each revolving debt arrangement. As of December 31, 2016, 2015 and 2014, the amount of unamortized costs relating to such facilities are $4.9 million, $3.4 million and $4.0 million, respectively, and are included in other assets in the combined consolidated balance sheets.

Uncommitted Securities Repurchase Facilities

The Company has also entered into multiple master repurchase agreements with several counterparties collateralized by real estate securities. The borrowings under these agreements have typical advance rates between 70% and 95% of the fair value of collateral.

Mortgage Loan Financing

During the years ended December 31, 2016, 2015 and 2014, the Company executed 18, 36 and 5 term debt agreements, respectively, to finance properties in its real estate portfolio. These nonrecourse debt agreements provide for fixed rate financing at rates, ranging from 4.25% to 6.75%, maturing between 2018 - 2026 as of December 31, 2016. These loans have carrying amounts of $590.1 million, $544.7 million and $447.4 million, net of unamortized premiums of $5.6 million, $6.1 million and $5.3 million at December 31, 2016, 2015 and 2014, respectively, representing proceeds received upon financing greater than the contractual amounts due under these agreements. The premiums are being amortized over the remaining life of the respective debt instruments using the effective interest method. The Company recorded $0.9 million, $0.9 million and $0.6 million of premium amortization, which decreased interest expense, for the years ended December 31, 2016, 2015 and 2014, respectively. The loans are collateralized by real estate and related lease intangibles, net, of $757.5 million and $711.1 million as of December 31, 2016 and 2015, respectively.

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

On July 11, 2012, Tuebor Captive Insurance Company LLC ("Tuebor"), a consolidated subsidiary of the Company, became a member of the FHLB and subsequently drew its first secured funding advances from the FHLB. On March 21, 2016, Tuebor's advance limit was updated to the lowest of $2.9 billion, 40% of Tuebor's total assets or 150% of the Company's total equity.

As of December 31, 2016, Tuebor had $1.7 billion of borrowings outstanding (with an additional $338.9 million of committed term financing available from the FHLB), with terms of overnight to seven years (with a weighted average of 2.4 years), interest rates of 0.43% to 2.74% (with a weighted average of 1.12%), and advance rates of 49.6% to 95.2% of the collateral. As of December 31, 2016, collateral for the borrowings was comprised of $1.4 billion of CMBS and U.S. Agency Securities and $724.0 million of first mortgage commercial real estate loans.

As of December 31, 2015, Tuebor had $1.9 billion of borrowings outstanding (with an additional $380.4 million of committed term financing available from the FHLB), with terms of overnight to eight years (with a weighted average of 1.4 years), interest rates of 0.28% to 2.74% (with a weighted average of 0.84%), and advance rates of 58.7% to 95.2% of the collateral. As of December 31, 2015, collateral for the borrowings was comprised of $1.7 billion of CMBS and U.S. Agency Securities and $568.2 million of first mortgage commercial real estate loans.

Tuebor is subject to state regulations which require that dividends (including dividends to the Company as its parent) may only be made with regulatory approval. However, there can be no assurance that we would obtain such approval if sought. Largely as a result of this restriction, approximately $349.9 million of the member's capital was restricted from transfer to Tuebor's parent without prior approval of state insurance regulators at December 31, 2016.

Effective February 19, 2016, the Federal Housing Finance Agency (the "FHFA"), regulator of the FHLB, adopted a final rule amending its regulation regarding the eligibility of captive insurance companies for FHLB membership. According to the final rule, Ladder's captive insurance company subsidiary, Tuebor may remain as a member of the FHLB through February 19, 2021 (the "Transition Period"). During the Transition Period, Tuebor is eligible to continue to draw new additional advances, extend the maturities of existing advances, and pay off outstanding advances on the same terms as non-captive insurance company FHLB members with the following two exceptions:

1. New advances (including any existing advances that are extended during the Transition Period) will have maturity dates on or before February 19, 2021; and
2. The FHLB will make new advances to Tuebor subject to a requirement that Tuebor's total outstanding advances do not exceed 40% of Tuebor's total assets.

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

FHLB advances amounted to 42.1% of the Company's outstanding debt obligations as of December 31, 2016. The Company does not anticipate that the FHFA's final regulation will materially impact its operations as it will continue to access FHLB advances during the five-year Transition Period.

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

Senior Unsecured Notes

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

On December 17, 2014, the Company retired $5.4 million of principal of the 2017 Notes for a repurchase price of $5.6 million recognizing a $0.2 million loss on extinguishment of debt. During the year ended December 31, 2106, the Company retired $21.9 million of principal of the 2017 Notes for a repurchase price of $21.4 million, recognizing a $0.3 million net gain on extinguishment of debt after recognizing $(0.2) million of unamortized debt issuance costs associated with the retired debt. The remaining $297.7 million in aggregate principal amount of the 2017 Notes is due October 2, 2017.

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

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

LCFH issued the 2021 Notes and the 2017 Notes (collectively, the "Notes") with Ladder Capital Finance Corporation ("LCFC"), as co-issuers on a joint and several basis. LCFC is a 100% owned finance subsidiary of Series TRS of LCFH with no assets, operations, revenues or cash flows other than those related to the issuance, administration and repayment of the Notes. The Company and certain subsidiaries of LCFH currently guarantee the obligations under the Notes and the indenture. The Company is the general partner of LCFH and, through LCFH and its subsidiaries, operates the Ladder Capital business. As of December 31, 2016, the Company has a 65.3% economic and voting interest in LCFH and controls the management of LCFH as a result of its ability to appoint board members. Accordingly, the Company consolidates the financial results of LCFH and records noncontrolling interest for the economic interest in LCFH held by the Continuing LCFH Limited Partners. In addition, the Company, through certain subsidiaries which are treated as TRSs, is indirectly subject to U.S. federal, state and local income taxes. Other than the noncontrolling interest in the Operating Partnership and federal, state and local income taxes, there are no material differences between the Company's combined consolidated financial statements and LCFH's consolidated financial statements.

In April 2015, FASB issued ASU 2015-03, which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Beginning April 1, 2015, the Company elected to early adopt ASU 2015-03 and appropriately retrospectively applied the guidance to its senior unsecured notes, to all periods presented. Unamortized debt issuance costs of $4.0 million and $6.9 million are included in senior unsecured notes as of December 31, 2016 and 2015, respectively.

Combined Maturity of Debt Obligations

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

Period ending December 31,		Borrowings by Maturity (1)
2017	$	1,759,701
2018		734,469
2019		79,770
2020		113,802
2021		337,441
Thereafter		915,409
Subtotal	**$**	**3,940,592**
Debt issuance costs included in senior unsecured notes		(4,025)
Premiums included in mortgage loan financing		5,571
Total		**3,942,138**

(1) Contractual payments under current maturities, some of which are subject to extensions. The maturities listed above for 2017 include $1.5 billion relating to debt obligations that are subject to existing Company controlled extension options for one or more additional one-year periods or could be refinanced by other existing facilities as of December 31, 2016.

The Company is currently evaluating plans to address the $291.5 million of 2017 Notes. The Company may utilize a combination of the existing corporate cash balances it maintains at banks and a mix of (1) draws on our revolving credit facility; (2) net proceeds from the sales of securities that can be converted to cash; (3) proceeds from potential capital markets transactions off of our existing shelf or in private transactions (e.g., corporate note obligations, equity, other instruments); (4) draws against repurchase facilities that hold eligible collateral with available capacity for additional draws; (5) proceeds from mortgage borrowings secured by our currently unencumbered real estate assets; and (6) other sources including cash flows from normal operations. Accordingly, management believes the Company has the ability to meet these contractual obligations as they come due.

The Company's debt facilities are subject to covenants which require the Company to maintain a minimum level of total equity. Largely as a result of this restriction, approximately $899.4 million of the total equity is restricted from payment as a dividend by the Company at December 31, 2016.

8. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Fair Value Summary Table

The carrying values and estimated fair values of the Company's financial instruments, which are both reported at fair value on a recurring basis (as indicated) or amortized cost/par, at December 31, 2016 and 2015 are as follows ($ in thousands):

December 31, 2016

					Weighted Average	
	Outstanding Face Amount	Amortized Cost Basis	Fair Value	Fair Value Method	Yield %	Remaining Maturity/ Duration (years)
Assets:						
CMBS(1)	$ 1,676,680	$ 1,698,276	$ 1,701,395	Internal model, third-party inputs	2.81%	3.55
CMBS interest-only(1)	8,160,458 (2)	343,534	342,171	Internal model, third-party inputs	3.45%	2.99
GNMA interest-only(3)	478,577 (2)	18,994	16,821	Internal model, third-party inputs	4.19%	4.44
Agency securities(1)	774	802	780	Internal model, third-party inputs	1.29%	3.27
GNMA permanent securities(1)	38,327	39,145	39,780	Internal model, third-party inputs	3.80%	10.30
Mortgage loan receivables held for investment, at amortized cost	2,011,309	1,996,095	2,014,973	Discounted Cash Flow(4)	7.17%	1.66
Mortgage loan receivables held for sale	360,518	357,882	359,897	Internal model, third-party inputs (5)	4.20%	4.55
FHLB stock(6)	77,915	77,915	77,915	(6)	4.25%	N/A
Nonhedge derivatives(1)(7)	847,000	N/A	5,018	Counterparty quotations	N/A	0.25
Liabilities:						
Repurchase agreements - short-term	629,430	629,430	629,430	Discounted Cash Flow(8)	2.10%	0.18
Repurchase agreements - long-term	477,756	477,756	477,756	Discounted Cash Flow(9)	2.00%	1.70
Revolving credit facility	25,000	25,000	25,000	Discounted Cash Flow(10)	3.16%	0.12
Mortgage loan financing	589,152	590,106	595,778	Discounted Cash Flow(9)	4.85%	7.15
Borrowings from the FHLB	1,660,000	1,660,000	1,662,178	Discounted Cash Flow	1.12%	2.42
Senior unsecured notes	563,872	559,847	550,562	Broker quotations, pricing services	6.67%	2.81
Nonhedge derivatives(1)(7)	100,400	N/A	3,446	Counterparty quotations	N/A	3.21

(1) Measured at fair value on a recurring basis with the net unrealized gains or losses recorded as a component of other comprehensive income (loss) in equity.
(2) Represents notional outstanding balance of underlying collateral.
(3) Measured at fair value on a recurring basis with the net unrealized gains or losses recorded in current period earnings.
(4) Fair value for floating rate mortgage loan receivables, held for investment is estimated to approximate the outstanding face amount given the short interest rate reset risk (30 days) and no significant change in credit risk. Fair value for fixed rate mortgage loan receivables, held for investment is measured using a hypothetical securitization model utilizing market data from recent securitization spreads and pricing.
(5) Fair value for mortgage loan receivables, held for sale is measured using a hypothetical securitization model utilizing market data from recent securitization spreads and pricing.
(6) Fair value of the FHLB stock approximates outstanding face amount as the Company's captive insurance subsidiary is restricted from trading the stock and can only put the stock back to the FHLB, at the FHLB's discretion, at par.
(7) The outstanding face amount of the nonhedge derivatives represents the notional amount of the underlying contracts.
(8) Fair value for repurchase agreement liabilities is estimated to approximate carrying amount primarily due to the short interest rate reset risk (30 days) of the financings and the high credit quality of the assets collateralizing these positions. If the collateral is determined to be impaired, the related financing would be revalued accordingly. There are no impairments on any positions.
(9) For repurchase agreements - long term and mortgage loan financing, the carrying value approximates the fair value discounting the expected cash flows at current market rates. If the collateral is determined to be impaired, the related financing would be revalued accordingly. There are no impairments on any positions.
(10) Fair value for borrowings under the revolving credit facility is estimated to approximate carrying amount primarily due to the short interest rate reset risk (30 days) of the financings and the high credit quality of the assets collateralizing these positions.

December 31, 2015

	Outstanding Face Amount		Amortized Cost Basis	Fair Value	Fair Value Method	Weighted Average Yield %	Weighted Average Remaining Maturity/ Duration (years)
Assets:							
CMBS(1)	$ 1,972,492		$ 1,994,928	$ 1,991,506	Internal model, third-party inputs	2.59%	3.15
CMBS interest-only(1)	7,436,379	(2)	348,222	344,423	Internal model, third-party inputs	3.81%	3.34
GNMA interest-only(3)	632,175	(2)	28,311	26,194	Internal model, third-party inputs	4.26%	5.22
GNMA construction securities(1)	27,091		27,581	28,639	Internal model, third-party inputs	3.86%	9.33
GNMA permanent securities(1)	16,249		16,685	16,455	Internal model, third-party inputs	3.94%	5.43
Mortgage loan receivables held for investment, at amortized cost	1,749,556		1,738,645	1,756,774	Discounted Cash Flow(4)	7.56%	1.38
Mortgage loan receivables held for sale	571,638		571,764	582,277	Internal model, third-party inputs (5)	4.56%	6.20
FHLB stock(6)	77,915		77,915	77,915	(6)	3.50%	N/A
Nonhedge derivatives(1)(7)	868,700		N/A	2,821	Counterparty quotations	N/A	0.69
Liabilities:							
Repurchase agreements - short-term	1,224,942		1,224,942	1,224,942	Discounted Cash Flow(8)	1.67%	0.43
Repurchase agreements - long-term	35,813		35,813	35,813	Discounted Cash Flow(9)	1.87%	1.40
Mortgage loan financing	540,764		544,663	557,841	Discounted Cash Flow(9)	4.86%	7.93
Borrowings from the FHLB	1,856,700		1,856,700	1,861,584	Discounted Cash Flow	0.84%	1.42
Senior unsecured notes	619,555		612,605	591,357	Broker quotations, pricing services	6.65%	3.61
Nonhedge derivatives(1)(7)	374,200		N/A	5,504	Counterparty quotations	N/A	3.42

(1) Measured at fair value on a recurring basis with the net unrealized gains or losses recorded as a component of other comprehensive income (loss) in equity.
(2) Represents notional outstanding balance of underlying collateral.
(3) Measured at fair value on a recurring basis with the net unrealized gains or losses recorded in current period earnings.
(4) Fair value for floating rate mortgage loan receivables, held for investment is estimated to approximate the outstanding face amount given the short interest rate reset risk (30 days) and no significant change in credit risk. Fair value for fixed rate mortgage loan receivables, held for investment is measured using a hypothetical securitization model utilizing market data from recent securitization spreads and pricing.
(5) Fair value for mortgage loan receivables, held for sale is measured using a hypothetical securitization model utilizing market data from recent securitization spreads and pricing.
(6) Fair value of the FHLB stock approximates outstanding face amount as the Company's captive insurance subsidiary is restricted from trading the stock and can only put the stock back to the FHLB, at the FHLB's discretion, at par.
(7) The outstanding face amount of the nonhedge derivatives represents the notional amount of the underlying contracts.
(8) Fair value for repurchase agreement liabilities is estimated to approximate carrying amount primarily due to the short interest rate reset risk (30 days) of the financings and the high credit quality of the assets collateralizing these positions. If the collateral is determined to be impaired, the related financing would be revalued accordingly. There are no impairments on any positions.
(9) For the mortgage loan financing, the carrying value approximates the fair value discounting the expected cash flows at current market rates. If the collateral is determined to be impaired, the related financing would be revalued accordingly. There are no impairments on any positions.

The following table summarizes the Company's financial assets and liabilities, which are both reported at fair value on a recurring basis (as indicated) or amortized cost/par, at December 31, 2016 and 2015 ($ in thousands):

December 31, 2016

Financial Instruments Reported at Fair Value on Combined Consolidated Statements of Financial Condition	Outstanding Face Amount		Fair Value			
			Level 1	Level 2	Level 3	Total
Assets:						
CMBS(1)	$ 1,676,680		$ —	$ —	$ 1,701,395	$ 1,701,395
CMBS interest-only(1)	8,160,458	(2)	—	—	342,171	342,171
GNMA interest-only(3)	478,577	(2)	—	—	16,821	16,821
Agency securities(1)	774		—	—	780	780
GNMA permanent securities(1)	38,327		—	—	39,780	39,780
Nonhedge derivatives(4)	847,000		—	5,018	—	5,018
			$ —	$ 5,018	$ 2,100,947	$ 2,105,965
Liabilities:						
Nonhedge derivatives(4)	100,400		$ —	$ 3,446	$ —	$ 3,446

Financial Instruments Not Reported at Fair Value on Combined Consolidated Statements of Financial Condition	Outstanding Face Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Assets:					
Mortgage loan receivable held for investment	$ 2,011,309	$ —	$ —	$ 2,014,973	$ 2,014,973
Mortgage loan receivable held for sale	360,518	—	—	359,897	359,897
FHLB stock	77,915	—	—	77,915	77,915
		$ —	$ —	$ 2,452,785	$ 2,452,785
Liabilities:					
Repurchase agreements - short-term	629,430	$ —	$ —	$ 629,430	$ 629,430
Repurchase agreements - long-term	477,756	—	—	477,756	477,756
Revolving credit facility	25,000	—	—	25,000	25,000
Mortgage loan financing	589,152	—	—	595,778	595,778
Borrowings from the FHLB	1,660,000	—	—	1,662,178	1,662,178
Senior unsecured notes	563,872	—	—	550,562	550,562
		$ —	$ —	$ 3,940,704	$ 3,940,704

(1) Measured at fair value on a recurring basis with the net unrealized gains or losses recorded as a component of other comprehensive income (loss) in equity.
(2) Represents notional outstanding balance of underlying collateral.
(3) Measured at fair value on a recurring basis with the net unrealized gains or losses recorded in current period earnings.
(4) Measured at fair value on a recurring basis with the net unrealized gains or losses recorded in current period earnings. The outstanding face amount of the nonhedge derivatives represents the notional amount of the underlying contracts.

December 31, 2015

Financial Instruments Reported at Fair Value on Combined Consolidated Statements of Financial Condition	Outstanding Face Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Assets:					
CMBS(1)	$ 1,972,492	$ —	$ —	$ 1,991,506	$ 1,991,506
CMBS interest-only(1)	7,436,379 (3)	—	—	344,423	344,423
GNMA interest-only(2)	632,175 (3)	—	—	26,194	26,194
GNMA construction securities(1)	27,091	—	—	28,639	28,639
GNMA permanent securities(1)	16,249	—	—	16,455	16,455
Nonhedge derivatives(4)	868,700	—	2,821	—	2,821
		$ —	$ 2,821	$ 2,407,217	$ 2,410,038
Liabilities:					
Nonhedge derivatives(4)	374,200	—	5,504	—	5,504

Financial Instruments Not Reported at Fair Value on Combined Consolidated Statements of Financial Condition	Outstanding Face Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Assets:					
Mortgage loan receivable held for investment	1,749,556	—	—	1,756,774	1,756,774
Mortgage loan receivable held for sale	571,638	—	—	582,277	582,277
FHLB stock	77,915	—	—	77,915	77,915
		$ —	$ —	$ 2,416,966	$ 2,416,966
Liabilities:					
Repurchase agreements - short-term	1,224,942	—		1,224,942	1,224,942
Repurchase agreements - long-term	35,813	—	—	35,813	35,813
Mortgage loan financing	540,764	—	—	557,841	557,841
Borrowings from the FHLB	1,856,700	—	—	1,861,584	1,861,584
Senior unsecured notes	619,555	—	—	591,357	591,357
		$ —	$ —	$ 4,271,537	$ 4,271,537

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

(2) Represents notional outstanding balance of underlying collateral.

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

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

The following table summarizes changes in Level 3 financial instruments reported at fair value on the combined consolidated statements of financial condition for the years ended December 31, 2016 and 2015 ($ in thousands):

Level 3	2016	2015
Balance at January 1,	**$ 2,407,217**	**$ 2,683,745**
Transfer from level 2	—	86,576
Purchases	977,456	720,010
Sales	(539,295)	(839,868)
Paydowns/maturities	(684,143)	(160,612)
Amortization of premium/discount	(76,475)	(70,763)
Unrealized gain/(loss)	8,463	(36,610)
Realized gain/(loss) on sale	7,724	24,739
Balance at December 31,	**$ 2,100,947**	**$ 2,407,217**

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

December 31, 2016

Financial Instrument	Carrying Value		Valuation Technique	Unobservable Input	Minimum	Weighted Average	Maximum
CMBS (1)	$ 1,701,395		Discounted cash flow	Yield (4)	1.35%	2.87%	9.18%
				Duration (years)(5)	0.04	3.55	9.01
CMBS interest-only (1)	342,171	(2)	Discounted cash flow	Yield (4)	2.84%	4.04%	4.8%
				Duration (years)(5)	0.00	2.99	4.37
				Prepayment speed (CPY)(5)	100.00	100.00	100.00
GNMA interest-only (3)	16,821	(2)	Discounted cash flow	Yield (4)	0.87%	7.22%	48.64%
				Duration (years)(5)	1.69	4.44	20.66
				Prepayment speed (CPJ)(5)	5.00	13.80	35.00
Agency securities (1)	780		Discounted cash flow	Yield (4)	1.4%	2.17%	2.63%
				Duration (years)(5)	2.61	3.27	4.39
GNMA permanent securities (1)	39,780		Discounted cash flow	Yield (4)	2.63%	3.65%	6.92%
				Duration (years)(5)	1.92	10.30	15.66
Total	**$ 2,100,947**						

(1) CMBS, CMBS interest-only securities, Agency securities, GNMA construction securities, and GNMA permanent securities are classified as available-for-sale and reported at fair value with changes in fair value recorded in the current period in other comprehensive income.
(2) Agency interest-only securities are recorded at fair value with changes in fair value recorded in current period earnings.
(3) The amounts presented represent the principal amount of the mortgage loans outstanding in the pool in which the interest-only securities participate.

Sensitivity of the Fair Value to Changes in the Unobservable Inputs

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

December 31, 2015

Financial Instrument	Carrying Value		Valuation Technique	Unobservable Input	Minimum	Weighted Average	Maximum
CMBS (1)	$ 1,991,506		Discounted cash flow	Yield (3)	—%	2.19%	9.21%
				Duration (years)(4)	0.00	4.06	7.91
CMBS interest-only (1)	344,423	(2)	Discounted cash flow	Yield (3)	0.09%	4.13%	4.51%
				Duration (years)(4)	1.90	3.30	4.24
				Prepayment speed (CPY)(4)	100.00	100.00	100.00
GNMA interest-only (3)	26,194	(2)	Discounted cash flow	Yield (4)	—%	9.21%	10%
				Duration (years)(5)	0.32	2.41	5.18
				Prepayment speed (CPJ)(5)	5.00	14.57	35.00
Agency securities (1)	28,639		Discounted cash flow	Yield (4)	0.58%	3.47%	3.51%
				Duration (years)(5)	0.00	10.34	10.48
GNMA permanent securities (1)	16,455		Discounted cash flow	Yield (4)	—%	3.25%	6.62%
				Duration (years)(5)	1.66	5.72	7.21
Total	**$ 2,407,217**						

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

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

Sensitivity of the Fair Value to Changes in the Unobservable Inputs

(3) Significant increase (decrease) in the unobservable input in isolation would result in significantly lower (higher) fair value measurement.

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

9. DERIVATIVE INSTRUMENTS

The Company uses derivative instruments primarily to economically manage the fair value variability of fixed rate assets caused by interest rate fluctuations and overall portfolio market risk. The following is a breakdown of the derivatives outstanding as of December 31, 2016 and 2015 ($ in thousands):

December 31, 2016

Contract Type	Notional	Fair Value		Remaining Maturity (years)
		Asset(1)	Liability(1)	
Futures				
5-year Swap	$ 602,200	$ 3,210	$ 2	0.25
10-year Swap	226,700	1,674	266	0.25
5-year U.S. Treasury Note	21,800	93	—	0.25
10-year U.S. Treasury Note Ultra	3,200	38	—	0.25
Total futures	**853,900**	**5,015**	**268**	
Swaps				
3 Month LIBOR(2)	**50,000**	**—**	**2,697**	3.72
Credit derivatives				
CMBX	10,000	3	—	5.08
CDX	33,500	—	481	1.97
Total credit derivatives	**43,500**	**3**	**481**	
Total derivatives	**$ 947,400**	**$ 5,018**	**$ 3,446**	

(1) Shown as derivative instruments, at fair value, in the accompanying combined consolidated balance sheets.
(2) The Company is paying fixed interest rates on these swaps.

December 31, 2015

Contract Type	Notional	Fair Value		Remaining Maturity (years)
		Asset(1)	Liability(1)	
Futures				
5-year Swap	670,100	2,122	—	0.25
10-year Swap	477,900	463	1,451	0.25
5-year U.S. Treasury Note	800	3	—	0.25
10-year U.S. Treasury Note	600	3	—	0.25
Total futures	**1,149,400**	**2,591**	**1,451**	
Swaps				
3 Month LIBOR(2)	**50,000**	**—**	**3,686**	**4.72**
Credit Derivatives				
CMBX	10,000	230	—	5.59
CDX	33,500	—	367	2.92
Total credit derivatives	**43,500**	**230**	**367**	
Total derivatives	**$ 1,242,900**	**$ 2,821**	**$ 5,504**	

(1) Shown as derivative instruments, at fair value, in the accompanying combined consolidated balance sheets.
(2) The Company is paying fixed interest rates on these swaps.

The following table indicates the net realized gains (losses) and unrealized appreciation (depreciation) on derivatives, by primary underlying risk exposure, as included in net result from derivatives transactions in the combined consolidated statements of operations for the years ended December 31, 2016, 2015 and 2014($ in thousands):

	Year Ended December 31, 2016		
	Unrealized Gain/(Loss)	Realized Gain/(Loss)	Net Result from Derivative Transactions
Contract Type			
Futures	$ 3,608	$ (3,954)	$ (346)
Swaps	956	(1,264)	(308)
Credit Derivatives	(340)	(415)	(755)
Total	**$ 4,224**	**$ (5,633)**	**$ (1,409)**

	Year Ended December 31, 2015		
	Unrealized Gain/(Loss)	Realized Gain/(Loss)	Net Result from Derivative Transactions
Contract Type			
Futures	$ 9,214	$ (46,816)	$ (37,602)
Swaps	661	(1,992)	(1,331)
Credit Derivatives	307	(311)	(4)
Total	**$ 10,182**	**$ (49,119)**	**$ (38,937)**

	Year Ended December 31, 2014		
	Unrealized Gain/(Loss)	Realized Gain/(Loss)	Net Result from Derivative Transactions
Contract Type			
Caps	$ —	$ (7)	$ (7)
Futures	$ (16,065)	$ (74,946)	$ (91,011)
Swaps	1,780	(5,161)	(3,381)
Credit Derivatives	(86)	(313)	(399)
Total	**$ (14,371)**	**$ (80,427)**	**$ (94,798)**

The Company's counterparties held $11.3 million and $18.9 million of cash margin as collateral for derivatives as of December 31, 2016 and 2015, respectively, which is included in cash collateral held by broker in the combined consolidated balance sheets.

Credit Risk-Related Contingent Features

The Company has agreements with certain of its derivative counterparties that contain a provision whereby, if the Company defaults on certain of its indebtedness, the Company could also be declared in default on its derivatives, resulting in an acceleration of payment under the derivatives. As of December 31, 2016 and 2015, the Company was in compliance with these requirements and not in default on its indebtedness. As of December 31, 2016 and 2015, there was $6.2 million and $5.9 million of cash collateral held by the derivative counterparties for these derivatives, respectively, included in cash collateral held by brokers in the combined consolidated statements of financial condition. No additional cash would be required to be posted if the acceleration of payment under the derivatives was triggered.

10. OFFSETTING ASSETS AND LIABILITIES

The following tables present both gross information and net information about derivatives and other instruments eligible for offset in the statement of financial position as of December 31, 2016 and 2015. The Company's accounting policy is to record derivative asset and liability positions on a gross basis, therefore, the following tables present the gross derivative asset and liability positions recorded on the balance sheets, while also disclosing the eligible amounts of financial instruments and cash collateral to the extent those amounts could offset the gross amount of derivative asset and liability positions. The actual amounts of collateral posted by or received from counterparties may be in excess than the amounts disclosed in the following tables as the following only disclose amounts eligible to be offset to the extent of the recorded gross derivative positions.

As of December 31, 2016
Offsetting of Financial Assets and Derivative Assets
($ in thousands)

Description	Gross amounts of recognized assets	Gross amounts offset in the balance sheet	Net amounts of assets presented in the balance sheet	Gross amounts not offset in the balance sheet		Net amount
				Financial instruments	Cash collateral received/(posted)(1)	
Derivatives	$ 5,018	$ —	$ 5,018	$ —	$ —	$ 5,018
Total	**$ 5,018**	**$ —**	**$ 5,018**	**$ —**	**$ —**	**$ 5,018**

(1) Included in cash collateral held by broker on combined consolidated balance sheets.

As of December 31, 2016
Offsetting of Financial Liabilities and Derivative Liabilities
($ in thousands)

Description	Gross amounts of recognized liabilities	Gross amounts offset in the balance sheet	Net amounts of liabilities presented in the balance sheet	Gross amounts not offset in the balance sheet		Net amount
				Financial instruments collateral	Cash collateral posted/(received)(1)	
Derivatives	$ 3,446	$ —	$ 3,446	$ —	$ 3,446	—
Repurchase agreements	1,107,185	—	1,107,185	1,107,185	—	—
Total	**$ 1,110,631**	**$ —**	**$ 1,110,631**	**$ 1,107,185**	**$ 3,446**	**$ —**

(1) Included in cash collateral held by broker on combined consolidated balance sheets.

As of December 31, 2015
Offsetting of Financial Assets and Derivative Assets
($ in thousands)

Description	Gross amounts of recognized assets	Gross amounts offset in the balance sheet	Net amounts of assets presented in the balance sheet	Gross amounts not offset in the balance sheet		Net amount
				Financial instruments	Cash collateral received/(posted)(1)	
Derivatives	$ 2,821	$ —	$ 2,821	$ —	$ —	$ 2,821
Total	**$ 2,821**	**$ —**	**$ 2,821**	**$ —**	**$ —**	**$ 2,821**

(1) Included in cash collateral held by broker on combined consolidated balance sheets.

As of December 31, 2015
Offsetting of Financial Liabilities and Derivative Liabilities
($ in thousands)

Description	Gross amounts of recognized liabilities	Gross amounts offset in the balance sheet	Net amounts of liabilities presented in the balance sheet	Gross amounts not offset in the balance sheet		Net amount
				Financial instruments collateral	Cash collateral posted/(received)(1)	
Derivatives	$ 5,504	$ —	$ 5,504	$ —	$ 5,504	$ —
Repurchase agreements	1,260,755	—	1,260,755	1,260,755	—	—
Total	**$ 1,266,259**	**$ —**	**$ 1,266,259**	**$ 1,260,755**	**$ 5,504**	**$ —**

(1) Included in cash collateral held by broker on combined consolidated balance sheets.

Master netting agreements that the Company has entered into with its derivative and repurchase agreement counterparties allow for netting of the same transaction, in the same currency, on the same date. Assets, liabilities, and collateral subject to master netting agreements as of December 31, 2016 and 2015 are disclosed in the tables above. The Company does not present its derivative and repurchase agreements net on the combined consolidated financial statements as it has elected gross presentation.

11. EQUITY STRUCTURE AND ACCOUNTS

A description of the IPO Transactions is included in Note 1. In addition, a description of the distribution policies of, and accounting for, the predecessor capital structure is included later in this Note.

Subsequent to the IPO Transactions, the Company has two classes of common stock, Class A and Class B, which are described as follows:

Class A Common Stock

Voting Rights

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

Dividend Rights

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

Liquidation Rights

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

Other Matters

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

Allocation of Income and Loss

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

Class B Common Stock

Voting Rights

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

No Dividend or Liquidation Rights

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

Exchange for Class A Common Stock

As part of the REIT Structuring Transactions described in Note 1, and pursuant to the Third Amended and Restated LLLP Agreement of LCFH, the Continuing LCFH Limited Partners may from time to time, subject to certain conditions, receive one share of the Company's Class A common stock in exchange for (i) one share of the Company's Class B common stock, (ii) one Series REIT LP Unit and (iii) either one Series TRS LP Unit or one TRS Share, subject to equitable adjustments for stock splits, stock dividends and reclassifications.

During the year ended December 31, 2016, 10,521,149 Series REIT LP Units and 10,521,149 Series TRS LP Units were collectively exchanged for 10,521,149 shares of Class A common stock and 10,521,149 shares of Class B common stock were canceled. We received no other consideration in connection with these exchanges.

Stock Repurchases

On October 30, 2014, the board of directors authorized the Company to repurchase up to $50.0 million of the Company's Class A common stock from time to time without further approval. Stock repurchases by the Company are generally made for cash in open market transactions at prevailing market prices but may also be made in privately negotiated transactions or otherwise. The timing and amount of purchases are determined based upon prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. During the year ended December 31, 2016, the Company repurchased 424,317 shares of Class A common stock at an average of $10.96 per share for a total aggregate purchase price of $4.7 million. During the year ended December 31, 2015, the Company repurchased 84,203 shares of Class A common stock at an average of $11.81 per share for a total aggregate purchase price of $1.0 million. All repurchased shares are recorded in treasury stock at cost. As of December 31, 2016, the Company has a remaining amount available for repurchase of $44.4 million, which represents 4.5% in the aggregate of its outstanding Class A common stock, based on the closing price of $13.72 per share on such date.

The following table is a summary of the Company's repurchase activity of its Class A common stock during the years ended December 31, 2016 and 2015 ($ in thousands):

	Shares	Amount(1)
Authorizations remaining as of December 31, 2015		$ 49,006
Additional authorizations		—
Repurchases paid	424,317	(4,653)
Repurchases unsettled		—
Authorizations remaining as of December 31, 2016		**$ 44,353**

(1) Amount excludes commissions paid associated with share repurchases.

	Shares	Amount(1)
Authorizations remaining as of December 31, 2014		$ 50,000
Additional authorizations		—
Repurchases paid	84,203	(994)
Repurchases unsettled		—
Authorizations remaining as of December 31, 2015		**$ 49,006**

(1) Amount excludes commissions paid associated with share repurchases.

Dividends

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

Consistent with the Company's Private Letter Ruling, it may, subject to a cash/stock election by its shareholders, pay a portion of its dividends in stock, to provide for meaningful capital retention; however, the REIT distribution requirements limit its ability to retain earnings and thereby replenish or increase capital for operations. The timing and amount of future distributions is based on a number of factors, including, among other things, the Company's future operations and earnings, capital requirements and surplus, general financial condition and contractual restrictions. All dividend declarations are subject to the approval of the Company's board of directors. Generally, the Company expects its distributions to be taxable as ordinary dividends to its shareholders, whether paid in cash or a combination of cash and common stock, and not as a tax-free return of capital or a capital gain. The Company believes that its significant capital resources and access to financing will provide the financial flexibility at levels sufficient to meet current and anticipated capital requirements, including funding new investment opportunities, paying distributions to its shareholders and servicing our debt obligations.

The following table presents dividends declared (on a per share basis) of Class A common stock for the years ended December 31, 2016 and 2015:

Declaration Date	Dividend per Share
March 1, 2016	$ 0.275
June 1, 2016	0.275
September 1, 2016	0.275
December 2, 2016	0.460
Total	**$ 1.285**
March 12, 2015	$ 0.250
June 8, 2015	0.250
September 1, 2015	0.275
December 1, 2015	1.450
Total	**$ 2.225**

The following table presents the tax treatment for our aggregate distributions per share of common stock paid for the years ended December 31, 2016 and 2015:

Record Date	Payment Date	Dividend per Share	Ordinary Dividends	Qualified Dividends	Capital Gain	Unrecaptured 1250 Gain
March 10, 2016	April 1, 2016	$ 0.275	$ 0.254	$ —	$ 0.021	$ —
June 13, 2016	July 1, 2016	0.275	0.254	—	0.021	—
September 12, 2016	October 3, 2016	0.275	0.254	—	0.021	—
December 27, 2016	January 24, 2017 (1)	0.401	0.370	—	0.031	—
Total		**$ 1.226**	**$ 1.132**	**$ —**	**$ 0.094**	**$ —**

(1) $0.401 of the $0.460 fourth quarter dividend paid on January 24, 2017 is considered a 2016 dividend for U.S. federal income tax purposes. $0.059 is considered a 2017 dividend for U.S. federal income tax purposes and will be reflected in 2017 tax reporting.

Record Date	Payment Date	Dividend per Share	Ordinary Dividends	Qualified Dividends (1)	Capital Gain	Unrecaptured 1250 Gain (2)
April 6, 2015	April 15, 2015	$ 0.250	$ 0.250	$ 0.250	$ —	$ —
June 15, 2015	July 1, 2015	0.250	0.250	0.250	—	—
September 10, 2015	October 1, 2015	0.275	0.275	0.275	—	—
December 10, 2015	January 21, 2016 (3)	1.450	1.306	0.156	0.144	0.020
Total		**$ 2.225**	**$ 2.081**	**$ 0.931**	**$ 0.144**	**$ 0.020**

(1) For 2015, Qualified Dividends represents the portion of total Ordinary Dividends which constitutes “qualified dividend income,” as defined by the Internal Revenue Code.
(2) For 2015, Unrecaptured 1250 Gain represents the portion of total Capital Gain which constitutes gain required to be taxed as “Unrecaptured Section 1250 Gain,” as defined by the Internal Revenue Code.
(3) The fourth quarter dividend paid on January 21, 2016 is considered a 2015 dividend for U.S. federal income tax purposes.

Stock Dividend and Distribution of Accumulated Earnings and Profits

In order to qualify as a REIT the Company must annually distribute at least 90% of its taxable income. In addition, the Company was required to make a one-time distribution of its undistributed accumulated earnings and profits attributable to taxable periods ending prior to January 1, 2015 (the "E&P Distribution"). The E&P Distribution requirement was $48.3 million or $0.90 per share. Pursuant to the terms of an IRS private letter ruling (the "Private Letter Ruling"), the Company elected, subject to the cash/stock election by its shareholders described below, to pay its fourth quarter 2015 and 2016 dividends in a mix of cash and stock and have such dividends be treated as a taxable distribution to its shareholders for U.S. federal income tax purposes.

In order to comply with the Private Letter Ruling, shareholders had the option to elect to receive the fourth quarter 2015 and 2016 dividends in all cash (a "Cash Election"), or all shares of Ladder's Class A common stock (a "Share Election"). Shareholders who did not return an election form, or who otherwise failed to properly complete an election form, were deemed to have made a Share Election. The total amount of cash paid to all shareholders was limited to a maximum of 20% of the total value of each of the fourth quarter 2015 and 2016 dividends (the "Cash Amount"). The aggregate amount of the dividends owed to shareholders who made Cash Elections exceeded the Cash Amount, and accordingly, the Cash Amount was prorated among such shareholders, with the remaining portion of the fourth quarter 2015 or 2016 dividend, as applicable, paid to such shareholders in shares of Ladder's Class A common stock plus cash in lieu of any fractional shares. Shareholders making Stock Elections received the full amount of the dividend in shares of Ladder's Class A common stock plus cash in lieu of any fractional shares. The Company believes that the total value of its 2015 dividends was sufficient to fully distribute its 2015 taxable income and its accumulated earnings and profits.

On January 24, 2017, the Company paid an aggregate of $20.8 million in cash to its Class A shareholders, accrued for dividends payable on unvested restricted stock and unvested options with dividend equivalent rights of $0.7 million and issued 815,819 shares of its Class A common stock, equivalent to $11.5 million, in connection with the fourth quarter 2016 dividend totaling $0.46 per share. The total number of shares of Class A common stock distributed pursuant to the fourth quarter 2016 dividend was determined based on shareholder elections and the volume weighted average price of $14.06 per share of Class A common stock on the New York Stock Exchange for the three trading days after January 12, 2017, the date that election forms were due. The Company also issued 432,314 shares of its Class B common stock and each of Series REIT and Series TRS of LCFH issued 1,248,133 of their respective Series LP units corresponding to the aggregate number of Class A and Class B shares issued by the Company. The Company believes that the total value of its 2016 dividend was sufficient to fully distribute its 2016 taxable income.

Changes in Accumulated Other Comprehensive Income

The following table presents changes in accumulated other comprehensive income related to the cumulative difference between the fair market value and the amortized cost basis of securities classified as available for sale for the years ended December 31, 2016, 2015 and 2014 ($ in thousands):

	Accumulated Other Comprehensive Income (Loss)	Accumulated Other Comprehensive Income of Noncontrolling Interests	Total Accumulated Other Comprehensive Income
December 31, 2015	$ (3,556)	$ (2,839)	$ (6,395)
Other comprehensive income (loss)	3,420	5,099	8,519
Exchange of noncontrolling interest for common stock	1,202	(1,202)	—
Rebalancing of ownership percentage between Company and Operating Partnership	299	(299)	—
December 31, 2016	**$ 1,365**	**$ 759**	**$ 2,124**

	Accumulated Other Comprehensive Income (Loss)	Accumulated Other Comprehensive Income of Noncontrolling Interests	Total Accumulated Other Comprehensive Income
December 31, 2014	$ 15,656	$ 14,494	$ 30,150
Other comprehensive income (loss)	(20,046)	(16,499)	(36,545)
Exchange of noncontrolling interest for common stock	645	(645)	—
Rebalancing of ownership percentage between Company and Operating Partnership	189	(189)	—
December 31, 2015	**$ (3,556)**	**$ (2,839)**	**$ (6,395)**

	Accumulated Other Comprehensive Income (Loss)	Accumulated Other Comprehensive Income of Noncontrolling Interests	Total Accumulated Other Comprehensive Income
December 31, 2013	$ —	$ 12,134	$ 12,134
Other comprehensive income (loss)	488	17,528	18,016
Exchange of capital for common stock	14,874	(14,874)	—
Exchange of noncontrolling interest for common stock	324	(324)	—
Rebalancing of ownership percentage between Company and Operating Partnership	(30)	30	—
December 31, 2014	**$ 15,656**	**$ 14,494**	**$ 30,150**

Capitalized Offering Costs

As described in Note 1, the Company completed an IPO of its Class A Common Stock on February 11, 2014. Costs directly attributable to the Company's IPO of $20.5 million were capitalized and charged against the proceeds of the IPO once completed.

Predecessor Capital Structure

The capital structure discussed below is reflective of LCFH's structure as it existed at February 11, 2014, immediately prior to the Reorganization Transactions described in Note 1. Immediately following the Reorganization Transactions, with the exception of the discussions regarding quarterly tax distributions, the provisions set forth below no longer apply.

Cash Distributions to Predecessor Partners

Distributions (other than tax distributions which are described below) will be made in the priorities described below at such times and in such amounts as determined by the Company's board of directors. All capitalized items used in this section but not defined shall have the respective meanings given to such capitalized terms in the Amended and Restated Limited Liability Limited Partnership Agreement of LCFH dated as of August 9, 2011, as amended (the "LLLP Agreement"):

- First, to the holders of Series A and Series B participating preferred units pro rata based on the capital account of each such holder's interests, until the Series A and Series B participating preferred unit holders have each received an amount equivalent to their respective capital accounts; then

- Second, 20% to the common unit holders, and 80% to the holders of Series A participating preferred units, until the Series A participating preferred unit holders have each received an amount equivalent to $124 per unit; and

- Thereafter, 20% to common unit holders, and 80% to the holders of Series A and Series B participating preferred units, pro rata based on the units held by each holder.

Notwithstanding the foregoing, subject to available liquidity as determined by Company's board of directors, the Company intends to make quarterly tax distributions equal to a partner's "Quarterly Estimated Tax Amount," which shall be computed (as more fully described in the LLLP Agreement) for each partner as the product of (x) the U.S. federal taxable income (or alternative minimum taxable income, as the case may be) allocated by the Company to such partner in respect of the partnership interests of the Company held by such partner and (y) the highest marginal blended U.S. federal, state and local income tax rate applicable to an individual residing in New York, NY, taking into account for U.S. federal income tax purposes, the deductibility of state and local taxes.

Allocation of Income and Loss

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

12. NONCONTROLLING INTERESTS

Pursuant to ASC 810, *Consolidation*, on the accounting and reporting for noncontrolling interests and changes in ownership interests of a subsidiary, changes in a parent's ownership interest (and transactions with noncontrolling interest unitholders in the subsidiary), while the parent retains its controlling interest in its subsidiary, should be accounted for as equity transactions. The carrying amount of the noncontrolling interest shall be adjusted to reflect the change in its ownership interest in the subsidiary, with the offset to equity attributable to the parent. Accordingly, as a result of reorganization transactions which caused changes in ownership percentages between the Company's Class A shareholders and the noncontrolling interests in the Operating Partnership that occurred during the year ended December 31, 2016, the Company has decreased noncontrolling interests in the Operating Partnership and increased additional paid-in capital and accumulated other comprehensive income in the Company's shareholders' equity by $8.1 million as of December 31, 2016. Upon the adoption of ASU 2015-02, which amended ASC 810, *Consolidation,* in the quarter ended March 31, 2016, the Operating Partnership is now determined to be a VIE, however, since the Company was previously consolidating the Operating Partnership, the adoption of ASU 2015-02 had no material impact on the Company's combined consolidated financial statements.

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

Noncontrolling Interest in the Operating Partnership

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

Distributions to Noncontrolling Interest in the Operating Partnership

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

Allocation of Income and Loss

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

Noncontrolling Interest in Unconsolidated Joint Ventures

The Company consolidates seven ventures in which there are other noncontrolling investors, which own between 1.2% - 22.5% of such ventures. These ventures hold investments in eight office buildings, one warehouse, one shopping center and a condominium project. The Company makes distributions and allocates income from these ventures to the noncontrolling interests in accordance with the terms of the respective governing agreements.

13. EARNINGS PER SHARE

The Company's net income (loss) and weighted average shares outstanding for the years ended December 31, 2016 and 2015 and the period February 11, 2014 through December 31, 2014 consist of the following:

($ in thousands except share amounts)	For the Year Ended December 31, 2016	For the Year Ended December 31, 2015	For the Period February 11, 2014 through December 31, 2014
Basic Net income (loss) available for Class A common shareholders	$ 66,727	$ 73,821	$ 44,187
Diluted Net income (loss) available for Class A common shareholders	$ 114,156	$ 73,821	$ 84,228
Weighted average shares outstanding			
Basic	61,998,089	51,702,188	49,296,417
Diluted	107,638,788	51,870,808	97,583,310

Net income per share information is not applicable for reporting periods prior to February 11, 2014. The calculation of basic and diluted net income (loss) per share amounts for the years ended December 31, 2016 and 2015 and the period February 11, 2014 through December 31, 2014 are described and presented below.

Basic Net Income (Loss) per Share

Numerator: utilizes net income (loss) available for Class A common shareholders for the years ended December 31, 2016 and 2015 and the period February 11, 2014 through December 31, 2014, respectively.

Denominator: utilizes the weighted average shares of Class A common stock for the years ended December 31, 2016 and 2015 and the period February 11, 2014 through December 31, 2014, respectively.

Diluted Net Income (Loss) per Share

Numerator: utilizes net income (loss) available for Class A common shareholders for the years ended December 31, 2016 and 2015 and the period February 11, 2014 through December 31, 2014, respectively, for the basic net income (loss) per share calculation described above, adding net income (loss) amounts attributable to the noncontrolling interest in the Operating Partnership using the as-if converted method for the Class B common shareholders while adjusting for additional corporate income tax expense (benefit) for the described net income (loss) add-back.

Denominator: utilizes the weighted average number of shares of Class A common stock for the years ended December 31, 2016 and 2015 and the period February 11, 2014 through December 31, 2014, respectively, for the basic net income (loss) per share calculation described above adding the dilutive effect of shares issuable relating to Operating Partnership exchangeable interests and the incremental shares of unvested Class A restricted stock using the treasury method.

(In thousands except share amounts)	For the Year Ended December 31, 2016	For the Year Ended December 31, 2015	For the Period February 11, 2014 through December 31, 2014
Basic Net Income (Loss) Per Share of Class A Common Stock			
Numerator:			
Net income (loss) attributable to Class A common shareholders	$ 66,727	$ 73,821	$ 44,187
Denominator:			
Weighted average number of shares of Class A common stock outstanding	61,998,089	51,702,188	49,296,417
Basic net income (loss) per share of Class A common stock	**$ 1.08**	**$ 1.43**	**$ 0.90**
Diluted Net Income (Loss) Per Share of Class A Common Stock			
Numerator:			
Net income (loss) attributable to Class A common shareholders	$ 66,727	$ 73,821	$ 44,187
Add (deduct) - dilutive effect of:			
Amounts attributable to operating partnership's share of Ladder Capital Corp net income (loss)	47,130	—	66,437
Additional corporate tax (expense) benefit	299	—	(26,396)
Diluted net income (loss) attributable to Class A common shareholders	$ 114,156	$ 73,821	$ 84,228
Denominator:			
Basic weighted average number of shares of Class A common stock outstanding	61,998,089	51,702,188	49,296,417
Add - dilutive effect of:			
Shares issuable relating to converted Class B common shareholders	45,118,668	—	48,145,875
Incremental shares of unvested Class A restricted stock	522,031	168,620	141,018
Diluted weighted average number of shares of Class A common stock outstanding	107,638,788	51,870,808	97,583,310
Diluted net income (loss) per share of Class A common stock	**$ 1.06**	**$ 1.42**	**$ 0.86**

For the year ended December 31, 2016, shares issuable relating to converted Class B common shareholders are excluded from the calculation of diluted EPS as the inclusion of such potential common shares in the calculation would be anti-dilutive.

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

14. STOCK BASED COMPENSATION PLANS

2014 Omnibus Incentive Plan

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

2014 Restricted Stock Awards in Connection with the IPO Transactions

In connection with the IPO Transactions, restricted stock awards were granted to members of management and certain employees (the "Grantees") with an aggregate value of $27.5 million which represents 1,619,865 shares of restricted Class A common stock (the "IPO Restricted Stock Awards"). Fifty percent of each IPO Restricted Stock Award was made subject to time-based vesting criteria, and the remaining 50% of each IPO Restricted Stock Award was made, subject to specified performance-based vesting criteria. The time-vesting restricted stock granted to Brian Harris is scheduled to vest in three equal installments on each of the first three anniversaries of the date of grant, subject to his continued employment on the applicable vesting dates. Twenty-five percent of the time-vesting restricted stock granted to the other Grantees was scheduled to vest in full on the 18-month anniversary of the date of grant, and the remaining 75% is scheduled to vest in full on the three-year anniversary of the date of grant, subject to continued employment on the applicable vesting date. The performance-vesting restricted stock is scheduled to vest in three equal installments on December 31 of each of 2014, 2015 and 2016, if the Company achieves a return on equity, based on Core Earnings divided by the Company's average book value of equity, equal to or greater than 8% for such year (the "Performance Target"). If the Company misses the Performance Target during either the first or second calendar year but meets the Performance Target for a subsequent year during the three-year performance period and the Company's return on equity for such subsequent year and any years for which it missed its Performance Target equals or exceeds the compounded return on equity of 8%, based on Core Earnings divided by the Company's average book value of equity, the performance-vesting restricted stock which failed to vest because the Company previously missed its Performance Target will vest on the last day of such subsequent year. If the term "Core Earnings" is no longer used in the Company's SEC filings and approved by the compensation committee, then the Performance Target will be calculated using such other pre-tax performance measurement defined in the Company's SEC filings, as determined by the compensation committee. The Company met its performance criteria for the years ended December 31, 2016, 2015 and 2014.

The Company has elected to recognize the compensation expense related to the time-based vesting criteria for the entire award on a straight-line basis over the requisite service period. We feel that this aligns the compensation expense with the obligation of the Company. As such, the compensation expense related to the upfront grants to directors, officers and certain employees in connection with the IPO shall be recognized as follows:

1. Compensation expense for restricted stock subject to time-based vesting criteria granted to Brian Harris will be expensed 1/3 each year, for three years, on an annual basis following such grant
2. Compensation expense for restricted stock subject to time-based vesting criteria granted to directors (as described below) will be expensed 1/3 each year, for three years on an annual basis following such grant
3. Compensation expense for restricted stock subject to time-based vesting criteria granted to officers other than Mr. Harris, and to certain employees will be expensed 1/3 each year, for three years on an annual basis following such grant.

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

Upon termination of a Grantee's employment of service due to death or disability, and, in the case of Mr. Harris, by the Company without Cause or by Mr. Harris for Good Reason (each, as defined in the Harris Employment Agreement), the Grantee's time-vesting restricted stock will accelerate and vest in full, and the Grantee's unvested performance-vesting restricted stock will remain outstanding for the performance period and will vest to the extent the Company meets the Performance Target, including via the catch up provision described above. Upon a change in control (as defined in the 2014 Omnibus Incentive Plan) all restricted stock will become fully vested, if (1) the Grantee continues to be employed through the closing of the change in control or (2) after the signing of definitive documentation related to the change in control but prior to its closing, Grantee's employment is terminated without cause or due to death or disability or Grantee resigns for good reason. The compensation committee retains the right, in its sole discretion, to provide for the accelerated vesting (in whole or in part) of the restricted stock awards granted in connection with the IPO Transactions.

In connection with the IPO Transactions, Alan Fishman and each of Joel C. Peterson and Douglas Durst, who were appointed to the board of directors in connection with such transactions, received an initial restricted stock award with a grant date fair value of $1.0 million, $0.1 million and $0.1 million, respectively, which represents an aggregate of 67,648 shares of restricted Class A common stock. The grants were scheduled to vest in three equal installments on each of the first three anniversaries of the date of such grants, and each will receive an annual restricted stock award with a grant date fair value of $50,000, which will vest in full on the one-year anniversary of the date of grant, with both such awards subject to continued service on the board of directors. Messrs. Peterson and Durst, or their successors, will also receive a $75,000 annual cash payment for their service on the board of directors. Additionally, certain directors may receive $15,000 annually for service as a chairperson of the audit committee or compensation committee and $10,000 for service as a chairperson of the nominating and corporate governance committee, with all or a portion of such fee payable to an applicable director in cash or restricted stock (with a grant date fair value equal to such amount payable) at the election of such director.

Reallocation Awards

On February 3, 2015, restricted stock awards were granted to certain Grantees, with an aggregate value of $0.5 million, representing 25,742 shares of restricted Class A common stock. These restricted stock awards were allocated to the Grantees from employee forfeitures of the IPO Restricted Stock Awards and vest on the same schedule, subject to the same terms and conditions as the IPO Restricted Stock Awards described above.

The compensation expense related to the February 3, 2015 grants will be recognized and accrued for in the same manner as the IPO Restricted Stock Awards described above.

2015 Annual Restricted Stock Awards and Annual Option Awards

Members of management are eligible to receive annual restricted stock awards (the "Annual Restricted Stock Awards") and annual option awards (the "Annual Option Awards") based on the performance of the Company. On February 18, 2015, Annual Restricted Stock Awards were granted to our executive officers (each, a "Management Grantee") with an aggregate value of $12.6 million which represents 688,400 shares of restricted Class A common stock in connection with 2014 compensation. Fifty percent of each restricted stock award granted is subject to time-based vesting criteria, and the remaining 50% of each restricted stock award is subject to specified performance-based vesting criteria. The time-vesting restricted stock granted to Brian Harris and the other Management Grantees will vest in three installments on each of the first three anniversaries of the date of grant, subject to continued employment on the applicable vesting dates. The performance-vesting restricted stock will vest in three equal installments on December 31 of each of 2015, 2016 and 2017 if the Company achieves the Performance Target for those years. If the Company misses the Performance Target during either the first or second calendar year but meets the Performance Target for a subsequent year during the three-year performance period and the Company's return on equity for such subsequent year and any years for which it missed its Performance Target equals or exceeds the compounded return on equity of 8%, based on Core Earnings divided by the Company's average book value of equity, the performance-vesting restricted stock which failed to vest because the Company previously missed its Performance Target will vest on the last day of such subsequent year. If the term "Core Earnings" is no longer used in the Company's SEC filings and approved by the compensation committee, then the Performance Target will be calculated using such other pre-tax performance measurement defined in the Company's SEC filings, as determined by the compensation committee. The Company met its performance criteria for the years ended December 31, 2016 and 2015.

The Company has elected to recognize the compensation expense related to the time-based vesting criteria of the Annual Restricted Stock Awards for the entire award on a straight-line basis over the requisite service period. We feel that this aligns the compensation expense with the obligation of the Company. As such, the compensation expense related to the February 18, 2015 Annual Restricted Stock Awards to Management Grantees shall be recognized as follows:

1. Compensation expense for restricted stock subject to time-based vesting criteria granted to Brian Harris will be expensed 1/2 each year, for two years, on an annual basis in advance of the Harris Retirement Eligibility Date, as defined below.

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

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

On February 18, 2015, Annual Stock Option Awards were granted to Management Grantees with an aggregate grant date fair value of $1.4 million, which represents 670,256 shares of Class A common stock subject to the Annual Stock Option Awards. The stock option awards are subject to time-based vesting criteria only and vest in three equal installments on February 18 of each of 2016, 2017 and 2018, subject to continued employment until the applicable vesting date. Upon termination of a Management Grantee's employment or service due to death, disability, termination by the Company without Cause or termination by the Management Grantee for Good Reason (each, as defined in the 2014 Omnibus Incentive Plan), the respective Management Grantee's option awards will accelerate and vest in full. The actual grant date fair values of the Annual Option Awards granted to our Management Grantees were computed in accordance with FASB ASC Topic 718 using the Black Scholes model based on the following assumptions: (1) risk-free rate of 1.79%; (2) dividend yield of 5.3%; (3) expected life of six years; and (4) volatility of 24.0%.

On February 18, 2015, members of the board of directors each received Annual Restricted Stock Awards with a grant date fair value of $0.1 million, representing 7,962 shares of restricted Class A common stock, which will vest in full on the first anniversary of the date of grant, subject to continued service on the board of directors. Compensation expense for restricted stock subject to time-based vesting criteria granted to directors will be expensed in full on an annual basis following such grant.

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

On February 11, 2017 (the "Harris Retirement Eligibility Date"), all outstanding Annual Restricted Stock Awards, including the time-vesting portion and the performance-vesting portion, and all outstanding Annual Option Awards granted to Mr. Harris will become fully vested, and any Annual Restricted Stock Awards and Annual Option Awards granted after the Harris Retirement Eligibility Date will be fully vested at grant. For other Management Grantees, upon the first date that is on or after February 11, 2019, where the sum of the individual's age and the individual's number of full, completed years of employment with us or our subsidiaries is equal to or greater than 60 (the "Executive Retirement Eligibility Date"), the time-vesting portion of the Annual Restricted Stock Awards and the Annual Option Awards will become fully vested, and the time-vesting portion of any Annual Restricted Stock Awards and Annual Option Awards granted after the Executive Retirement Eligibility Date will be fully vested at grant. Upon the occurrence of the Executive Retirement Eligibility Date, the performance-vesting portion of such Management Grantee's Annual Restricted Stock Awards will remain outstanding for the performance period and will vest to the extent we meet the Performance Target, including via the catch up provision described above, regardless of continued employment with us our subsidiaries following the Executive Retirement Eligibility Date.

On June 10, 2015, a new member of the board of directors received an Annual Restricted Stock Award with a grant date fair value of $0.1 million, representing 4,223 shares of restricted Class A common stock, which will vest in three equal installments on each of the first three anniversaries of the date of grant, subject to continued service on the board of directors. Compensation expense for restricted stock subject to time-based vesting criteria granted to the director will be expensed 1/3 each year, for three years on an annual basis following such grant.

2016 Annual Restricted Stock Awards and Annual Option Awards

On February 18, 2016, Annual Restricted Stock Awards were granted to Management Grantees with an aggregate value of $9.1 million which represents 793,598 shares of restricted Class A common stock in connection with 2015 compensation. These awards are subject to the same terms and conditions as the 2015 Annual Restricted Stock Awards, except that the relevant vesting periods begin in 2016, rather than in 2015. The Company met its performance criteria for the year ended December 31, 2016.

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

1. Compensation expense for restricted stock subject to time-based vesting criteria granted to Brian Harris will be expensed in full on February 11, 2017, the Harris Retirement Eligibility Date.

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

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

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

On February 18, 2016, members of the board of directors each received Annual Restricted Stock Awards with a grant date fair value of $0.1 million, representing 12,636 shares of restricted Class A common stock, which will vest in full on the first anniversary of the date of grant, subject to continued service on the board of directors. Compensation expense for restricted stock subject to time-based vesting criteria granted to directors will be expensed in full on an annual basis following such grant. These grants are subject to the same terms and conditions as those made in 2015 except that the vesting period commenced in 2016.

The 2016 awards are subject to the same change in control and retirement provisions that are described above.

The Company recognized equity-based compensation expense of $17.6 million, $13.8 million and $14.5 million, for the years ended December 31, 2016, 2015 and 2014, respectively.

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

	Year Ended December 31,					
	2016		2015		2014	
	Number of Shares/ Options	Weighted Average Fair Value	Number of Shares	Weighted Average Fair Value	Number of Units	Weighted Average Fair Value
Grants - Class A Common Stock (restricted)	793,598	$ 9,118	726,327	$ 13,353	1,687,513	$ 28,637
Grants - Class A Common Stock (restricted) dividends	166,934	1,908	—	—	—	—
Stock Options	380,949	1,356	670,256	1,441	—	—
Amortization to compensation expense						
Predecessor compensation expense		$ —		$ —		$ (290)
LP Units compensation expense		—		(124)		(2,052)
Ladder compensation expense		(17,640)		(13,664)		(12,109)
Total amortization to compensation expense		**$ (17,640)**		**$ (13,788)**		**$ (14,451)**

The table below presents the number of unvested shares and outstanding stock options at December 31, 2016 and changes during 2016 of the (i) Class A Common stock and Stock Options of Ladder Capital Corp granted under the 2014 Omnibus Incentive Plan and (ii) Series B Participating Preferred Units of LCFH granted under the 2008 Plan, which were subsequently converted to LP Units of LCFH in connection with the IPO.

	Restricted Stock	Stock Options	LP Units(1)
Nonvested/Outstanding at December 31, 2015	**1,334,369**	**601,186**	**504**
Granted	960,532	380,949	—
Exercised		—	
Vested	(770,568)		(504)
Forfeited	(48,467)	—	—
Expired		—	
Nonvested/Outstanding at December 31, 2016	**1,475,866**	**982,135**	**—**
Exercisable at December 31, 2016		**230,936**	

(1) Converted to LP Units of LCFH on February 11, 2014 in connection with IPO and then converted to an equal number of Series REIT LP Units and Series TRS LP Units on December 31, 2014. LCFH LP Unitholders also received an equal number of shares of Class B Common stock of the Company in connection with the conversion. Refer to Note 1, Organization and Operations for further discussion of IPO and the Reorganization Transactions.

At December 31, 2016 there was $6.1 million of total unrecognized compensation cost related to certain share-based compensation awards that is expected to be recognized over a period of up to 26 months, with a weighted-average remaining vesting period of 19.3 months.

Phantom Equity Investment Plan

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

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

The date that the amounts deferred into the Phantom Equity Plan are paid to a participant depends upon whether such deferral is a mandatory deferral or an elective deferral. Elective deferrals are paid upon the earliest to occur of (1) a change in control (as defined in the Phantom Equity Plan), (2) the end of the participant's employment, or (3) December 31, 2017. The vested amounts of the mandatory contributions are paid upon the first to occur of (A) a change in control and (B) the first to occur of (x) December 31, 2017 or (y) the date of payment of the annual bonus payments following December 31 of the third calendar year following the applicable plan year to which the underlying deferred annual bonus relates. The Company could elect to make, and did make, payments pursuant to the Phantom Equity Plan in the form of cash in an amount equal to the then fair market value of such shares of the Company's Class A common stock (or, prior to our IPO, the Series B Participating Preferred Units), and on May 14, 2014, the Compensation Committee made a global election to make all payments pursuant to the Phantom Equity Plan in the form of cash. Mandatory contributions that were paid at the time specified in 2(B) above were made in cash.

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

As of December 31, 2016, there are 373,871 phantom units outstanding, all of which are vested, resulting in a liability of $6.1 million, which is included in accrued expenses on the combined consolidated balance sheets. As of December 31, 2015, there are 555,318 phantom units outstanding, of which 60,899 are unvested, resulting in a liability of $6.9 million, which is included in accrued expenses on the combined consolidated balance sheets.

Ladder Capital Corp Deferred Compensation Plan

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

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

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

Amounts deferred into the 2014 Deferred Compensation Plan are paid upon the earliest to occur of (1) a change in control, (2) within sixty (60) days following the end of the participant's employment with the Company, or (3) the date of payment of the annual bonus payments following December 31 of the third calendar year following the applicable year to which the underlying deferred annual compensation relates. Payment is made in cash equal to the fair market value of the number of phantom units credited to a participant's account, provided that, if the participant's termination was by the Company for cause or was a voluntary resignation other than on account of such participant's retirement, the amount paid is based on the lowest fair market value of a share of Class A common stock during the forty-five day period following such termination of employment. The amount of the final cash payment may be more or less than the amount initially deferred into the 2014 Deferred Compensation Plan, depending upon the change in the value of the Class A common stock of the Company during such period.

As of December 31, 2016, there are 273,709 phantom units outstanding, of which 134,281 are unvested, resulting in a liability of $3.6 million, which is included in accrued expenses on the combined consolidated balance sheets. As of December 31, 2015, there are 131,901 phantom units outstanding, of which 87,934 are unvested, resulting in a liability of $1.6 million, which is included in accrued expenses on the combined consolidated balance sheets.

Bonus Payments

On February 8, 2017, the board of directors of Ladder Capital Corp approved 2016 bonus payments to employees, including officers, totaling $39.5 million, which included $10.2 million of equity based compensation. The bonuses were accrued for as of December 31, 2016 and paid to employees in full on February 21, 2017. On February 10, 2016, the board of directors of Ladder Capital Corp approved 2015 bonus payments to employees, including officers, totaling $46.8 million, which included $10.3 million of equity based compensation. The bonuses were accrued for as of December 31, 2015 and paid to employees in full on February 17, 2016. During the years ended December 31, 2016, 2015 and 2014, the Company recorded compensation expense of $29.2 million, $34.4 million and $47.8 million, respectively, related to bonuses.

15. INCOME TAXES

Prior to February 11, 2014, the Company had not been subject to U.S. federal income taxes as the predecessor entity was a Limited Liability Limited Partnership ("LLLP"), but had been subject to the New York City Unincorporated Business Tax ("NYC UBT"). As a result of the IPO, a portion of the Company's income was subject to U.S. federal, state and local corporate income taxes and taxed at the prevailing corporate tax rates in addition to being subject to NYC UBT. Other than as described below, the Company is operating as a REIT effective January 1, 2015, the Company's income will generally no longer be subject to U.S. federal, state and local corporate income taxes to the extent such income is distributed to shareholders.

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

Components of the provision for income taxes consist of the following ($ in thousands):

	Year Ended December 31,		
	2016	2015	2014
Current expense (benefit)			
U.S. Federal	$ (386)	$ 9,020	$ 23,609
State and local	4,838	2,637	10,170
Total current expense (benefit)	4,452	11,657	33,779
Deferred expense (benefit)			
U.S. Federal	1,417	2,247	(4,357)
State and local	451	653	(2,817)
Total deferred expense (benefit)	1,868	2,900	(7,174)
Provision for income tax expense (benefit)	**$ 6,320**	**$ 14,557**	**$ 26,605**

There were $0.8 million, corporate taxes payable (receivable) as of December 31, 2016. Corporate taxes payable (receivable) as of December 31, 2015 were $4.3 million. There were $0.4 million NYC UBT taxes payable (receivable) at December 31, 2016. NYC UBT taxes payable (receivable) at December 31, 2015 were $1.1 million. Prepaid corporate taxes as of December 31, 2016 and December 31, 2015 were $13.4 million and $12.5 million, respectively.

A reconciliation between the U.S. federal statutory income tax rate and the effective tax rate for the years ended December 31, 2016, 2015 and 2014 is as follows:

	Year Ended December 31,		
	2016	2015	2014
US statutory tax rate	35.00 %	35.00 %	35.00 %
REIT income not subject to corporate income tax	(34.38)%	(32.37)%	— %
Increase due to state and local taxes	4.41 % (1)	1.40 %	3.78 %
Deferred tax asset write-off upon conversion to REIT	— %	1.44 %	— %
Change in valuation allowance	0.42 %	3.29 %	— %
Other	(0.19)%	0.39 %	(17.37)%
Effective income tax rate	**5.26 %**	**9.15 %**	**21.41 %**

(1) The increase in state taxes shown above is primarily related to additional tax expense of $3.3 million pertaining to a New York State tax audit, further discussed below.

The differences between the Company's statutory rate and effective tax rate are largely determined by the amount of income subject to tax by the Company's TRS subsidiaries. The Company expects that its future effective tax rate will be determined in a similar manner.

As of December 31, 2016 and 2015, the Company's net deferred tax assets were $2.1 million and $5.0 million, respectively, and are included in other assets in the Company's combined consolidated balance sheets. The Company believes it is more likely than not that the net deferred tax assets will be realized in the future. Realization of the net deferred tax assets is dependent upon our generation of sufficient taxable income in future years in appropriate tax jurisdictions to obtain benefit from the reversal of temporary differences. The amount of net deferred tax assets considered realizable is subject to adjustment in future periods if estimates of future taxable income change. The components of the Company's deferred tax assets and liabilities are as follows ($ in thousands):

	December 31, 2016	December 31, 2015
Deferred Tax Assets		
Basis difference in operating partnerships	$ 2,023	$ 3,998
Unrealized gains (losses)	99	971
Unrealized gains (losses) - derivatives	5,668	5,239
Valuation allowance	(5,668)	(5,239)
Total Deferred Tax Assets	**$ 2,122**	**$ 4,969**

As of December 31, 2016 and 2015, the Company had a deferred tax asset of $5.7 million and $5.2 million, respectively, relating to capital losses which it may only use to offset capital gains. These tax attributes will expire if unused in 2020. As the realization of these assets are not more likely than not before their expiration, the Company has provided a full valuation allowance against this deferred tax asset.

The Company's tax returns are subject to audit by taxing authorities. Generally, as of December 31, 2016, the tax years 2012, 2013, 2014 and 2015 remain open to examination by the major taxing jurisdictions in which the Company is subject to taxes. The Company acquired certain corporate entities in the IPO Reorganization Transactions. The related acquisition agreements provided an indemnification to the Company by the transferor of any amounts due for any potential tax liabilities owed by these entities for tax years prior to their acquisition. During the three months ended September 30, 2016, management proposed a settlement pertaining to a New York State tax audit for these corporate entities (which are now wholly owned). As a result of the settlement, management recorded income tax expense in the amount of $3.3 million and a corresponding payable to the State of New York. The settlement was finalized during the three months ended December 31, 2016. Pursuant to the indemnification, Management expected to recover such amounts and, accordingly, recorded fee and other income in the amount of $3.3 million as well as a corresponding receivable from the indemnity counterparties. As of December 31, 2016, the Company had recovered $0.5 million, and as of January 31, 2017, the Company recovered all amounts owed by the indemnity counterparties. The IRS has recently begun a routine audit of the Company's U.S. federal income tax return for tax year 2014. The Company does not expect the audit to result in any material changes to the Company's financial position. The Company does not expect tax expense to have an impact on either short or long-term liquidity or capital needs.

Under U.S. GAAP, a tax benefit related to an income tax position may be recognized when it is more likely than not that the position will be sustained upon examination by the tax authorities based on the technical merits of the position. A position that meets this standard is measured at the largest amount of benefit that will more likely than not be realized upon settlement. As of December 31, 2016 and 2015, the Company's unrecognized tax benefit is a liability for $0.8 million and is included in the accrued expenses in the Company's combined consolidated balance sheets. This unrecognized tax benefit, if recognized, would have a favorable impact on our effective income tax rate in future periods. As of December 31, 2016 and 2015, the Company has not recognized any interest or penalties related to uncertain tax positions. In addition, the Company does not believe that it has any tax positions for which it is reasonably possible that it will be required to record a significant liability for unrecognized tax benefits within the next twelve months.

Tax Receivable Agreement

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

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

As of December 31, 2016 and December 31, 2015, pursuant to the Tax Receivable Agreement, the Company had $2.5 million and $1.9 million, respectively, included in amount payable pursuant to tax receivable agreement in the combined consolidated balance sheets for Continuing LCFH Limited Partners. The amount and timing of any payments may vary based on a number of factors, including the absence of any material change in the relevant tax law, the Company continuing to earn sufficient taxable income to realize all tax benefits, and assuming no additional exchanges that are subject to the Tax Receivable Agreement. Depending upon the outcome of these factors, the Company may be obligated to make substantial payments pursuant to the Tax Receivable Agreement. The actual payment amounts may differ from these estimated amounts, as the liability will reflect changes in prevailing tax rates, the actual benefit the Company realizes on its annual income tax returns, and any additional exchanges.

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

16. RELATED PARTY TRANSACTIONS

Ladder Select Bond Fund

On October 18, 2016, Ladder Capital Asset Management LLC (“LCAM”), a subsidiary of the Company and a registered investment adviser, launched the Ladder Select Bond Fund (the “Fund”), a mutual fund. In addition, on October 18, 2016, the Company made a $10.0 million investment in the Fund, which is included in other assets in the combined consolidated balance sheets. Members of senior management have also invested $1.6 million in aggregate in the Fund since inception. LCAM earns a 0.75% fee on assets under management, which may be reduced for expenses incurred in excess of the Fund’s expense cap of 0.95%.

Commercial Real Estate Loans

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

On May 20, 2015, the Company provided a $25.0 million, 9.0% fixed rate, approximately one year, interest-only mezzanine loan, to Halletts Investors LLC (“Borrower”), an entity affiliated with Douglas Durst, one of the Company’s directors and chairman of The Durst Organization. The loan, which was approved by the Audit Committee and Risk and Underwriting Committee in accordance with the Company’s policies regarding related party transactions, was secured by Borrower’s ownership interest in Durst Halletts Member LLC (“Guarantor”). Borrower and Guarantor indirectly own a controlling interest in the three entities that collectively own approximately 9.66 acres of undeveloped land located along the East River waterfront on Hallets Point Peninsula in Astoria Queens, New York. Douglas Durst and members of his family, including trusts for which Douglas Durst is a trustee, have a controlling interest in Borrower and Guarantor. The loan matured on and was repaid in full as of June 3, 2016. For the years ended December 31, 2016 and 2015, the Company earned $1.0 million and $1.4 million, respectively, in interest income related to this loan.

Loan Referral Agreement

The Company entered into a loan referral agreement with Meridian, which, at the time, was an affiliate of a member of the Company’s board of directors and an investor in the Company. The agreement provided for the payment of referral fees for loans originated pursuant to a formula based on the Company’s net profit on a referred loan, as defined in the agreement, payable annually in arrears. While the arrangement gave rise to a potential conflict of interest, full disclosure was given to the borrower who, in each case, waived the conflict in writing. This agreement was cancellable by the Company based on the occurrence of certain events, or by Meridian for nonpayment of amounts due under the agreement. The Company terminated the loan referral agreement on April 2, 2014, as a result of the IPO on February 11, 2014.

The Company incurred no fees for the years ended December 31, 2016 and 2015, for loans originated in accordance with this agreement. The Company incurred $0.4 million in fees for the year ended December 31, 2014. As of December 31, 2016 and 2015, $0.3 million was payable to Meridian pursuant to this agreement and included in accrued expenses in the combined consolidated statements of financial condition.

17. COMMITMENTS AND CONTINGENCIES

Leases

The Company entered into an operating lease for its previous primary office space, which commenced on January 5, 2009 and expired on May 30, 2015. Subsequent to entering into this leasing arrangement, the office space was subleased to a third party. Income received on the subleased office space was recorded in other income on the combined consolidated statements of income. In 2011, the Company entered into a lease for its primary office space, which commenced on October 1, 2011 and expires on January 31, 2022 with no extension option. In 2012, the Company entered into a lease for secondary office space. The lease commenced on May 15, 2012 and would have expired on May 14, 2015 with no extension option. This lease was amended, however, on October 2, 2014, extending the expiration date from May 14, 2015 to May 14, 2018. The Company recorded $1.2 million, $1.5 million and $1.8 million, of rental expense for the years ended December 31, 2016, 2015 and 2014, respectively, which is included in operating expenses in the combined consolidated statements of income.

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

Period Ending December 31,		Amount
2017	$	1,249
2018		1,206
2019		1,180
2020		1,180
2021		1,180
Thereafter		99
Total	**$**	**6,094**

GNMA Construction Loan Securities

The Company commits to purchase GNMA construction loan securities over a typical period of six to twelve months. As of December 31, 2016, the Company had no commitment to purchase these securities. As of December 31, 2015, the Company's commitment to purchase these securities at a fixed price of $102.0 was $28.8 million, of which $26.7 million was funded, with $2.1 million remaining to be funded. The fair value of those commitments at December 31, 2015 was $54,273, as determined by market activity and third-party market quotes and as adjusted for estimated liquidity discounts. The fair value of these commitments is included in real estate securities, available-for-sale on the combined consolidated balance sheets.

Unfunded Loan Commitments

As of December 31, 2016, the Company's off-balance sheet arrangements consisted of $147.7 million of unfunded commitments on mortgage loan receivables held for investment to provide additional first mortgage loan financing, at rates to be determined at the time of funding, which consisted of $146.3 million to provide additional first mortgage loan financing and $1.4 million to provide additional mezzanine loan financing. As of December 31, 2015, the Company's off-balance sheet arrangements consisted of $112.8 million of unfunded commitments of mortgage loan receivables held for investment, at rates to be determined at the time of funding, which was composed of $111.4 million to provide additional first mortgage loan financing and $1.4 million to provide additional mezzanine loan financing. Such commitments are subject to our loan borrowers' satisfaction of certain financial and nonfinancial covenants and may or may not be funded depending on a variety of circumstances including timing, credit metric hurdles, and other nonfinancial events occurring. These commitments are not reflected on the combined consolidated balance sheets.

18. SEGMENT REPORTING

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

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

	Loans	Securities	Real Estate(1)	Corporate/ Other(2)	Company Total
Year ended December 31, 2016					
Interest income	$ 161,315	$ 74,987	$ 10	$ 60	$ 236,372
Interest expense	(25,531)	(9,740)	(25,333)	(60,223)	(120,827)
Net interest income (expense)	135,784	65,247	(25,323)	(60,163)	115,545
Provision for loan losses	(300)	—	—	—	(300)
Net interest income (expense) after provision for loan losses	135,484	65,247	(25,323)	(60,163)	115,245
Operating lease income	—	—	77,277	—	77,277
Tenant recoveries	—	—	5,958	—	5,958
Sale of loans, net	26,009	—	—	—	26,009
Realized gain on securities	—	7,724	—	—	7,724
Unrealized gain (loss) on Agency interest-only securities	—	(56)	—	—	(56)
Realized gain (loss) on sale of real estate, net	—	—	20,636	—	20,636
Fee and other income	7,547	—	7,253	6,565	21,365
Net result from derivative transactions	8,371	(9,780)	—	—	(1,409)
Earnings from investment in unconsolidated joint ventures	—	—	(466)	892	426
Gain (loss) on extinguishment of debt	—	—	—	5,382	5,382
Total other income (expense)	41,927	(2,112)	110,658	12,839	163,312
Salaries and employee benefits	(11,000)	—	—	(53,270)	(64,270)
Operating expenses	—	—	—	(20,552)	(20,552)
Real estate operating expenses	—	—	(29,953)	—	(29,953)
Real estate acquisition costs	—	—	(592)	—	(592)
Fee expense	(2,343)	(166)	(618)	(576)	(3,703)
Depreciation and amortization	—	—	(39,354)	(93)	(39,447)
Total costs and expenses	(13,343)	(166)	(70,517)	(74,491)	(158,517)
Tax (expense) benefit	—	—	—	(6,320)	(6,320)
Segment profit (loss)	**$ 164,068**	**$ 62,969**	**$ 14,818**	**$ (128,135)**	**$ 113,720**
Total assets as of December 31, 2016	**$ 2,353,977**	**$ 2,100,947**	**$ 856,363**	**$ 267,050**	**$ 5,578,337**

	Loans	Securities	Real Estate(1)	Corporate/ Other(2)	Company Total
Year ended December 31, 2015					
Interest income	$ 165,403	$ 76,083	$ —	$ 53	$ 241,539
Interest expense	(24,039)	(7,256)	(23,873)	(58,135)	(113,303)
Net interest income (expense)	141,364	68,827	(23,873)	(58,082)	128,236
Provision for loan losses	(600)	—	—	—	(600)
Net interest income (expense) after provision for loan losses	140,764	68,827	(23,873)	(58,082)	127,636
Operating lease income	—	—	80,465	—	80,465
Tenant recoveries	—	—	9,907	—	9,907
Sale of loans, net	71,066	—	—	—	71,066
Realized gain on securities	—	24,007	—	—	24,007
Unrealized gain (loss) on Agency interest-only securities	—	(1,249)	—	—	(1,249)
Realized gain on sale of real estate, net	2,346	—	38,040	—	40,386
Fee and other income	5,999	230	5,989	2,987	15,205
Net result from derivative transactions	(12,609)	(26,328)	—	—	(38,937)
Earnings from investment in unconsolidated joint ventures	—	—	255	116	371
Total other income	66,802	(3,340)	134,656	3,103	201,221
Salaries and employee benefits	(16,531)	—	—	(45,081)	(61,612)
Operating expenses	381	—	—	(25,484)	(25,103)
Real estate operating expenses	—	—	(35,886)	—	(35,886)
Real estate acquisition costs	—	—	(1,982)	(1)	(1,983)
Fee expense	(1,693)	(40)	(470)	(2,318)	(4,521)
Depreciation and amortization	—	—	(38,953)	(108)	(39,061)
Total costs and expenses	(17,843)	(40)	(77,291)	(72,992)	(168,166)
Tax (expense) benefit	—	—	—	(14,557)	(14,557)
Segment profit (loss)	**$ 189,723**	**$ 65,447**	**$ 33,492**	**$ (142,528)**	**$ 146,134**
Total assets as of December 31, 2015	**$ 2,310,409**	**$ 2,407,217**	**$ 868,528**	**$ 309,058**	**$ 5,895,212**

	Loans	Securities	Real Estate(1)	Corporate/ Other(2)	Company Total
Year ended December 31, 2014					
Interest income	$ 113,943	$ 73,331	$ —	$ 51	$ 187,325
Interest expense	(13,205)	(6,588)	(15,984)	(41,797)	(77,574)
Net interest income (expense)	100,738	66,743	(15,984)	(41,746)	109,751
Provision for loan losses	(600)	—	—	—	(600)
Net interest income (expense) after provision for loan losses	100,138	66,743	(15,984)	(41,746)	109,151
Operating lease income	—	—	56,649	—	56,649
Tenant recoveries	—	—	9,183	—	9,183
Sale of loans, net	145,275	—	—	—	145,275
Gain on securities	—	26,977	—	—	26,977
Unrealized gain (loss) on Agency interest-only securities	—	2,144	—	—	2,144
Sale of real estate, net	1,525	—	28,235	—	29,760
Fee and other income	3,854	—	5,374	2,476	11,704
Net result from derivative transactions	(34,599)	(60,199)	—	—	(94,798)
Earnings from investment in unconsolidated joint ventures	—	—	900	1,090	1,990
Gain on assignment of mortgage loan financing	—	—	432	—	432
Loss on extinguishment of debt	—	—	—	(150)	(150)
Total other income	116,055	(31,078)	100,773	3,416	189,166
Salaries and employee benefits	(22,400)	—	—	(59,744)	(82,144)
Operating expenses	235	—	—	(25,633)	(25,398)
Real estate operating expenses	—	—	(32,670)	—	(32,670)
Real estate acquisition costs	—	—	(2,400)	(4)	(2,404)
Fee expense	(2,172)	(65)	(83)	(703)	(3,023)
Depreciation and amortization	—	—	(28,271)	(176)	(28,447)
Total costs and expenses	(24,337)	(65)	(63,424)	(86,260)	(174,086)
Tax (expense) benefit	—	—	—	(26,605)	(26,605)
Segment profit (loss)	**$ 191,856**	**$ 35,600**	**$ 21,365**	**$ (151,195)**	**$ 97,626**
Total assets as of December 31, 2014	**$ 1,939,008**	**$ 2,815,566**	**$ 771,129**	**$ 288,532**	**$ 5,814,235**

(1) Includes the Company's investment in unconsolidated joint ventures that held real estate of $34.0 million and $33.7 million as of December 31, 2016 and 2015, respectively

(2) Corporate/Other represents all corporate level and unallocated items including any intercompany eliminations necessary to reconcile to combined consolidated Company totals. This caption also includes the Company's investment in unconsolidated joint ventures and strategic investments that are not related to the other reportable segments above, including the Company's investment in unconsolidated joint ventures of $48,771 as of December 31, 2015, the Company's investment in FHLB stock of $77.9 million as of December 31, 2016 and 2015, the Company's deferred tax asset of $2.1 million and $5.0 million as of December 31, 2016 and 2015, respectively and the Company's senior unsecured notes of $559.8 million and $612.6 million as of December 31, 2016 and 2015, respectively.

19. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following summarizes the combined consolidated quarterly financial information for the Company ($ in thousands except per share and dividend amounts):

	Q4 2016(1)	Q3 2016	Q2 2016	Q1 2016(1)
Interest income	$ 60,721	$ 60,284	$ 55,766	$ 59,601
Net interest income after provision for loan losses	28,517	29,599	27,214	29,915
Other income (loss)	89,212	69,335	11,835	(7,070)
Costs and expenses	45,335	40,615	37,405	35,162
Income (loss) before taxes	72,394	58,319	1,644	(12,317)
Income tax expense (benefit)	773	8,721	(2,301)	(873)
Net income (loss)	71,621	49,598	3,945	(11,444)
Net (income) loss attributable to noncontrolling interest in consolidated joint ventures	(298)	439	(235)	232
Net (income) loss attributable to noncontrolling interest in operating partnership	(29,467)	(22,429)	(908)	5,673
Net income (loss) attributable to Class A common shareholders	$ 41,856	$ 27,608	$ 2,802	$ (5,539)
Earnings per share:				
Basic	$ 0.64	$ 0.44	$ 0.05	$ (0.09)
Diluted	$ 0.63	$ 0.44	$ 0.05	$ (0.09)
Dividends per share of common stock	$ 0.460	$ 0.275	$ 0.275	$ 0.275

	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Interest income	$ 62,903	$ 63,013	$ 59,239	$ 56,384
Net interest income after provision for loan losses	33,297	33,328	31,602	29,409
Other income	72,183 (2)	7,549	86,452	35,037
Costs and expenses	38,347	42,260	44,180	43,379
Income (loss) before taxes	67,133	(1,383)	73,874	21,067
Income tax expense (benefit)	10,457	(4,181)	5,177	3,104
Net income	56,676	2,798	68,697	17,963
Net (income) loss attributable to noncontrolling interest in consolidated joint ventures	(2,146)	85	684	(191)
Net (income) loss attributable to noncontrolling interest in operating partnership	(27,407)	430	(35,171)	(8,597)
Net income attributable to Class A common shareholders	$ 27,123	$ 3,313	$ 34,210	$ 9,175
Earnings per share:				
Basic	$ 0.51	$ 0.06	$ 0.68	$ 0.18
Diluted	$ 0.50	$ 0.06	$ 0.67	$ 0.15
Dividends per share of common stock	$ 1.450	$ 0.275	$ 0.250	$ 0.250

(1) See Note 2. Significant Accounting Policies, “Out-of-Period Adjustments” for out-of-period adjustments included in the three month periods ended March 31, 2016 and December 31, 2016.

(2) Increase in the quarter ended December 31, 2015 was primarily the result of an increase in net result from derivative transactions and gain on sale of real estate, net, offset by decrease in gain on sale of loans.

20. SUBSEQUENT EVENTS

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

Senior Unsecured Notes

During the period from January 1, 2017 through February 24, 2017, the Company retired $6.1 million of principal of the 2017 Notes for a repurchase price of $6.2 million recognizing a $55,155 net loss on extinguishment of debt after recognizing $24,455 of unamortized debt issuance costs associated with the retired debt. The remaining $291.5 million in aggregate principal amount of the 2017 Notes is due October 2, 2017.

Schedule III-Real Estate and Accumulated Depreciation
Ladder Capital Corp
December 31, 2016
($ in thousands)

Description	Encumbrances	Initial Cost to Company			Costs Capitalized Subsequent to Acquisition	Gross Amount at which Carried at Close of Period				Accumulated Depreciation and Amortization	Date Acquired	Year Built	Life on which Depreciation in Latest Statement of Income is Computed
		Land	Building	Intangibles		Land	Building	Intangibles	Total				
Real Estate:													
Retail Property in Springfield, IL	$ —	$ 391	$ 784	$ 147	$ —	$ 391	$ 784	$ 231	$ 1,406	$ (4)	11/16/16	2016	15-40yrs
Retail Property in Fayetteville, NC	—	1,379	3,121	2,471	—	1,379	3,121	2,471	6,971	(30)	11/15/16	2008	12-37yrs
Retail Property in Dryden Township, MI	—	177	893	120	—	177	893	209	1,279	(6)	10/26/16	2016	15-40yrs
Retail Property in Lamar, MO	—	164	903	109	—	164	903	171	1,238	(14)	07/22/16	2016	15-40yrs
Retail Property in Union, MO	—	267	867	93	—	267	867	207	1,341	(17)	07/01/16	2016	15-40yrs
Retail Property in Pawnee, IL	—	249	775	177	—	249	775	205	1,229	(15)	07/01/16	2016	15-40yrs
Retail Property in Linn, MO	—	89	920	113	—	89	920	182	1,191	(16)	06/30/16	2016	15-40yrs
Retail Property in Cape Girardeau, MO	1,016	453	702	126	—	453	702	217	1,372	(14)	06/30/16	2016	15-40yrs
Retail Property in Decatur-Pershing, IL	—	395	923	47	—	395	923	155	1,473	(16)	06/30/16	2016	15-40yrs
Retail Property in Rantoul, IL	—	100	1,023	81	—	100	1,023	178	1,301	(18)	06/21/16	2016	15-40yrs
Retail Property in Flora Vista, NM	—	272	864	169	—	272	864	198	1,334	(22)	06/06/16	2016	15-35yrs
Retail Property in Mountain Grove, MO	—	163	1,026	90	—	163	1,026	212	1,401	(21)	06/03/16	2016	15-40yrs
Retail Property in Decatur-Sunnyside, IL	945	182	954	45	—	182	954	138	1,274	(17)	06/03/16	2016	15-40yrs
Retail Property in Champaign, IL	—	365	915	44	—	365	915	150	1,430	(18)	06/03/16	2016	15-40yrs
Retail Property in San Antonio, TX	886	252	703	141	—	252	703	196	1,151	(20)	05/06/16	2015	15-35yrs
Retail Property in Borger, TX	782	68	800	110	—	68	800	180	1,048	(20)	05/06/16	2016	15-40yrs

Description	Encumbrances	Initial Cost to Company			Costs Capitalized Subsequent to Acquisition	Gross Amount at which Carried at Close of Period				Accumulated Depreciation and Amortization	Date Acquired	Year Built	Life on which Depreciation in Latest Statement of Income is Computed
		Land	Building	Intangibles		Land	Building	Intangibles	Total				
Retail Property in Dimmitt, TX	1,045	86	1,077	156	—	86	1,077	236	1,399	(27)	04/26/16	2016	15-40yrs
Retail Property in St. Charles, MN	959	200	843	155	—	200	843	226	1,269	(27)	04/26/16	2016	15-30yrs
Retail Property in Philo, IL	922	160	889	107	—	160	889	188	1,237	(20)	04/26/16	2016	15-40yrs
Retail Property in Radford, VA	1,139	411	896	257	—	411	896	257	1,564	(43)	12/23/15	2015	15-40yrs
Retail Property in Rural Retreat, VA	1,049	328	811	260	—	328	811	260	1,399	(37)	12/23/15	2015	15-40yrs
Retail Property in Albion, PA	1,137	100	1,033	392	—	100	1,033	392	1,525	(63)	12/23/15	2015	14-50yrs
Retail Property in Mount Vernon, AL	954	187	876	161	—	187	876	174	1,237	(36)	12/23/15	2015	14-44yrs
Retail Property in Malone, NY	1,089	183	1,154	137	—	183	1,154	137	1,474	(42)	12/16/15	2015	14-39yrs
Retail Property in Mercedes, TX	840	257	874	132	—	257	874	132	1,263	(30)	12/16/15	2015	15-45yrs
Retail Property in Gordonville, MO	775	247	787	173	—	247	787	173	1,207	(33)	11/10/15	2015	15-40yrs
Retail Property in Rice, MN	821	199	859	184	—	199	859	184	1,242	(49)	10/28/15	2015	15-30yrs
Retail Property in Bixby, OK	7,993	2,610	7,776	1,765	—	2,610	7,776	1,765	12,151	(342)	10/27/15	2012	12-37yrs
Retail Property in Farmington, IL	900	96	1,161	150	—	96	1,161	150	1,407	(44)	10/23/15	2015	15-40yrs
Retail Property in Grove, OK	3,643	402	4,364	817	—	402	4,364	817	5,583	(204)	10/20/15	2012	12-37yrs
Retail Property in Jenks, OK	8,845	2,617	8,695	2,107	—	2,617	8,695	2,107	13,419	(412)	10/19/15	2009	9-38yrs
Retail Property in Bloomington, IL	821	173	984	137	—	173	984	137	1,294	(40)	10/14/15	2015	15-40yrs
Retail Property in Montrose, MN	789	149	876	169	—	149	876	169	1,194	(51)	10/14/15	2015	15-30yrs
Retail Property in Lincoln County , MO	742	149	800	188	—	149	800	188	1,137	(35)	10/14/15	2015	15-40yrs
Retail Property in Wilmington, IL	907	160	1,078	160	—	160	1,078	160	1,398	(44)	10/07/15	2015	15-40yrs
Retail Property in Danville, IL	742	158	870	133	—	158	870	133	1,161	(34)	10/07/15	2015	15-40yrs

Description	Encumbrances	Initial Cost to Company			Costs Capitalized Subsequent to Acquisition	Gross Amount at which Carried at Close of Period				Accumulated Depreciation and Amortization	Date Acquired	Year Built	Life on which Depreciation in Latest Statement of Income is Computed
		Land	Building	Intangibles		Land	Building	Intangibles	Total				
Retail Property in Moultrie, GA	934	170	962	173	—	170	962	173	1,305	(56)	09/22/15	2014	14-44yrs
Retail Property in Rose Hill, NC	1,004	245	973	203	—	245	973	203	1,421	(55)	09/22/15	2014	14-44yrs
Retail Property in Rockingham, NC	825	73	922	163	—	73	922	163	1,158	(49)	09/22/15	2014	14-44yrs
Retail Property in Biscoe, NC	863	147	905	165	—	147	905	165	1,217	(50)	09/22/15	2014	14-44yrs
Retail Property in De Soto, IA	707	139	795	176	—	139	795	176	1,110	(40)	09/08/15	2015	15-35yrs
Retail Property in Kerrville, TX	769	186	849	200	—	186	849	200	1,235	(51)	08/28/15	2015	15-35yrs
Retail Property in Floresville, TX	815	268	828	216	—	268	828	216	1,312	(52)	08/28/15	2015	15-35yrs
Retail Property in Minot, ND	4,703	1,856	4,472	618	—	1,856	4,472	618	6,946	(207)	08/19/15	2012	13-38yrs
Retail Property in Lebanon, MO	821	359	724	178	—	359	724	178	1,261	(37)	08/14/15	2015	15-40yrs
Retail Property in Effingham County, IL	821	273	773	205	—	273	773	205	1,251	(43)	08/10/15	2015	15-40yrs
Retail Property in Ponce, Puerto Rico	6,528	1,365	6,662	1,318	—	1,365	6,662	1,318	9,345	(322)	08/03/15	2012	12-37yrs
Retail Property in Tremont, IL	792	165	860	168	—	165	860	168	1,193	(50)	06/25/15	2015	15-35yrs
Retail Property in Pleasanton, TX	869	312	850	216	—	312	850	216	1,378	(58)	06/24/15	2015	15-35yrs
Retail Property in Peoria, IL	859	180	934	179	—	180	934	179	1,293	(54)	06/24/15	2015	15-35yrs
Retail Property in Bridgeport, IL	825	192	874	175	—	192	874	175	1,241	(50)	06/24/15	2015	15-35yrs
Retail Property in Warren, MN	697	108	825	156	—	108	825	156	1,089	(57)	06/24/15	2015	15-30yrs
Retail Property in Canyon Lake, TX	911	291	932	221	—	291	932	221	1,444	(61)	06/18/15	2015	15-35yrs
Retail Property in Wheeler, TX	720	53	887	188	—	53	887	188	1,128	(57)	06/18/15	2015	15-35yrs
Retail Property in Aurora, MN	631	126	709	157	—	126	709	157	992	(41)	06/18/15	2015	15-40yrs
Retail Property in Red Oak, IA	778	190	839	179	—	190	839	179	1,208	(63)	05/07/15	2014	15-35yrs

Description	Encumbrances	Initial Cost to Company			Costs Capitalized Subsequent to Acquisition	Gross Amount at which Carried at Close of Period				Accumulated Depreciation and Amortization	Date Acquired	Year Built	Life on which Depreciation in Latest Statement of Income is Computed
		Land	Building	Intangibles		Land	Building	Intangibles	Total				
Retail Property in Zapata, TX	746	62	998	144	—	62	998	144	1,204	(78)	05/07/15	2015	15-35yrs
Retail Property in St. Francis, MN	732	105	911	164	—	105	911	164	1,180	(81)	03/26/15	2014	15-35yrs
Retail Property in Yorktown, TX	784	97	1,005	199	—	97	1,005	199	1,301	(87)	03/25/15	2015	15-35yrs
Retail Property in Battle Lake, MN	719	136	875	157	—	136	875	157	1,168	(84)	03/25/15	2014	15-30yrs
Retail Property in Paynesville, MN	803	246	815	192	—	246	815	192	1,253	(71)	03/05/15	2015	15-40yrs
Retail Property in Wheaton, MO	653	73	800	97	—	73	800	97	970	(61)	03/05/15	2015	15-40yrs
Retail Property in Rotterdam, NY	8,890	2,530	7,924	2,165	—	2,530	7,924	2,165	12,619	(1,160)	03/03/15	1996	8-20yrs
Retail Property in Hilliard, OH	4,593	654	4,870	860	—	654	4,870	860	6,384	(332)	03/02/15	2007	12-41yrs
Retail Property in Niles, OH	3,732	437	4,084	679	—	437	4,084	679	5,200	(276)	03/02/15	2007	12-41yrs
Retail Property in Youngstown, OH	3,844	380	4,363	657	—	380	4,363	657	5,400	(305)	02/20/15	2005	12-40yrs
Retail Property in Kings Mountain, NC	18,731	1,368	19,533	3,267	5,834	1,368	24,383	3,267	29,018	(1,953)	01/29/15	1995	10-35yrs
Retail Property in Iberia, MO	899	130	1,033	165	—	130	1,033	165	1,328	(84)	01/23/15	2015	14-39yrs
Retail Property in Pine Island, MN	773	112	845	185	—	112	845	185	1,142	(81)	01/23/15	2014	15-40yrs
Retail Property in Isle, MN	727	120	787	171	—	120	787	171	1,078	(78)	01/23/15	2014	15-40yrs
Retail Property in Jacksonville, NC	5,705	1,863	5,749	1,019	—	1,863	5,749	1,019	8,631	(442)	01/22/15	2014	15-44yrs
Retail Property in Evansville, IN	6,456	1,788	6,348	864	—	1,788	6,348	864	9,000	(547)	11/26/14	2014	15-35yrs
Retail Property in Woodland Park, CO	2,810	668	2,681	620	—	668	2,681	620	3,969	(295)	11/14/14	2014	15-35yrs
Retail Property in Bellport, NY	12,874	3,601	12,465	2,034	—	3,601	12,465	2,034	18,100	(1,152)	11/13/14	2014	15-35yrs
Retail Property in Ankeny, IA	11,743	3,180	10,513	2,817	—	3,180	10,513	2,843	16,536	(1,023)	11/04/14	2013	14-39yrs
Retail Property in Springfield, MO	8,392	3,658	6,296	1,721	—	3,658	6,296	1,870	11,824	(668)	11/04/14	2011	12-37yrs

Description	Encumbrances	Initial Cost to Company			Costs Capitalized Subsequent to Acquisition	Gross Amount at which Carried at Close of Period				Accumulated Depreciation and Amortization	Date Acquired	Year Built	Life on which Depreciation in Latest Statement of Income is Computed
		Land	Building	Intangibles		Land	Building	Intangibles	Total				
Retail Property in Cedar Rapids, IA	7,824	1,569	7,553	1,878	—	1,569	7,553	1,878	11,000	(862)	11/04/14	2012	10-30yrs
Retail Property in Fairfield, IA	7,610	1,132	7,779	1,784	—	1,132	7,779	1,800	10,711	(746)	11/04/14	2011	12-37yrs
Retail Property in Owatonna, MN	7,151	1,399	7,125	1,446	—	1,398	7,125	1,564	10,087	(714)	11/04/14	2010	11-36yrs
Retail Property in Muscatine, IA	5,128	1,060	6,636	(546)	—	1,060	6,636	1,307	9,003	(709)	11/04/14	2013	10-29yrs
Retail Property in Sheldon, IA	3,084	633	3,053	614	—	633	3,053	708	4,394	(305)	11/04/14	2011	12-37yrs
Retail Property in Memphis, TN	3,930	1,986	2,800	524	—	1,987	2,800	803	5,590	(617)	10/24/14	1962	5-15yrs
Retail Property in Bennett, CO	2,494	470	2,503	549	—	470	2,503	563	3,536	(294)	10/02/14	2014	14-34yrs
Retail Property in Conyers, GA	22,847	876	27,396	4,258	—	876	27,396	4,258	32,530	(2,345)	08/28/14	2014	15-45yrs
Retail Property in O'Fallon, IL	5,689	2,488	5,388	124	—	2,488	5,388	1,063	8,939	(1,218)	08/08/14	1984	7-15yrs
Retail Property in El Centro, CA	2,985	569	3,133	575	—	569	3,133	575	4,277	(294)	08/08/14	2014	15-50yrs
Retail Property in Durant, OK	3,229	593	3,900	498	—	593	3,900	498	4,991	(513)	01/28/13	2007	10-40yrs
Retail Property in Gallatin, TN	3,301	1,725	2,616	721	—	1,725	2,615	721	5,061	(464)	12/28/12	2007	11-40yrs
Retail Property in Mt. Airy, NC	2,931	728	3,353	411	—	728	3,353	621	4,702	(530)	12/27/12	2007	9-39yrs
Retail Property in Aiken, SC	3,860	1,588	3,480	858	—	1,588	3,480	858	5,926	(567)	12/21/12	2008	11-41yrs
Retail Property in Johnson City, TN	3,431	917	3,606	739	—	917	3,606	739	5,262	(571)	12/21/12	2007	11-40yrs
Retail Property in Palmview, TX	4,582	938	4,837	1,045	—	938	4,837	1,045	6,820	(655)	12/19/12	2012	11-44yrs
Retail Property in Ooltewah, TN	3,837	903	3,957	843	—	903	3,957	843	5,703	(612)	12/18/12	2008	11-41yrs
Retail Property in Abingdon, VA	3,081	682	3,733	273	—	682	3,733	666	5,081	(583)	12/18/12	2006	11-41yrs
Retail Property in Wichita, KS	4,801	1,187	4,850	1,163	—	1,187	4,850	1,163	7,200	(987)	12/14/12	2012	14-34yrs
Retail Property in North Dartmouth, MA	19,046	7,033	19,745	3,187	—	7,034	19,745	3,187	29,966	(5,227)	09/21/12	1989	10-20yrs

		Initial Cost to Company			Costs Capitalized Subsequent to Acquisition	Gross Amount at which Carried at Close of Period				Accumulated Depreciation and Amortization	Date Acquired	Year Built	Life on which Depreciation in Latest Statement of Income is Computed
Description	**Encumbrances**	**Land**	**Building**	**Intangibles**		**Land**	**Building**	**Intangibles**	**Total**				
Retail Property in Vineland, NJ	13,971	1,483	17,742	3,282	—	1,482	17,742	3,282	22,506	(3,655)	09/21/12	2003	12-30yrs
Retail Property in Saratoga Springs, NY	12,553	748	13,936	5,538	—	748	13,936	5,538	20,222	(3,435)	09/21/12	1994	15-27yrs
Retail Property in Waldorf, MD	11,672	4,933	11,684	2,186	—	4,933	11,684	2,882	19,499	(2,930)	09/21/12	1999	10-25yrs
Retail Property in Mooresville, NC	10,952	2,616	12,462	2,566	—	2,615	12,462	2,566	17,643	(3,073)	09/21/12	2000	12-24yrs
Retail Property in Sennett, NY	4,752	1,147	4,480	1,849	—	1,147	4,480	1,849	7,476	(1,360)	09/21/12	1996	10-23yrs
Retail Property in DeLeon Springs, FL	821	239	782	221	—	239	782	221	1,242	(216)	08/13/12	2011	15-35yrs
Retail Property in Orange City, FL	797	229	853	235	—	229	853	235	1,317	(230)	05/23/12	2011	15-35yrs
Retail Property in Satsuma, FL	717	79	821	192	—	79	821	192	1,092	(224)	04/19/12	2011	15-35yrs
Retail Property in Greenwood, AR	3,424	1,038	3,415	694	—	1,038	3,416	694	5,148	(611)	04/12/12	2009	13-43yrs
Retail Property in Snellville, GA	5,322	1,293	5,724	983	—	1,293	5,724	983	8,000	(1,236)	04/04/12	2011	14-34yrs
Retail Property in Columbia, SC	5,177	2,148	4,629	1,023	—	2,148	4,629	1,023	7,800	(1,044)	04/04/12	2001	14-34yrs
Retail Property in Millbrook, AL	4,616	970	5,971	—	—	970	5,971	—	6,941	(895)	03/28/12	2008	32yrs
Retail Property in Pittsfield, MA	11,135	1,801	11,555	1,344	—	1,801	11,555	1,344	14,700	(2,131)	02/17/12	2011	14-34yrs
Retail Property in Spartanburg, SC	2,701	827	2,567	476	—	828	2,567	772	4,167	(684)	01/14/11	2007	12-42yrs
Retail Property in Tupelo, MS	3,090	1,119	3,070	939	—	1,119	3,070	939	5,128	(806)	08/13/10	2007	12-47yrs
Retail Property in Lilburn, GA	3,474	1,090	3,673	1,028	—	1,090	3,673	1,028	5,791	(932)	08/12/10	2007	12-47yrs
Retail Property in Douglasville, GA	3,264	1,717	2,705	987	—	1,717	2,705	987	5,409	(736)	08/12/10	2008	13-48yrs
Retail Property in Elkton, MD	2,928	963	3,049	860	—	963	3,049	860	4,872	(780)	07/27/10	2008	14-49yrs
Retail Property in Lexington, SC	2,898	1,644	2,219	869	—	1,645	2,219	869	4,733	(667)	06/28/10	2009	13-48yrs
Total Net Lease	**385,324**	**96,304**	**411,126**	**81,470**	**5,834**	**96,305**	**415,976**	**88,015**	**600,296**	**(56,650)**			

Description	Encumbrances	Initial Cost to Company			Costs Capitalized Subsequent to Acquisition	Gross Amount at which Carried at Close of Period				Accumulated Depreciation and Amortization	Date Acquired	Year Built	Life on which Depreciation in Latest Statement of Income is Computed
		Land	Building	Intangibles		Land	Building	Intangibles	Total				
Office in Peoria, IL	—	888	415	1,457	—	888	415	1,579	2,882	(29)	10/21/16	1926	5-15yrs
Office in Wayne, NJ	21,856	2,744	20,212	7,684	—	2,743	20,212	8,323	31,278	(523)	08/04/16	2009	15-45yrs
Shopping Center in Carmel, NY	—	2,041	3,632	1,033	727	2,041	4,116	1,033	7,190	(353)	10/14/15	1985	5-20yrs
Office in Wayne, NJ	6,670	1,386	5,474	2,840	—	1,386	5,474	2,840	9,700	(638)	06/24/15	1980	10-40yrs
Warehouse in Grand Rapids, MI	7,239	497	8,157	1,077	474	498	8,157	1,077	9,732	(587)	06/18/15	1963	8-35yrs
Office in Grand Rapids, MI	4,928	547	5,157	596	—	547	5,157	596	6,300	(514)	06/18/15	1992	6-28yrs
Office in St. Paul, MN	48,446	9,615	33,682	19,243	22,346	10,714	36,226	20,520	67,460	(12,793)	09/22/14	1900	7-19yrs
Office in Richmond, VA	15,803	4,539	12,633	2,678	7,119	4,539	13,608	2,704	20,851	(3,743)	08/14/14	1986	4-33yrs
Office in Richmond, VA	88,090	14,632	87,628	16,145	28,052	14,631	91,407	17,611	123,649	(30,750)	06/07/13	1984	4-41yrs
Office in Oakland County, MI	11,747	1,147	7,707	9,146	7,299	1,147	11,381	9,932	22,460	(12,049)	02/01/13	1989	4-35yrs
Total Other	**204,779**	**38,036**	**184,697**	**61,899**	**66,017**	**39,134**	**196,153**	**66,215**	**301,502**	**(61,979)**			
Condominium in Miami, FL	—	10,487	67,895	1,618	1,522	2,951	20,626	455	24,032	(1,585)	11/21/13	2010	7-47yrs
Condominium in Las Vegas, NV	—	4,900	114,100	—	1,342	4,900	13,616	—	18,516	(1,794)	12/20/12	2006	40yrs
Total Condominium	**—**	**15,387**	**181,995**	**1,618**	**2,864**	**7,851**	**34,242**	**455**	**42,548 (1)**	**(3,379)**			
Total Real Estate	**$ 590,103**	**$149,727**	**$ 777,818**	**$ 144,987**	**$ 74,715**	**$143,290**	**$ 646,371**	**$ 154,685**	**$ 944,346 (2)**	**$ (122,008)**			

(1) Gross carrying value amounts are charged off as cost of sales upon delivery of condo units.
(2) The aggregate cost for U.S. federal income tax purposes is $900.1 million at December 31, 2016.

Reconciliation of Real Estate:

The following table reconciles real estate from December 31, 2015 to December 31, 2016 ($ in thousands):

	Total Real Estate	Commercial Real Estate	Residential Real Estate
Balance at December 31, 2015	$ 917,835	$ 842,140	$ 75,695
Reclassification of intangibles to accumulated amortization	1,316	1,316	—
Improvements and additions	75,345	72,963	2,382
Acquisitions through foreclosures	—	—	—
Dispositions	(50,150)	(14,622)	(35,528)
Impairments	—	—	—
Balance at December 31, 2016	**$ 944,346**	**$ 901,797**	**$ 42,549**

The following table reconciles real estate from December 31, 2014 to December 31, 2015 ($ in thousands):

	Total Real Estate	Commercial Real Estate	Residential Real Estate
Balance at December 31, 2014	$ 819,591	$ 697,965	$ 121,626
Improvements and additions	232,582	230,915	1,667
Acquisitions through foreclosures	6,706	6,706	—
Dispositions	(141,044)	(93,446)	(47,598)
Impairments	—	—	—
Balance at December 31, 2015	**$ 917,835**	**$ 842,140**	**$ 75,695**

The following table reconciles real estate from December 31, 2013 to December 31, 2014 ($ in thousands):

	Total Real Estate	Commercial Real Estate	Residential Real Estate
Balance at December 31, 2013	$ 649,820	$ 474,465	$ 175,355
Improvements and additions	267,367	267,367	—
Acquisitions through foreclosures	—	—	—
Dispositions	(97,596)	(43,867)	(53,729)
Impairments	—	—	—
Balance at December 31, 2014	**$ 819,591**	**$ 697,965**	**$ 121,626**

Reconciliation of Accumulated Depreciation and Amortization:

The following table reconciles accumulated depreciation and amortization from December 31, 2015 to December 31, 2016 ($ in thousands):

	Total Real Estate	Commercial Real Estate	Residential Real Estate
Balance at December 31, 2015	$ 83,056	$ 78,376	$ 4,680
Reclassification of intangibles to accumulated amortization	1,316	1,316	
Additions	40,726	39,398	1,328
Dispositions	(3,090)	(460)	(2,630)
Balance at December 31, 2016	**$ 122,008**	**$ 118,630**	**$ 3,378**

The following table reconciles accumulated depreciation and amortization from December 31, 2014 to December 31, 2015 ($ in thousands):

	Total Real Estate	Commercial Real Estate	Residential Real Estate
Balance at December 31, 2014	$ 50,605	$ 45,856	$ 4,749
Additions	40,490	38,213	2,277
Dispositions	(8,039)	(5,693)	(2,346)
Balance at December 31, 2015	**$ 83,056**	**$ 78,376**	**$ 4,680**

The following table reconciles accumulated depreciation and amortization from December 31, 2013 to December 31, 2014 ($ in thousands):

	Total Real Estate	Commercial Real Estate	Residential Real Estate
Balance at December 31, 2013	$ 25,601	$ 23,061	$ 2,540
Additions	28,916	25,212	3,704
Dispositions	(3,912)	(2,417)	(1,495)
Balance at December 31, 2014	**$ 50,605**	**$ 45,856**	**$ 4,749**

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Schedule IV-Mortgage Loans on Real Estate
Ladder Capital Corp
December 31, 2016
($ in thousands)

Type of Loan	Underlying Property Type	Interest Rates (1)	Effective Maturity Dates	Periodic Payment Terms (2)	Prior Liens	Face amount of Mortgages	Carrying Amount of Mortgages		Principal Amount of Mortgages Subject to Delinquent Principal or Interest (3)
First Mortgages individually >3%									
First Mortgage	Hotel	5.15%	9/6/2017	IO	$ —	$ 97,500	$ 97,297		$ —
First Mortgage	Hotel	5.75%	12/6/2017	IO	—	97,296	97,248		—
First Mortgage	Multi-family	2.87%	4/6/2020	IO	—	120,000	120,000		—
First Mortgage	Office	4.6%	12/6/2021	IO	—	107,250	106,421		—
First Mortgage	Hotel	9.4%	1/6/2017	IO	—	98,345	98,345		—
First Mortgages individually <3%									
First Mortgage	Hotel, Industrial, Mobile Home Park, Mixed Use, Multi-family, Office, Retail	4.15% - 12.25%	2017 - 2033		—	1,683,133	1,671,197		26,850
Total First Mortgages					**$ —**	**$ 2,203,524**	**$ 2,190,508**		**$ 26,850**
Subordinated Mortgages individually <3%									
Subordinate Mortgage	Hotel, Land, Mobile Home Park, Mixed Use, Multi-family, Office, Residential, Retail	5.00% - 15.00%	2017 - 2025		1,263,892	168,303	167,469		—
Total Subordinated Mortgages					**$ 1,263,892**	**$ 168,303**	**$ 167,469**		**$ —**
Total Mortgages					**$ 1,263,892**	**$ 2,371,827**	**$ 2,357,977**		**$ 26,850**
Provision for Loan Losses					**N/A**	**N/A**	**$ (4,000)**		**N/A**
Total Mortgages after Provision for Loan Losses					**$ 1,263,892**	**$ 2,371,827**	**$ 2,353,977**	**(4)**	**$ 26,850**

(1) Interest rates as of December 31, 2016.
(2) IO = Interest only.
P&I = Principal and interest.
(3) As discussed in Note 3. Mortgage Loan Receivables, as of December 31, 2016, two of the Company's loans, which were originated simultaneously as part of a single transaction, and had a carrying value of $26.9 million, were in default.
(4) The aggregate cost for U.S. federal income tax purposes is $2.4 billion.

Reconciliation of mortgage loans on real estate:

The following tables reconcile mortgage loans on real estate from December 31, 2013 to December 31, 2016 ($ in thousands):

	Mortgage loan receivables held for investment, at amortized cost	Mortgage loan receivables held for sale	Total Mortgage loan receivables
Balance December 31, 2015	**$ 1,738,645**	**$ 571,764**	**$ 2,310,409**
Origination of mortgage loan receivables	969,401	1,128,651	2,098,052
Purchases of mortgage loan receivables	—	73,421	73,421
Repayment of mortgage loan receivables	(720,592)	(1,768)	(722,360)
Proceeds from sales of mortgage loan receivables	—	(1,440,195)	(1,440,195)
Realized gain on sale of mortgage loan receivables	—	26,009	26,009
Accretion/amortization of discount, premium and other fees	8,941	—	8,941
Loan loss provision	(300)	—	(300)
Balance December 31, 2016	**$ 1,996,095**	**$ 357,882**	**$ 2,353,977**

	Mortgage loan receivables held for investment, at amortized cost	Mortgage loan receivables held for sale	Total Mortgage loan receivables
Balance December 31, 2014	**$ 1,521,053**	**$ 417,955**	**$ 1,939,008**
Origination of mortgage loan receivables	963,023	2,594,141	3,557,164
Repayment of mortgage loan receivables	(752,452)	(2,308)	(754,760)
Proceeds from sales of mortgage loan receivables	—	(2,509,090)	(2,509,090)
Non-cash disposition of loan via foreclosure	(4,620)	—	(4,620)
Realized gain on sale of mortgage loan receivables	—	71,066	71,066
Accretion/amortization of discount, premium and other fees	12,241	—	12,241
Loan loss provision	(600)	—	(600)
Balance December 31, 2015	**$ 1,738,645**	**$ 571,764**	**$ 2,310,409**

	Mortgage loan receivables held for investment, at amortized cost	Mortgage loan receivables held for sale	Total Mortgage loan receivables
Balance December 31, 2013	**$ 539,078**	**$ 440,490**	**$ 979,568**
Origination of mortgage loan receivables	1,201,968	3,345,372	4,547,340
Repayment of mortgage loan receivables	(214,511)	(1,293)	(215,804)
Proceeds from sales of mortgage loan receivables	—	(3,523,689)	(3,523,689)
Realized gain on sale of mortgage loan receivables	—	145,275	145,275
Transfer between held for investment and held for sale	(11,800)	11,800	—
Accretion/amortization of discount, premium and other fees	6,918	—	6,918
Loan loss provision	(600)	—	(600)
Balance December 31, 2014	**$ 1,521,053**	**$ 417,955**	**$ 1,939,008**

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Attached as exhibits to this Annual Report are certifications of the Company's Chief Executive Officer and Chief Financial Officer, in accordance with Rule 13a-14 under the Exchange Act. This "Controls and Procedures" section includes information concerning the controls and procedures evaluation referred to in the certifications. This section should be read in conjunction with the certifications for a more complete understanding of the topics presented.

Disclosure Controls and Procedures

The management of the Company established and maintains disclosure controls and procedures that are designed to ensure that material information relating to the Company and its subsidiaries required to be disclosed in the reports that are filed or submitted under the Exchange Act are recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures.

As of the end of the period covered by this report, our management conducted an evaluation (as required under Rules 13a-15(b) and 15d-15(b) under the Exchange Act, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective. Notwithstanding the foregoing, a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will detect or uncover failures to disclose material information otherwise required to be set forth in our periodic reports.

Internal Control Over Financial Reporting

(a) Management's annual report on internal control over financial reporting.

Management is responsible for establishing and maintaining adequate internal control over financial reporting. As defined in Exchange Act Rule 13a-15(f), internal control over financial reporting is a process designed by, or under the supervision of, the principal executive and principal financial officer and effected by the board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, the Company carried out an evaluation of the effectiveness of its internal control over financial reporting as of December 31, 2016, based on the Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based upon this evaluation, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2016.

(b) Attestation report of the registered public accounting firm.

This annual report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to exemption rules of the SEC that permit the Company to provide only management's report in this annual report.

(c) Changes in internal control over financial reporting.

There have not been any changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the most recent fiscal quarter that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

The Company's management, including the Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs.

Item 9B. Other Information

None.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by Item 10 will be set forth in the Company's definitive proxy statement for its annual meeting of shareholders expected to be held on June 6, 2017, and is incorporated herein by reference.

Item 11. Executive Compensation

The information required by Item 11 will be set forth in the Company's definitive proxy statement for its annual meeting of shareholders expected to be held on June 6, 2017, and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by Item 12 will be set forth in the Company's definitive proxy statement for its annual meeting of shareholders expected to be held on June 6, 2017, and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by Item 13 will be set forth in the Company's definitive proxy statement for its annual meeting of shareholders expected to be held on June 6, 2017, and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The information required by Item 14 will be set forth in the Company's definitive proxy statement for its annual meeting of shareholders expected to be held on June 6, 2017, and is incorporated herein by reference.

Part IV

Item 15. Exhibits and Financial Statement Schedules

The following documents are filed or incorporated by reference as part of this Annual Report:

1. Combined Consolidated Financial Statements

2. Financial Statement Schedules

3. Exhibits required to be filed by Item 601 of Regulation S-K

The exhibits listed on the exhibit index following the signature page are filed as part of, or hereby incorporated by reference into this Form 10-K.

Item 16. Form 10-K Summary

None.

SIGNATURES

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

LADDER CAPITAL CORP
(Registrant)

Date: February 24, 2017

By: /s/ MARC FOX
Marc Fox
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ BRIAN HARRIS Brian Harris	Chief Executive Officer and Director (Principal Executive Officer)	February 24, 2017
/s/ MARC FOX Marc Fox	Chief Financial Officer (Principal Financial Officer)	February 24, 2017
/s/ KEVIN MOCLAIR Kevin Moclair	Chief Accounting Officer (Principal Accounting Officer)	February 24, 2017
/s/ ALAN FISHMAN Alan Fishman	Non-Executive Chairman and Director	February 24, 2017
/s/ JONATHAN BILZIN Jonathan Bilzin	Director	February 24, 2017
/s/ DOUGLAS DURST Douglas Durst	Director	February 24, 2017
/s/ HOWARD PARK Howard Park	Director	February 24, 2017
/s/ MARK ALEXANDER Mark Alexander	Director	February 24, 2017

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
3.1	Second Amended and Restated Certificate of Incorporation of Ladder Capital Corp (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K filed on March 2, 2015)
3.2	Amendment to Second Amended and Restated Certificate of Incorporation of Ladder Capital Corp (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K filed on June 8, 2015)
3.3	Amended and Restated Bylaws of Ladder Capital Corp (incorporated by reference to Exhibit 3.3 to the Company's registration statement on Form S-1 filed on December 24, 2013)
4.1	Form of Certificate of Class A Common Stock (incorporated by reference to Exhibit 4.2 to the Company's registration statement on Form S-1 (Amendment No. 2, filed on January 15, 2014))
4.2	Amended and Restated Registration Rights Agreement, dated February 11, 2014 (incorporated by reference to Exhibit 4.2 to the Company's Form 10-K filed on March 6, 2015)
4.3	Amendment No. 1 to the Amended and Restated Registration Rights Agreement, dated as of January 28, 2015 (incorporated by reference to Exhibit 4.3 to the Company's Form 10-K filed on March 6, 2015)
4.4	Indenture for the 2017 Notes, dated as of September 19, 2012, among Ladder Capital Finance Holdings LLLP, and Ladder Capital Finance Corporation as co-issuers, and Wilmington Trust, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the registration statement on Form S-4 (No. 353-188224) filed on April 30, 2013 by Ladder Capital Finance Holdings LLLP and Ladder Capital Finance Corp)
4.5	First Supplemental Indenture for the 2017 Notes, dated as of March 12, 2014, by and among certain subsidiaries of Ladder Capital Corp, as guarantors, Ladder Capital Finance Holdings LLLP and Ladder Capital Finance Corporation, as co-issuers, and Wilmington Trust, National Association, as trustee (incorporated by reference to Exhibit 4.9 to the Company's Form 10-K filed on March 6, 2015)
4.6	Second Supplemental Indenture for the 2017 Notes, dated as of March 28, 2014, by and among Ladder Capital Corp, as guarantor, Ladder Capital Finance Holdings LLLP and Ladder Capital Finance Corporation, as co-issuers, and Wilmington Trust, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Form 8-K filed on April 3, 2014)
4.7	Third Supplemental Indenture for the 2017 Notes, dated as of December 31, 2014, by and among Lafayette Park JV Member LLC, Series REIT of Ladder Midco LLC, Series TRS of Ladder Midco LLC, Series REIT of Ladder Midco II LLC, Series TRS of Ladder Midco II LLC, Series REIT of Ladder Capital Finance Holdings LLLP, Series TRS of Ladder Capital Finance Holdings LLLP, LC TRS I LLC, LC TRS III LLC and Ladder Capital Insurance LLC, as guarantors, Ladder Capital Finance Holdings LLLP and Ladder Capital Finance Corporation, as co-issuers, and Wilmington Trust, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Form 8-K filed on January 5, 2015)
4.8	Indenture for the 2021 Notes, dated as of August 1, 2014, among Ladder Capital Finance Holdings LLLP, Ladder Capital Finance Corporation, the guarantors party thereto and Wilmington Trust, National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Form 8-K filed on August 1, 2014)
4.9	First Supplemental Indenture for the 2021 Notes, dated as of December 31, 2014, by and among Lafayette Park JV Member LLC, Series REIT of Ladder Midco LLC, Series TRS of Ladder Midco LLC, Series REIT of Ladder Midco II LLC, Series TRS of Ladder Midco II LLC, Series REIT of Ladder Capital Finance Holdings LLLP, Series TRS of Ladder Capital Finance Holdings LLLP, LC TRS I LLC, LC TRS III LLC and Ladder Capital Insurance LLC, as guarantors, Ladder Capital Finance Holdings LLLP and Ladder Capital Finance Corporation, as co-issuers, and Wilmington Trust, National Association, as trustee (incorporated by reference to Exhibit 4.2 to the Company's Form 8-K filed on January 5, 2015)
4.10	Second Supplemental Indenture for the 2021 Notes, dated as of March 1, 2016, by and among Grand Rapids JV Member LLC, Pelham JV Member LLC, CanPac JV LLC, CanPac JV Member II Partner LLC, CanPac JV Member II LLC, as guarantors, Ladder Capital Finance Holdings LLLP and Ladder Capital Finance Corporation, as co-issuers, and Wilmington Trust, National Association, as trustee
4.11	Fourth Supplemental Indenture for the 2017 Notes, dated as of March 1, 2016, by and among Grand Rapids JV Member LLC, Pelham JV Member LLC, CanPac JV LLC, CanPac JV Member II Partner LLC, CanPac JV Member II LLC, as guarantors, Ladder Capital Finance Holdings LLLP and Ladder Capital Finance Corporation, as co-issuers, and Wilmington Trust, National Association, as trustee
4.12	Third Supplemental Indenture for the 2021 Notes, dated as of September 13, 2016, by and among Tuebor TRS IV LLC, as guarantor, Ladder Capital Finance Holdings LLLP and Ladder Capital Finance Corporation, as co-issuers, and Wilmington Trust, National Association, as trustee
4.13	Fifth Supplemental Indenture for the 2017 Notes, dated as of September 13, 2016, by and among Tuebor TRS IV LLC, as guarantor, Ladder Capital Finance Holdings LLLP and Ladder Capital Finance Corporation, as co-issuers, and Wilmington Trust, National Association, as trustee

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
4.14	Amendment No. 2 to the Amended and Restated Registration Rights Agreement dated as of December 1, 2016
4.15	Amendment No. 3 to the Amended and Restated Registration Rights Agreement dated as of February 15, 2017
10.1	Third Amended and Restated Limited Liability Limited Partnership Agreement, dated as of December 31, 2014, by and among Ladder Capital Finance Holdings LLLP, each General Partner and each Person party thereto or otherwise bound as a Limited Partner (incorporated by reference to Exhibit 10.3 to the Company’s Form 8-K filed on January 5, 2015)
10.2	Amendment to Third Amended and Restated Limited Liability Limited Partnership Agreement, dated as of November 30, 2015, by and among Ladder Capital Finance Holdings LLLP, each General Partner and each Person party thereto or otherwise bound as a Limited Partner (incorporated by reference to Exhibit 10.2 to the Company’s Form 10-K filed on March 7, 2016)
10.3	Amended and Restated Tax Receivable Agreement, dated as of December 31, 2014, by and among Ladder Capital Corp, Ladder Capital Finance Holdings LLLP, Series TRS of Ladder Capital Finance Holdings LLLP, LC TRS I LLC and each of the TRA Members (incorporated by reference to Exhibit 10.4 to the Company’s Form 8-K filed on January 5, 2015)
10.4	Counterpart Agreement, dated as of December 31, 2014, by and among Lafayette Park JV Member LLC, Series REIT of Ladder Midco LLC, Series TRS of Ladder Midco LLC, Series REIT of Ladder Midco II LLC, Series TRS of Ladder Midco II LLC, Series REIT of Ladder Capital Finance Holdings LLLP, Series TRS of Ladder Capital Finance Holdings LLLP, LC TRS I LLC, LC TRS III LLC and Ladder Capital Insurance LLC, and with respect to Section 3 thereof only, Ladder Capital Finance Holdings LLLP, Ladder Midco LLC and Ladder Midco II LLC (incorporated by reference to Exhibit 10.1 to the Company’s Form 8-K filed on January 5, 2015)
10.5	Purchase Agreement for the 2021 Notes, dated as of July 29, 2014, among Ladder Capital Finance Holdings LLLP, Ladder Capital Finance Corporation, the guarantors party thereto and the initial purchasers party thereto (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on August 1, 2014)
10.6 #	Form of Amended and Restated Employment Agreement (incorporated by reference to Exhibit 10.2 to the Company's registration statement on Form S-1 (Amendment No. 3, filed on January 21, 2014))
10.7 #	Harris Amended and Restated Employment Agreement, dated as of January 23, 2014 (incorporated by reference to Exhibit 10.3 to the Company's registration statement on Form S-1 (Amendment No. 5, filed on January 28, 2014))
10.8 #	Harney Amended and Restated Employment Agreement, dated as of January 23, 2014 (incorporated by reference to Exhibit 10.4 to the Company's registration statement on Form S-1 (Amendment No. 5, filed on January 28, 2014))
10.9 #	Mazzei Amended and Restated Employment Agreement, dated as of January 23, 2014 (incorporated by reference to Exhibit 10.5 to the Company's registration statement on Form S-1 (Amendment No. 5, filed on January 28, 2014))
10.10 #	McCormack Amended and Restated Employment Agreement, dated as of January 23, 2014 (incorporated by reference to Exhibit 10.17 to the Company's Form 10-K filed on March 6, 2015)
10.11 #	2014 Omnibus Incentive Plan (incorporated by reference to Exhibit 4.3 to the Company's registration statement on Form S-8 (filed on June 13, 2014))
10.12 #	Form of Incentive Stock Option Agreement (incorporated by reference to Exhibit 10.4 to the Company's registration statement on Form S-1 (Amendment No. 2, filed on January 15, 2014))
10.13 #	Form of Nonqualified Stock Option Agreement (incorporated by reference to Exhibit 10.5 to the Company's registration statement on Form S-1 (Amendment No. 2, filed on January 15, 2014))
10.14 #	Form of Stock Appreciation Rights Agreement (incorporated by reference to Exhibit 10.6 to the Company's registration statement on Form S-1 (Amendment No. 2, filed on January 15, 2014))
10.15 #	Form of Restricted Stock Agreement (incorporated by reference to Exhibit 10.7 to the Company's registration statement on Form S-1 (Amendment No. 2, filed on January 15, 2014))
10.16 #	Form of Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.8 to the Company's registration statement on Form S-1 (Amendment No. 2, filed on January 15, 2014))
10.17 #	Deferred Compensation Plan (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q filed on August 6, 2014)
10.18 #	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.11 to the Company's registration statement on Form S-1 (Amendment No. 3, filed on January 21, 2014))

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
10.19	Loan Referral Agreement between Ladder Capital Finance LLC and Meridian Capital Group, LLC, dated as of September 22, 2008 (incorporated by reference to Exhibit 10.11 to the Company's draft registration statement on Form S-1 (filed on June 28, 2013))
12.1	Ratio of Earnings to Fixed Charges
21.1	Subsidiaries of Ladder Capital Corp
31.1	Certification of Brian Harris pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Marc Fox pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Brian Harris pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Marc Fox pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* The certifications attached hereto as Exhibits 32.1 and 32.2 are furnished to the SEC pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed “filed” for purposes of Section 18 of the Exchange Act, nor shall they be deemed incorporated by reference in any filing under the Securities Act, except as shall be expressly set forth by specific reference in such filing.

\# Management contract or compensatory plan or arrangement.

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