Ladder Capital Corp
Form 10-Q
August 02, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2018

Or

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

For the transition period from to

Commission file number:
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)

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 ý No o

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

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

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

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

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

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

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

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LADDER CAPITAL CORP

FORM 10-Q
June 30, 2018

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

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

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

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REFERENCES TO LADDER CAPITAL CORP

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

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Part I - Financial Information

Item 1. Financial Statements (Unaudited)

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

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Ladder Capital Corp
Consolidated Balance Sheets
(Dollars in Thousands)

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

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

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

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

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

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

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Earnings per share:				
Basic	$0.40	$ 0.28	$0.93	$ 0.47
Diluted	$0.40	$ 0.26	$0.93	$ 0.45
Weighted average shares outstanding:				
Basic	96,810,286	86,108,431	96,003,151	76,510,201
Diluted	97,165,819	110,055,308	96,276,824	109,693,706
Dividends per share of Class A common stock (Note 12)	$0.325	$ 0.300	$0.640	$ 0.600

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

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

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

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

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

	Shareholders' Equity								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 Sha[reholders'] Equity/Pa[rtners'] Capital
Balance, December 31, 2017	93,641	$94	17,668	$18	$1,306,136	$(31,956)	$(39,112)	$(212)	$240,861	$12,317	$1,488
Contributions	—	—	—	—	—	—	—	—	—	5,040	5,040
Distributions	—	—	—	—	—	—	—	—	(8,899)	(13,792)	(22,691
Equity based compensation	—	—	—	—	4,505	—	—	—	—	—	4,505
Grants of restricted stock	29	—	—	—	—	—	—	—	—	—	—
Shares acquired to satisfy minimum required federal and state tax withholding on vesting restricted stock and units	(56)	—	—	—	—	(837)	—	—	—	—	(837
Forfeitures	(26)	—	—	—	—	—	—	—	—	—	—
Dividends declared	—	—	—	—	—	—	(62,275)	—	—	—	(62,275
Exchange of noncontrolling interest for common stock	4,350	5	(4,350)	(5)	60,110	—	—	(143)	(59,654)	—	313
Net income (loss)	—	—	—	—	—	—	89,281	—	13,795	8,289	111,36
Other comprehensive income (loss)	—	—	—	—	—	—	—	(9,506)	(1,598)	—	(11,104
Rebalancing of ownership percentage between Company and Operating Partnership	—	—	—	—	(659)	—	—	6	653	—	—

Balance, June 30, 2018	97,938	$99	13,318	$13	$1,370,092	$(32,793)	$(12,106)	$(9,855)	$185,158	$11,854	$1,512

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

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

	Shareholders' Equity										
	Class A Common Stock		Class B Common Stock						Noncontrolling Interests		
	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 Sh Equity/P Capital
Balance, December 31, 2016	71,586	$72	38,003	$38	$992,307	$(11,244)	$(11,148)	$1,365	$533,246	$4,918	$1,50
Contributions	—	—	—	—	—	—	—	—	—	7,479	7,479
Distributions	—	—	—	—	—	—	—	—	(42,218)	(306)	(42,52
Equity based compensation	—	—	—	—	18,965	—	—	—	—	—	18,96
Grants of restricted stock	1,997	1	—	—	(1)	—	—	—	—	—	—
Purchase of treasury stock	(190)	—	—	—	—	(2,588)	—	—	—	—	(2,588
Shares acquired to satisfy minimum required federal and state tax withholding on vesting restricted stock and units	(1,323)	(1)	—	—	—	(18,124)	—	—	—	—	(18,12
Forfeitures	(10)	—	—	—	—	—	—	—	—	—	—
Dividends declared	—	—	—	—	—	—	(105,921)	—	—	—	(105,9
Stock dividends	814	1	432	1	17,317	—	(17,319)	—	—	—	—
Exchange of noncontrolling interest for common stock	20,767	21	(20,767)	(21)	280,714	—	—	1,696	(284,763)	—	(2,353
Net income (loss)	—	—	—	—	—	—	95,276	—	30,377	226	125,87
Other comprehensive income (loss)	—	—	—	—	—	—	—	(2,915)	695	—	(2,220
Rebalancing of ownership percentage between	—	—	—	—	(3,166)	—	—	(358)	3,524	—	—

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

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

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

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

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

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

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

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

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

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

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Ladder Capital Corp
Notes to Consolidated Financial Statements

1. ORGANIZATION AND OPERATIONS

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

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

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

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

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Pursuant to LCFH's Third Amended and Restated LLLP Agreement, dated as of December 31, 2014 and as amended from time to time, and subject to the applicable minimum retained ownership requirements and certain other restrictions, including notice requirements, from time to time, Continuing LCFH Limited Partners (or certain transferees thereof)
may from time to time, subject to certain conditions, receive one share of the Company's Class A common stock in exchange for (i) one share of the Company's Class B common stock, (ii) one Series REIT LP Unit and (iii) either one Series TRS LP Unit or one TRS Share, subject to equitable adjustments for stock splits, stock dividends and reclassifications. However, such exchange for shares of Ladder Capital Corp Class A common stock will not affect the exchanging owners' voting power since the votes represented by the canceled shares of Ladder Capital Corp Class B common stock will be replaced with the votes represented by the shares of Class A common stock for which such Series Units, including TRS Shares as applicable, will be exchanged.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Principles of Consolidation

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

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

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

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

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Use of Estimates

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

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

Cash and Cash Equivalents

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

Restricted Cash

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

Out-of-Period Adjustments

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

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

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Change in Accounting Principle

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

Reclassifications

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

Recently Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers (Topic 606) (“ASU 2014-09”), that outlined a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and superseded most then-current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 is based on the principle that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to fulfill a contract. Entities have the option of using either a full retrospective or a modified retrospective approach for the adoption of the new standard. ASU 2014-09 was initially scheduled to become effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period; early adoption was not permitted. In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606) — Deferral of the Effective Date (“ASU 2015-14”), which deferred the effective date of ASU 2014-09 for one year and permitted early adoption as early as the original effective date of ASU 2014-09. The new revenue standard may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption. In 2016, the FASB issued additional guidance to clarify the implementation guidance, ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net) (“ASU 2016-08”); ASU 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing (“ASU 2017-10”); ASU 2016-11, Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815): Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 Emerging Issues Task Force (“EITF”) Meeting (SEC Update) (“ASU 2016-11”), ASU 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients (“ASU 2016-12”); and ASU 2016-20, Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers (“ASU

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

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

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

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

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

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Recent Accounting Pronouncements Pending Adoption

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

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

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

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

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

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

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

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

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

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

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3. CONSOLIDATED VARIABLE INTEREST ENTITIES

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

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

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4. MORTGAGE LOAN RECEIVABLES

June 30, 2018 ($ in thousands)

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

(1) June 30, 2018 London Interbank Offered Rate ("LIBOR") rates are used to calculate weighted average yield for floating rate loans.
(2) Includes amounts relating to consolidated variable interest entities. See Note 3.

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

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

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

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

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

December 31, 2017 ($ in thousands)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Provision for Loan Losses ($ in thousands)

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

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5. REAL ESTATE SECURITIES

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

June 30, 2018

			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)	$999,461	$1,005,795	$244	$(11,742)	$994,297 (3)	100	AAA	3.33%	2.92%	2.85
CMBS interest-only(2)(4)	2,466,340	74,383	437	(274)	74,546 (5)	21	AAA	0.71%	3.25%	2.87
GNMA interest-only(4)(6)	143,738	3,651	117	(572)	3,196	13	AA+	0.52%	7.19%	4.10
Agency securities(2)	696	712	—	(26)	686	2	AA+	2.78%	1.93%	2.64
GNMA permanent securities(2)	33,196	33,471	412	(250)	33,633	6	AA+	3.96%	3.77%	5.35
Total	$3,643,431	$1,118,012	$1,210	$(12,864)	$1,106,358	142		1.45%	2.98%	2.93

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

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

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

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

consolidated statements of income in accordance with ASC 815.

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December 31, 2017

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

(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, 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) As more fully described in Note 4, certain securities which were purchased from the LCCM LC-26 securitization trust are designated as risk retention securities under the Dodd-Frank Act which are subject to transfer restrictions over the term of the securitization trust and are classified as held-to-maturity and reported at amortized cost. Includes $11.7 million of such restricted securities.

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

(5) As more fully described in Note 4, certain securities which were purchased from the LCCM LC-26 securitization trust are designated as risk retention securities under the Dodd-Frank Act which are subject to transfer restrictions over the term of the securitization trust and are classified as held-to-maturity and reported at amortized cost. Includes $1.1 million of such restricted securities.

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

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

June 30, 2018

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

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

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December 31, 2017

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

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

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

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

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

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6. REAL ESTATE AND RELATED LEASE INTANGIBLES, NET

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

	June 30, 2018	December 31, 2017
Land	$195,210	$213,992
Building	858,503	789,622
In-place leases and other intangibles	182,905	189,490
Less: Accumulated depreciation and amortization	(176,375)	(161,063)
Real estate and related lease intangibles, net	$1,060,243	$1,032,041
Below market lease intangibles, net (other liabilities)	$(42,416)	$(42,607)

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

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

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

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

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

Period Ending December 31,	Amount
2018 (last 6 months)	$5,717
2019	10,675
2020	9,265
2021	8,662
2022	6,384
Thereafter	73,167
Total	$113,870

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

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

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

Period Ending December 31,	Amount
2018 (last 6 months)	$52,721
2019	96,832
2020	86,086
2021	83,775
2022	82,779
Thereafter	644,216
Total	$1,046,409

Acquisitions

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

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

(1) Properties were consolidated as of acquisition date.

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

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

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

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

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

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

(1) Properties were consolidated as of acquisition date.
(2) Joint venture partner contributed $5.3 million to the partnership.

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

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

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

Sales

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

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

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

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

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7. INVESTMENT IN UNCONSOLIDATED JOINT VENTURES

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

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

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

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

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

Grace Lake JV, LLC

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

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

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

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24 Second Avenue Holdings LLC

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

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

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

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

Combined Summary Financial Information for Unconsolidated Joint Ventures

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

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

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

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

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8. DEBT OBLIGATIONS, NET

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

June 30, 2018

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

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

(1) June 2018 LIBOR rates are used to calculate interest rates for floating rate debt.
(2) Two additional 12-month periods at Company's option. No new advances are permitted after the initial maturity date.
(3) First mortgage commercial real estate loans and senior and pari passu interests therein. It does not include the real estate collateralizing such loans.
(4) Two additional 12-month periods at Company's option.
(5) One additional 364-day periods at Company's option and one additional 364-day period with Bank's consent.
(6) First mortgage and mezzanine commercial real estate loans. It does not include the real estate collateralizing such loans.
(7) One additional 12-month extension period and two additional 6-month extension periods at Company's option.
(8) Commercial real estate securities. It does not include the real estate collateralizing such securities.
(9) Represents uncommitted securities repurchase facilities for which there is no committed amount subject to future advances.
(10) As more fully described in Note 4, certain securities which were purchased from the LCCM LC-26 securitization trust are restricted. Includes $2.5 million of restricted securities.
(11) Includes $6.0 million of securities purchased in the secondary market of the Company's October 2017 CLO issuance. These securities are not included in real estate securities, available-for-sale but were rather considered a partial retirement of CLO Debt.
(12) Two additional 12-month periods at Company's option.

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

December 31, 2017

Debt Obligations	Committed Financing	Debt Obligations Outstanding	Committed but Unfunded	Interest Rate at December 31, 2017(1)	Current Term Maturity	Remaining Extension Options	Eligible Collateral	Carrying Amount of Collateral	Fair Va of Collate
Committed Loan Repurchase Facility	$600,000	$120,493	$479,507	3.23% - 3.98%	10/1/2020	(2)	(3)	$160,031	$159,56
Committed Loan Repurchase Facility	450,000	183,111	266,889	3.63% - 4.48%	5/24/2018	(4)	(3)	333,647	335,076
Committed Loan Repurchase Facility	300,000	63,007	236,993	3.73% - 4.73%	4/10/2018	(5)	(6)	125,379	125,975
Committed Loan Repurchase Facility	200,000	32,042	167,958	4.25% - 4.50%	2/29/2020	(7)	(8)	48,045	48,045
Committed Loan Repurchase Facility	100,000	—	100,000	N/A	6/28/2019	N/A	(3)	—	—
Total Committed Loan Repurchase Facilities	1,650,000	398,653	1,251,347					667,102	668,664
Committed Securities Repurchase	400,000	—	400,000	N/A	9/30/2019	N/A	(9)	—	—

Facility									
Uncommitted Securities Repurchase Facility	N/A (10)	74,757	N/A (10)	1.65% - 3.31%	1/2018 - 3/2018	N/A	(9)	86,322	86,322
Total Repurchase Facilities	2,050,000	473,410	1,651,347					753,424	754,986
Revolving Credit Facility	241,430	—	241,430	N/A	2/11/2018	(4)	N/A (12)	N/A (14)	N/A (
Mortgage Loan Financing	692,696	692,696	—	4.25% - 6.75%	2018 - 2027	N/A	(13)	911,034	1,066,7
CLO Debt	688,479	688,479 (15)	—	2.36% - 5.08%	2021-2034	N/A	(16)	880,385	881,576
Participation Financing - Mortgage Loan Receivable	3,107	3,107	—	17.00%	6/6/2018	N/A	(3)	3,107	3,107
Borrowings from the FHLB	2,000,000	1,370,000	630,000	0.87% - 2.74%	2018 - 2024	N/A	(17)	1,777,597	1,783,2
Senior Unsecured Notes	1,166,201	1,152,134 (19)	—	5.250% - 5.875%	2021 - 2025	N/A	N/A (20)	N/A (20)	N/A (2
Total Debt Obligations	$6,841,913	$4,379,826	$2,522,777					$4,325,547	$4,489,

(1) December 31, 2017 LIBOR rates are used to calculate interest rates for floating rate debt.
(2) Two additional 12-month periods at Company's option. No new advances are permitted after the initial maturity date.
(3) First mortgage commercial real estate loans and senior and pari passu interests therein. It does not include the real estate collateralizing such loans.
(4) Three additional 12-month periods at Company's option.
(5) Two additional 364-day periods at Company's option and one additional 364-day period with Bank's consent.
(6) First mortgage and mezzanine commercial real estate loans. It does not include the real estate collateralizing such loans.
(7) One additional 12-month extension period and two additional 6-month extension periods at Company's option.

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

Committed Loan and Securities Repurchase Facilities

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

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

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

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

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

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

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

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

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

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

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

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

Revolving Credit Facility

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

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

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

Debt Issuance Costs

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

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Uncommitted Securities Repurchase Facilities

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

Mortgage Loan Financing

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

CLO Debt

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

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

On December 21, 2017, a subsidiary of the Company consummated a securitization of fixed and floating-rate commercial mortgage loans through a static CLO structure. Over $431.5 million of Contributed Loans were contributed into the CLO. Certain of the Contributed Loans have future funding components that were not contributed to the CLO and that are retained by a consolidated subsidiary of the Company in the form of a participation interest or separate note. However, for a limited period of time, to the extent loans in the CLO are repaid, the CLO may acquire portions of the future fundings from the Company's consolidated subsidiary. A consolidated subsidiary of the Company retained an approximately 25% interest in the CLO by retaining the most subordinate classes of notes issued by the CLO, retains control over major decisions made with respect to the administration of the Contributed Loans and appoints the special servicer under the CLO. The CLO is a VIE and the Company is the primary beneficiary and, therefore, consolidates the VIE - See Note 3.

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Participation Financing - Mortgage Loan Receivable

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

Borrowings from the Federal Home Loan Bank (“FHLB”)

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

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

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

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

Effective February 19, 2016, the Federal Housing Finance Agency (the “FHFA’’), regulator of the FHLB, adopted a final rule amending its regulation regarding the eligibility of captive insurance companies for FHLB membership. According to the final rule, Ladder’s captive insurance company subsidiary, Tuebor may remain as a member of the FHLB through February 19, 2021 (the “Transition Period”). During the Transition Period, Tuebor is eligible to continue to draw new additional advances, extend the maturities of existing advances, and pay off outstanding advances on the same terms as non-captive insurance company FHLB members with the following two exceptions:

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

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

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

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

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

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

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

2017 Notes

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

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

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

2021 Notes

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

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

2022 Notes

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

2025 Notes

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

Combined Maturity of Debt Obligations

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

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

(1) Contractual payments under current maturities, some of which are subject to extensions. The maturities listed above for 2018 relate to debt obligations that are subject to existing Company controlled extension options for one or more additional one-year periods or could be refinanced by other existing facilities as of June 30, 2018.

(2) Deferred gains on intercompany loans, secured by our own real estate, sold into securitizations. Premium is amortized as a reduction to interest expense.

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

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9. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Fair Value Summary Table

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

June 30, 2018

	Outstanding Face Amount	Amortized Cost Basis	Fair Value	Fair Value Method	Weighted Average Yield %	Remaining Maturity/Duration (years)
Assets:						