

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

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

For the quarterly period ended March 31, 2024
Commission File Number: 001-35808

READY CAPITAL CORPORATION
(Exact Name of Registrant as Specified in its Charter)

Maryland
(State or Other Jurisdiction of Incorporation or Organization)

90-0729143
(IRS Employer Identification No.)

1251 Avenue of the Americas, 50th Floor, New York, NY 10020
(Address of Principal Executive Offices, Including Zip Code)

(212) 257-4600
(Registrant's Telephone Number, Including Area Code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.0001 par value per share	RC	New York Stock Exchange
Preferred Stock, 6.25% Series C Cumulative Convertible, par value \$0.0001 per share	RC PRC	New York Stock Exchange
Preferred Stock, 6.50% Series E Cumulative Redeemable, par value \$0.0001 per share	RC PRE	New York Stock Exchange
6.20% Senior Notes due 2026	RCB	New York Stock Exchange
5.75% Senior Notes due 2026	RCC	New York Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

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

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

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

The Company has 168,873,507 shares of common stock, par value \$0.0001 per share, outstanding as of May 9, 2024.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

READY CAPITAL CORPORATION UNAUDITED CONSOLIDATED BALANCE SHEETS

<i>(in thousands)</i>	March 31, 2024	December 31, 2023
Assets		
Cash and cash equivalents	\$ 166,004	\$ 138,532
Restricted cash	24,915	30,063
Loans, net (including \$0 and \$9,348 held at fair value)	3,400,481	4,020,160
Loans, held for sale (net of valuation allowance of \$146,180 and \$0)	584,072	81,599
Mortgage-backed securities	29,546	27,436
Investment in unconsolidated joint ventures (including \$7,169 and \$7,360 held at fair value)	132,730	133,321
Derivative instruments	15,448	2,404
Servicing rights	103,555	102,837
Real estate owned, held for sale	239,874	252,949
Other assets	315,772	300,175
Assets of consolidated VIEs	6,591,834	6,897,145
Assets held for sale (refer to Note 9)	439,301	454,596
Total Assets	\$ 12,043,532	\$ 12,441,217
Liabilities		
Secured borrowings	2,198,272	2,102,075
Securitized debt obligations of consolidated VIEs, net	4,769,057	5,068,453
Senior secured notes, net	345,570	345,127
Corporate debt, net	766,084	764,908
Guaranteed loan financing	814,784	844,540
Contingent consideration	—	7,628
Derivative instruments	593	212
Dividends payable	53,908	54,289
Loan participations sold	73,749	62,944
Due to third parties	3,401	3,641
Accounts payable and other accrued liabilities	193,896	207,481
Liabilities held for sale (refer to Note 9)	315,975	333,157
Total Liabilities	\$ 9,535,289	\$ 9,794,455
Preferred stock Series C, liquidation preference \$25.00 per share (refer to Note 20)	8,361	8,361
Commitments & contingencies (refer to Note 24)		
Stockholders' Equity		
Preferred stock Series E, liquidation preference \$25.00 per share (refer to Note 20)	111,378	111,378
Common stock, \$0.0001 par value, 500,000,000 shares authorized, 170,445,333 and 172,276,105 shares issued and outstanding, respectively	17	17
Additional paid-in capital	2,307,303	2,321,989
Retained earnings (deficit)	(3,546)	124,413
Accumulated other comprehensive loss	(12,335)	(17,860)
Total Ready Capital Corporation equity	2,402,817	2,539,937
Non-controlling interests	97,065	98,464
Total Stockholders' Equity	\$ 2,499,882	\$ 2,638,401
Total Liabilities, Redeemable Preferred Stock, and Stockholders' Equity	\$ 12,043,532	\$ 12,441,217

See Notes To Unaudited Consolidated Financial Statements

READY CAPITAL CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except share data)	Three Months Ended March 31,	
	2024	2023
Interest income	\$ 232,354	\$ 215,968
Interest expense	(183,805)	(158,868)
Net interest income before recovery of loan losses	\$ 48,549	\$ 57,100
Recovery of loan losses	26,544	6,734
Net interest income after recovery of loan losses	\$ 75,093	\$ 63,834
Non-interest income		
Net realized gain (loss) on financial instruments and real estate owned	18,868	11,575
Net unrealized gain (loss) on financial instruments	4,632	(5,635)
Valuation allowance, loans held for sale	(146,180)	—
Servicing income, net of amortization and impairment of \$3,697 and \$1,759	3,758	4,642
Income on purchased future receivables, net of allowance for credit losses of \$1,206 and \$1,594	446	540
Income on unconsolidated joint ventures	468	656
Other income	15,380	19,852
Total non-interest income	\$ (102,628)	\$ 31,630
Non-interest expense		
Employee compensation and benefits	(18,414)	(19,727)
Allocated employee compensation and benefits from related party	(2,500)	(2,326)
Professional fees	(7,065)	(5,543)
Management fees – related party	(6,648)	(5,081)
Incentive fees – related party	—	(1,720)
Loan servicing expense	(12,794)	(8,155)
Transaction related expenses	(650)	(893)
Other operating expenses	(30,187)	(12,609)
Total non-interest expense	\$ (78,258)	\$ (56,054)
Income (loss) from continuing operations before provision for income taxes	(105,793)	39,410
Income tax benefit (provision)	30,211	(901)
Net income (loss) from continuing operations	\$ (75,582)	\$ 38,509
Discontinued operations (refer to Note 9)		
Income (loss) from discontinued operations before benefit (provision) for income taxes	1,887	(2,041)
Income tax benefit (provision)	(472)	510
Net income (loss) from discontinued operations	1,415	(1,531)
Net income (loss)	(74,167)	36,978
Less: Dividends on preferred stock	1,999	1,999
Less: Net income attributable to non-controlling interest	117	1,835
Net income (loss) attributable to Ready Capital Corporation	\$ (76,283)	\$ 33,144
Earnings per common share from continuing operations - basic	\$ (0.45)	\$ 0.31
Earnings per common share from discontinued operations - basic	\$ 0.01	\$ (0.01)
Total earnings per common share - basic	\$ (0.44)	\$ 0.30
Earnings per common share from continuing operations - diluted	\$ (0.45)	\$ 0.30
Earnings per common share from discontinued operations - diluted	\$ 0.01	\$ (0.01)
Total earnings per common share - diluted	\$ (0.44)	\$ 0.29
Weighted-average shares outstanding		
Basic	172,032,866	110,672,939
Diluted	173,104,415	121,025,909
Dividends declared per share of common stock	\$ 0.30	\$ 0.40

See Notes To Unaudited Consolidated Financial Statements

READY CAPITAL CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<i>(in thousands)</i>	Three Months Ended March 31,	
	2024	2023
Net income (loss)	\$ (74,167)	\$ 36,978
Other comprehensive income (loss) - net change by component:		
Derivative financial instruments (cash flow hedges)	6,245	(3,805)
Foreign currency translation	(607)	778
Other comprehensive income (loss)	\$ 5,638	\$ (3,027)
Comprehensive income (loss)	\$ (68,529)	\$ 33,951
Less: Comprehensive income attributable to non-controlling interests	158	1,794
Comprehensive income (loss) attributable to Ready Capital Corporation	\$ (68,687)	\$ 32,157

See Notes To Unaudited Consolidated Financial Statements

READY CAPITAL CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Three Months Ended March 31, 2024									
	Preferred Series E		Common Stock		Additional Paid-In Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss	Total Ready Capital Corporation Equity	Non-controlling Interests	Total Stockholders' Equity
	Shares	Amount	Shares	Amount						
<i>(in thousands, except share data)</i>										
Balance at December 31, 2023	4,600,000	\$ 111,378	172,276,105	\$ 17	\$ 2,321,989	\$ 124,413	\$ (17,860)	\$ 2,539,937	\$ 98,464	\$ 2,638,401
Dividend declared:										
Common stock (\$0.30 per share)	—	—	—	—	—	(51,676)	—	(51,676)	—	(51,676)
OP units	—	—	—	—	—	—	—	—	(372)	(372)
\$0.390625 per Series C preferred share	—	—	—	—	—	(131)	—	(131)	—	(131)
\$0.406250 per Series E preferred share	—	—	—	—	—	(1,868)	—	(1,868)	—	(1,868)
Distributions, net	—	—	(1,981)	—	(18)	—	—	(18)	—	(18)
Stock-based compensation	—	—	325,918	—	4,110	—	—	4,110	—	4,110
Conversion of OP units into common stock	—	—	90,000	—	612	—	—	612	(612)	—
Share repurchases	—	—	(2,244,709)	—	(20,035)	—	—	(20,035)	—	(20,035)
Reallocation of non-controlling interest	—	—	—	—	645	—	(72)	573	(573)	—
Net income (loss)	—	—	—	—	—	(74,284)	—	(74,284)	117	(74,167)
Other comprehensive income	—	—	—	—	—	—	5,597	5,597	41	5,638
Balance at March 31, 2024	4,600,000	\$ 111,378	170,445,333	\$ 17	\$ 2,307,303	\$ (3,546)	\$ (12,335)	\$ 2,402,817	\$ 97,065	\$ 2,499,882

	Three Months Ended March 31, 2023									
	Preferred Series E		Common Stock		Additional Paid-In Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss	Total Ready Capital Corporation Equity	Non-controlling Interests	Total Stockholders' Equity
	Shares	Amount	Shares	Amount						
<i>(in thousands, except share data)</i>										
Balance at December 31, 2022	4,600,000	\$ 111,378	110,523,641	\$ 11	\$ 1,684,074	\$ 4,994	\$ (9,369)	\$ 1,791,088	\$ 99,146	\$ 1,890,234
Dividend declared:										
Common stock (\$0.40 per share)	—	—	—	—	—	(44,670)	—	(44,670)	—	(44,670)
OP units	—	—	—	—	—	—	—	—	(638)	(638)
\$0.390625 per Series C preferred share	—	—	—	—	—	(131)	—	(131)	—	(131)
\$0.406250 per Series E preferred share	—	—	—	—	—	(1,868)	—	(1,868)	—	(1,868)
Distributions, net	—	—	—	—	—	—	—	—	(100)	(100)
Equity issuances	—	—	—	—	125	—	—	125	—	125
Offering costs	—	—	—	—	(19)	—	—	(19)	—	(19)
Equity component of 2017 convertible note issuance	—	—	—	—	(115)	—	—	(115)	(2)	(117)
Stock-based compensation	—	—	333,470	—	4,947	—	—	4,947	—	4,947
Share repurchases	—	—	(111,453)	—	(1,382)	—	—	(1,382)	—	(1,382)
Reallocation of non-controlling interest	—	—	—	—	1	—	2	3	(3)	—
Net income	—	—	—	—	—	35,143	—	35,143	1,835	36,978
Other comprehensive loss	—	—	—	—	—	—	(2,986)	(2,986)	(41)	(3,027)
Balance at March 31, 2023	4,600,000	\$ 111,378	110,745,658	\$ 11	\$ 1,687,631	\$ (6,532)	\$ (12,353)	\$ 1,780,135	\$ 100,197	\$ 1,880,332

See Notes To Unaudited Consolidated Financial Statements

READY CAPITAL CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	Three Months Ended March 31,	
	2024	2023
Cash Flows From Operating Activities:		
Net income (loss)	\$ (74,167)	\$ 36,978
Net income (loss) from discontinued operations, net of tax	1,415	(1,531)
Net income (loss) from continuing operations	(75,582)	38,509
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Amortization of premiums, discounts, and debt issuance costs, net	30,322	9,718
Stock-based compensation	1,894	1,853
Recovery of loan losses	(26,544)	(6,734)
Impairment loss on real estate owned, held for sale	16,972	3,418
Repair and denial reserve	1,067	199
Provision for loan losses on purchased future receivables	1,206	1,594
Loans, held for sale, net	11,553	12,733
Valuation allowance, loans held for sale	146,180	—
Net loss of unconsolidated joint ventures, net of distributions	(85)	(60)
Realized (gains) losses, net	(18,107)	(12,111)
Unrealized (gains) losses, net	(4,639)	5,442
Changes in operating assets and liabilities:		
Purchased future receivables, net	4,560	(3,916)
Derivative instruments	(1,383)	(4,115)
Assets of consolidated VIEs (excluding loans, net), accrued interest and due from servicers	(2,293)	(9,918)
Receivable from third parties	2,332	(4,891)
Other assets	(58,544)	(9,465)
Accounts payable and other accrued liabilities	(12,966)	(23,393)
Net cash provided by (used for) operating activities from continuing operations	\$ 15,943	\$ (1,137)
Net cash provided by operating activities from discontinued operations	7,507	230
Net cash provided by (used for) operating activities	\$ 23,450	\$ (907)
Cash Flows From Investing Activities:		
Origination of loans	(206,063)	(283,368)
Proceeds from disposition and principal payment of loans	499,368	295,722
Funding of real estate, held for sale	(591)	(1,678)
Proceeds from sale of real estate, held for sale	1,310	33,761
Investment in unconsolidated joint ventures	(41)	(65)
Distributions in excess of cumulative earnings from unconsolidated joint ventures	717	4,597
Proceeds from liabilities under participation agreements	10,316	—
Payment of liabilities under participation agreements, net of proceeds received	—	(782)
Net cash provided by investing activities from continuing operations	\$ 305,016	\$ 48,187
Net cash used for investing activities from discontinued operations	(192)	(291)
Net cash provided by investing activities	\$ 304,824	\$ 47,896
Cash Flows From Financing Activities:		
Proceeds from secured borrowings	924,896	1,542,661
Repayment of secured borrowings	(827,609)	(1,940,007)
Repayment of the Paycheck Protection Program Liquidity Facility borrowings	(7,688)	(31,415)
Proceeds from issuance of securitized debt obligations of consolidated VIEs	—	482,267
Repayment of securitized debt obligations of consolidated VIEs	(309,875)	(86,345)
Repayment of guaranteed loan financing	(48,264)	(31,563)
Payment of deferred financing costs	(4,909)	(9,321)
Payment of contingent consideration	—	(9,000)
Proceeds from issuance of equity, net of issuance costs	—	106
Common stock repurchased	(19,050)	—
Settlement of share-based awards in satisfaction of withholding tax requirements	(985)	(1,382)
Dividend payments	(54,428)	(47,176)
Distributions, net	(18)	—
Net cash used for financing activities from continuing operations	\$ (347,930)	\$ (131,175)
Net cash provided by (used for) financing activities from discontinued operations	(11,798)	33,863
Net cash used for financing activities	\$ (359,728)	\$ (97,312)
Net decrease in cash, cash equivalents, and restricted cash	(26,971)	(84,125)
Cash, cash equivalents, and restricted cash beginning balance	262,506	273,604
Cash, cash equivalents, and restricted cash ending balance	\$ 235,535	\$ 189,479
Supplemental disclosures:		
Cash paid for interest	\$ 177,618	\$ 144,970
Cash paid for income taxes	\$ 215	\$ 134
Non-cash investing activities		
Paid-in-kind accrued interest	\$ 29,982	\$ —
Loans transferred from loans, net to loans, held for sale	\$ 655,126	\$ —
Loans transferred from loans, held for sale to loans, net	\$ —	\$ 344
Loans transferred to real estate owned, held for sale	\$ 5,902	\$ 22,393
Non-cash financing activities		
Conversion of OP units to common stock	\$ 612	\$ —
Cash, cash equivalents, and restricted cash reconciliation		
Cash and cash equivalents	\$ 166,004	\$ 59,863
Restricted cash	24,915	43,736
Cash, cash equivalents, and restricted cash in assets of consolidated VIEs	44,616	85,880
Cash, cash equivalents, and restricted cash ending balance	\$ 235,535	\$ 189,479

See Notes To Unaudited Consolidated Financial Statements

READY CAPITAL CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1. Organization

Ready Capital Corporation (the “Company” or “Ready Capital” and together with its subsidiaries “we,” “us” and “our”), is a Maryland corporation. The Company is a multi-strategy real estate finance company that originates, acquires, finances and services lower-to-middle-market commercial real estate (“LMM”) loans, Small Business Administration (“SBA”) loans, construction loans, and to a lesser extent, mortgage-backed securities (“MBS”) collateralized primarily by LMM loans, or other real estate-related investments. LMM loans represent a special category of commercial loans, sharing both commercial and residential loan characteristics. LMM loans are generally secured by first mortgages on commercial properties, but because LMM loans are also often accompanied by collateralization of personal assets and subordinate lien positions, aspects of residential mortgage credit analysis are utilized in the underwriting process.

The Company is externally managed and advised by Waterfall Asset Management, LLC (“Waterfall” or the “Manager”), an investment advisor registered with the United States Securities and Exchange Commission (“SEC”) under the Investment Advisors Act of 1940, as amended.

Sutherland Partners, L.P. (the “operating partnership”) holds substantially all of the Company’s assets and conducts substantially all of the Company’s business. As of March 31, 2024 and December 31, 2023, the Company owned approximately 99.3% and 99.2% of the operating partnership, respectively. The Company, as sole general partner of the operating partnership, has responsibility and discretion in the management and control of the operating partnership, and the limited partners of the operating partnership, in such capacity, have no authority to transact business for, or participate in the management activities of the operating partnership. Therefore, the Company consolidates the operating partnership.

Broadmark Acquisition. On May 31, 2023, the Company, Broadmark Realty Capital Inc., a Maryland corporation (“Broadmark”), and RCC Merger Sub, LLC, a Delaware limited liability company and a wholly owned subsidiary of Ready Capital (“RCC Merger Sub”), completed a merger (such transaction, the “Broadmark Merger”) in which Broadmark merged with and into RCC Merger Sub, with RCC Merger Sub remaining as a wholly owned subsidiary of the Company.

At the effective time of the Broadmark Merger (the “Effective Time”), each share of common stock, par value \$ 0.001 per share, of Broadmark (the “Broadmark Common Stock”) issued and outstanding immediately prior to the Effective Time (excluding any shares held by the Company, RCC Merger Sub or any of their respective subsidiaries) was automatically cancelled and converted into the right to receive from the Company 0.47233 (the “Exchange Ratio”) shares of its common stock, par value \$ 0.0001 (“common stock”). No fractional shares of common stock were issued in the Broadmark Merger, and the value of any fractional interests to which a former holder of Broadmark Common Stock was otherwise entitled was paid in cash. In addition, RCC Merger Sub assumed Broadmark’s outstanding senior unsecured notes.

Each award of performance restricted stock units (each a “Broadmark Performance RSU Award”) granted by Broadmark under its 2019 Stock Incentive Plan (the “Broadmark Equity Plan”), as of the Effective Time, was automatically cancelled in exchange for the right to receive a number of shares of common stock equal to the product of (i) the number of shares of Broadmark Common Stock subject to such Broadmark Performance RSU Award based on the achievement of the applicable performance metric measured as of immediately prior to the Effective Time and (ii) the Exchange Ratio (rounded to the nearest whole share).

Each award of restricted stock units that was not a Broadmark Performance RSU Award granted pursuant to the Broadmark Equity Plan (each a “Broadmark RSU Award”) was assumed by the Company and converted into an award of restricted stock units with respect to a number of shares of common stock, equal to the product of (i) the total number of shares of Broadmark Common Stock subject to such Broadmark RSU Award as of immediately prior to the Effective Time and (ii) the Exchange Ratio (rounded to the nearest whole share), on the same terms and conditions as were applicable to such Broadmark RSU Award as of immediately prior to the Effective Time.

Each holder of a warrant (whether designated as public warrants, private warrants or otherwise) representing the right to purchase shares of Broadmark Common Stock (each a "Broadmark Warrant") had the right to exercise such Broadmark Warrant at any time prior to the Effective Time in exchange for Broadmark Common Stock, in accordance with, and subject to, the terms and conditions of the agreement governing such Broadmark Warrant. Following the Effective Time, each Broadmark Warrant that was outstanding as of the Effective Time was assumed by the Company and entitles each holder thereof to receive, upon exercise of such assumed Broadmark Warrant, a number of shares of common stock equal to the product of (i) the total number of shares of Broadmark Common Stock that such holder would have been entitled to receive had such holder exercised such Broadmark Warrant immediately prior to the Effective Time and (ii) the Exchange Ratio. The per share price under each Broadmark Warrant was adjusted by dividing the per share purchase price under such Broadmark Warrant as of immediately prior to the Effective Time by the Exchange Ratio and rounding down to the nearest cent.

As a result of the Broadmark Merger, the number of directors on the Company's board of directors (the "Board") increased by three members, from nine to twelve, with the three additional directors each having served on the board of directors of Broadmark immediately prior to the Effective Time. The Broadmark Merger further diversified our business by expanding our residential and commercial construction lending platforms. Refer to Note 5 for assets acquired and liabilities assumed in the Broadmark Merger.

REIT Status

The Company qualifies as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), commencing with its first taxable year ended December 31, 2011. To maintain its tax status as a REIT, the Company distributes dividends equal to at least 90% of its taxable income in the form of distributions to shareholders.

Note 2. Basis of Presentation

The unaudited interim consolidated financial statements herein, referred to as the "consolidated financial statements", as of March 31, 2024 and December 31, 2023 and for the three months ended March 31, 2024 and 2023, have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP")—as prescribed by the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") and the rules and regulations of the SEC.

The accompanying consolidated financial statements, including the notes thereto, are unaudited and exclude some of the disclosures required in audited financial statements. Accordingly, certain information and footnote disclosures normally included in consolidated financial statements have been condensed or omitted. In the opinion of management, the accompanying consolidated financial statements contain all normal recurring adjustments necessary for a fair statement of the results for the interim periods presented. Such operating results may not be indicative of the expected results for any other interim period or the entire year. The accompanying consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023, as filed with the SEC.

Note 3. Summary of Significant Accounting Policies

Use of estimates

Preparation of the Company's consolidated financial statements in conformity with U.S. GAAP requires certain estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. These estimates and assumptions are based on the best available information however, actual results could be materially different.

Basis of consolidation

The accompanying consolidated financial statements of the Company include the accounts and results of operations of the operating partnership and other consolidated subsidiaries and variable interest entities ("VIEs") in which the Company is the primary beneficiary. The consolidated financial statements are prepared in accordance with ASC 810, *Consolidation* ("ASC 810"). Intercompany balances and transactions have been eliminated.

Reclassifications

Certain amounts reported for the prior periods in the accompanying consolidated financial statements have been reclassified in order to conform to the current period's presentation.

Cash and cash equivalents

The Company accounts for cash and cash equivalents in accordance with ASC 305, *Cash and Cash Equivalents*. The Company defines cash and cash equivalents as cash, demand deposits, and short-term, highly liquid investments with original maturities of 90 days or less when purchased. Cash and cash equivalents are exposed to concentrations of credit risk. The Company deposits cash with institutions believed to have highly valuable and defensible business franchises, strong financial fundamentals, and predictable and stable operating environments.

Restricted cash

Restricted cash represents cash held by the Company as collateral against its derivatives, borrowings under repurchase agreements, borrowings under credit facilities and other financing agreements with counterparties, construction and mortgage escrows, as well as cash held for remittance on loans serviced for third parties. Restricted cash is not available for general corporate purposes but may be applied against amounts due to counterparties under existing swaps and repurchase agreement borrowings, returned to the Company when the restriction requirements no longer exist or at the maturity of the swap or repurchase agreement.

Loans, net

Loans, net consists of loans, held-for-investment, net of allowance for credit losses, and loans, held at fair value.

Loans, held-for-investment. Loans, held-for-investment are loans acquired from third parties ("acquired loans"), loans originated by the Company that it does not intend to sell, or securitized loans that were previously originated. Certain securitized loans remain on the Company's balance sheet because the securitization vehicles are consolidated under ASC 810. Acquired loans are recorded at the valuation at the time of acquisition and are accounted for under ASC 310, *Receivables* ("ASC 310").

The Company uses the interest method to recognize, as a constant effective yield adjustment, the difference between the initial recorded investment in the loan and the principal amount of the loan. The calculation of the constant effective yield necessary to apply the interest method uses the payment terms required by the loan contract, and prepayments of principal are not anticipated to shorten the loan term.

Loans, held at fair value. Loans, held at fair value represent certain loans originated by the Company for which the fair value option has been elected. Interest is recognized as interest income in the consolidated statements of income when earned and deemed collectible. Changes in fair value are recurring and are reported as net unrealized gain (loss) on financial instruments in the consolidated statements of income.

Allowance for credit losses. The allowance for credit losses consists of the allowance for losses on loans and lending commitments accounted for at amortized cost. Such loans and lending commitments are reviewed quarterly considering credit quality indicators, including probable and historical losses, collateral values, loan-to-value ("LTV") ratio and economic conditions. The allowance for credit losses increases through provisions charged to earnings and reduced by charge-offs, net of recoveries.

The Company utilizes loan loss forecasting models for estimating expected life-time credit losses, at the individual loan level, for its loan portfolio. The Current Expected Credit Loss ("CECL") forecasting methods used by the Company include (i) a probability of default and loss given default method using underlying third-party CMBS/CRE loan databases with historical loan losses and (ii) probability weighted expected cash flow method, depending on the type of loan and the availability of relevant historical market loan loss data. The Company might use other acceptable alternative approaches in the future depending on, among other factors, the type of loan, underlying collateral, and availability of relevant historical market loan loss data.

Significant inputs to the Company's forecasting methods include (i) key loan-specific inputs such as LTV, vintage year, loan-term, underlying property type, occupancy, geographic location, and others, and (ii) a macro-economic forecast, including unemployment rates, interest rates, commercial real estate prices, and others. These estimates may change in future periods based on available future macro-economic data and might result in a material change in the Company's future estimates of expected credit losses for its loan portfolio.

In certain instances, the Company considers relevant loan-specific qualitative factors to certain loans to estimate its CECL expected credit losses. The Company considers loan investments that are both (i) expected to be substantially repaid through the operation or sale of the underlying collateral, and (ii) for which the borrower is experiencing financial difficulty, to be "collateral-dependent" loans. For such loans that the Company determines that foreclosure of the collateral is probable, the Company measures the expected losses based on the difference between the fair value of the collateral (less costs to sell the asset if repayment is expected through the sale of the collateral) and the amortized cost basis of the loan as of the measurement date. For collateral-dependent loans that the Company determines foreclosure is not probable, the Company applies a practical expedient to estimate expected losses using the difference between the collateral's fair value (less costs to sell the asset if repayment is expected through the sale of the collateral) and the amortized cost basis of the loan.

While the Company has a formal methodology to determine the adequate and appropriate level of the allowance for credit losses, estimates of inherent loan losses involve judgment and assumptions as to various factors, including current economic conditions. The Company's determination of adequacy of the allowance for credit losses is based on quarterly evaluations of the above factors. Accordingly, the provision for credit losses will vary from period to period based on management's ongoing assessment of the adequacy of the allowance for credit losses.

Non-accrual loans. A loan is generally placed on non-accrual status when it is probable that principal and interest will not be collected under the original contractual terms. At that time, interest income is no longer accrued. Non-accrual loans consist of loans for which principal or interest has been delinquent for 90 days or more and for which specific reserves are recorded, including purchased credit-deteriorated ("PCD") loans. Interest income accrued, but not collected, at the date loans are placed on non-accrual status is reversed, unless the loan is expected to be fully recoverable by the collateral or is in the process of being collected. Interest income is subsequently recognized only to the extent it is received in cash or until the loan qualifies for return to accrual status. However, where there is doubt regarding the ultimate collectability of loan principal, all cash received is applied to reduce the carrying value of such loans. Loans are restored to accrual status when contractually current and the collection of future payments is reasonably assured. In certain instances, the Company may make exceptions to placing a loan on non-accrual status if the loan is in the process of a modification. For construction loans that have been delinquent for 90 days or more, interest income may continue to accrue if it is probable that principal and interest will be collected in full, either through payments or payments in kind, under the terms of the agreement.

Loan modifications made to borrowers experiencing financial difficulty. In situations where economic or legal circumstances may cause a borrower to experience significant financial difficulties, the Company may grant concessions for a period of time to the borrower that it would not otherwise consider. These modified terms may include interest rate reductions, principal forgiveness, term extensions, and other-than-insignificant payment delay intended to minimize the Company's economic loss and to avoid foreclosure or repossession of collateral. The Company monitors the performance of loans modified to borrowers experiencing financial difficulty and considers loans that are 30 days past due to be in payment default.

Loans, held for sale

Loans are classified as held for sale if there is an intent to sell in the near-term. These loans are recorded at the lower of amortized cost or fair value, unless the fair value option has been elected at the time of origination or acquisition. If the loan's fair value is determined to be less than its amortized cost, a non-recurring fair value adjustment may be recorded through a valuation allowance. For loans originated through the LMM Commercial Real Estate and Small Business Lending segments, for which the fair value option has been elected, changes in fair value are recurring and are reported as net unrealized gain (loss) on financial instruments in the consolidated statements of income. For originated SBA loans, the guaranteed portion is held at fair value. Interest is recognized as interest income in the consolidated statements of income when earned and deemed collectible.

Paycheck Protection Program loans

Paycheck Protection Program ("PPP") loans were originated in response to the COVID-19 pandemic. The Company has elected the fair value option for the loans originated by the Company for the first round of the program. Interest is recognized in the consolidated statements of income as interest income when earned and deemed collectible. Although PPP includes a 100% guarantee from the federal government and principal forgiveness for borrowers if the funds were used for defined purposes, changes in fair value are recurring and are reported as net unrealized gains (losses) on financial instruments in the consolidated statements of income.

The Company's loan originations in the second round of the program are accounted for as loans, held-for-investment under ASC 310. Loan origination fees and related direct loan origination costs are capitalized into the initial recorded investment in the loan and are deferred over the loan term. The Company recognizes the difference between the initial recorded investment and the principal amount of the loan as interest income using the effective yield method. The effective yield is determined based on the payment terms required by the loan contract as well as with actual and expected prepayments from loan forgiveness by the federal government.

Mortgage-backed securities

The Company accounts for MBS as trading securities and carries them at fair value under ASC 320, *Investments-Debt and Equity Securities* ("ASC 320"). The Company's MBS portfolio is comprised of asset-backed securities collateralized by interest in, or obligations backed by, pools of LMM loans, which are guaranteed by the U.S. government, such as the Government National Mortgage Association ("Ginnie Mae"), or guaranteed by federally sponsored enterprises, such as the Federal National Mortgage Association ("Fannie Mae") or the Federal Home Loan Mortgage Corporation ("Freddie Mac"). Purchases and sales of MBS are recorded as of the trade date. MBS securities pledged as collateral against borrowings under repurchase agreements are included in mortgage-backed securities on the consolidated balance sheets.

MBS are recorded at fair value as determined by market prices provided by independent broker dealers or other independent valuation service providers. The fair values assigned to these investments are based upon available information and may not reflect amounts that may be realized. The fair value adjustments on MBS are reported within net unrealized gain (loss) on financial instruments in the consolidated statements of income.

Derivative instruments

Subject to maintaining qualification as a REIT for U.S. federal income tax purposes, the Company utilizes derivative financial instruments, comprised of interest rate swaps and FX forwards as part of its risk management strategy. The Company accounts for derivative instruments under ASC 815, *Derivatives and Hedging* ("ASC 815"). All derivatives are reported as either assets or liabilities in the consolidated balance sheets at the estimated fair value with the changes in the fair value recorded in earnings unless hedge accounting is elected. As of March 31, 2024 and December 31, 2023, the Company had offset \$40.4 million and \$34.4 million of cash collateral payable against gross derivative asset positions, respectively.

Interest rate swap agreements. An interest rate swap is an agreement between two counterparties to exchange periodic interest payments where one party to the contract makes a fixed-rate payment in exchange for a floating-rate payment from the other party. The dollar amount each party pays is an agreed-upon periodic interest rate multiplied by a pre-determined dollar principal (notional amount). No principal (notional amount) is exchanged between the two parties at the trade initiation date and only interest payments are exchanged over the life of the contract. Interest rate swaps are classified as Level 2 in the fair value hierarchy. The fair value adjustments are reported within net unrealized gain (loss) on financial instruments, while the related interest income or interest expense are reported within net realized gain (loss) on financial instruments in the consolidated statements of income.

FX forwards. FX forwards are agreements between two counterparties to exchange a pair of currencies at a set rate on a future date. Such contracts are used to convert the foreign currency risk to U.S. dollars to mitigate exposure to fluctuations in FX rates. The fair value adjustments are reported within net unrealized gain (loss) on financial instruments in the consolidated statements of income. FX forwards are classified as Level 2 in the fair value hierarchy.

Hedge accounting. As a general rule, hedge accounting is permitted where the Company is exposed to a particular risk, such as interest rate risk, that causes changes in the fair value of an asset or liability or variability in the expected future cash flows of an existing asset, liability, or forecasted transaction that may affect earnings.

To qualify as an accounting hedge under the hedge accounting rules (versus an economic hedge where hedge accounting is not applied), a hedging relationship must be highly effective in offsetting the risk designated as being hedged. Cash flow

hedges are used to hedge the exposure to the variability in cash flows from forecasted transactions, including the anticipated issuance of securitized debt obligations. ASC 815 requires that a forecasted transaction be identified as either: 1) a single transaction, or 2) a group of individual transactions that share the same risk exposures for which they are designated as being hedged. Hedges of forecasted transactions are considered cash flow hedges since the price is not fixed, hence involve variability of cash flows.

For qualifying cash flow hedges, the change in the fair value of the derivative (the hedging instrument) is recorded in other comprehensive income (loss) ("OCI") and is reclassified out of OCI and into the consolidated statements of income when the hedged cash flows affect earnings. These amounts are recognized consistent with the classification of the hedged item, primarily interest expense (for hedges of interest rate risk). If the hedge relationship is terminated, then the value of the derivative recorded in accumulated other comprehensive income (loss) ("AOCI") is recognized in earnings when the cash flows that were hedged affect earnings, so long as the forecasted transaction remains probable of occurring.

Hedge accounting is generally terminated at the debt issuance date because the Company is no longer exposed to cash flow variability subsequent to issuance. Accumulated amounts recorded in AOCI at that date are then released to earnings in future periods to reflect the difference in 1) the fixed rates economically locked in at the inception of the hedge and 2) the actual fixed rates established in the debt instrument at issuance. Because of the effects of the time value of money, the actual interest expense reported in earnings will not equal the effective yield locked in at hedge inception multiplied by the par value. Similarly, this hedging strategy does not actually fix the interest payments associated with the forecasted debt issuance.

Servicing rights

Servicing rights initially represent the fair value of expected future cash flows for performing servicing activities for others. The fair value considers estimated future servicing fees and ancillary revenue, offset by estimated costs to service the loans, and generally declines over time as net servicing cash flows are received, effectively amortizing the servicing right asset against contractual servicing and ancillary fee income.

Servicing rights are recognized upon sale of loans, including a securitization of loans accounted for as a sale in accordance with U.S. GAAP, if servicing is retained. For servicing rights, gains related to servicing rights retained is included in net realized gain (loss) in the consolidated statements of income.

Servicing rights relating to the Company's servicing of loans guaranteed by the SBA under its Section 7(a) loan program and multi-family servicing rights are accounted for under ASC 860, *Transfers and Servicing* ("ASC 860"). A significant portion of the Company's multi-family servicing rights are under the Freddie Mac program.

SBA and multi-family servicing rights are initially recorded at fair value and subsequently carried at amortized cost. Servicing rights are amortized in proportion to and over the expected service period, or term of the loans, and are evaluated for potential impairment quarterly.

For purposes of testing servicing rights for impairment, the Company first determines whether facts and circumstances exist that would suggest the carrying value of the servicing asset is not recoverable. If so, the Company then compares the net present value of servicing cash flow to its carrying value. The estimated net present value of servicing cash flows is determined using discounted cash flow modeling techniques, which require management to make estimates regarding future net servicing cash flows, taking into consideration historical and forecasted loan prepayment rates, delinquency rates and anticipated maturity defaults. If the carrying value of the servicing rights exceeds the net present value of servicing cash flows, the servicing rights are considered impaired, and an impairment loss is recognized in earnings for the amount by which carrying value exceeds the net present value of servicing cash flows.

The Company estimates the fair value of servicing rights by determining the present value of future expected servicing cash flows using modeling techniques that incorporate management's best estimates of key variables including estimates regarding future net servicing cash flows, forecasted loan prepayment rates, delinquency rates, and return requirements commensurate with the risks involved. Cash flow assumptions are modeled using internally forecasted revenue and expenses, and where possible, the reasonableness of assumptions is periodically validated through comparisons to market data. Prepayment speed estimates are determined from historical prepayment rates or obtained from third-party industry data. Return requirement assumptions are determined using data obtained from market participants, where available, or based on current relevant interest rates plus a risk-adjusted spread. The Company also considers other factors that can impact the value of the servicing rights, such as surety provider termination clauses and servicer terminations that could

result if the Company failed to materially comply with the covenants or conditions of its servicing agreements and did not remedy the failure. Since many factors can affect the estimate of the fair value of servicing rights, the Company regularly evaluates the major assumptions and modeling techniques used in its estimate and reviews these assumptions against market comparables, if available. The Company monitors the actual performance of its servicing rights by regularly comparing actual cash flow, credit, and prepayment experience to modeled estimates.

Real estate owned, held for sale

Real estate owned, held for sale includes purchased real estate and real estate acquired in full or partial settlement of loan obligations, generally through foreclosure, that is being marketed for sale. Real estate owned, held for sale is recorded at acquisition at the property's estimated fair value less estimated costs to sell.

After acquisition, costs incurred relating to the development and improvement of property are capitalized to the extent they do not cause the recorded value to exceed the net realizable value, whereas costs relating to holding and disposition of the property are expensed as incurred. After acquisition, real estate owned, held for sale is analyzed periodically for changes in fair values and any subsequent write down is charged through impairment.

The Company records a gain or loss from the sale of real estate when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. When the Company finances the sale of real estate to the buyer, the Company assesses whether the buyer is committed to perform their obligations under the contract and whether the collectability of the transaction price is probable. Once these criteria are met, the real estate is derecognized and the gain or loss on sale is recorded upon transfer of control of the property to the buyer. In determining the gain or loss on the sale, the Company adjusts the transaction price and related gain (loss) on sale if a significant financing component is present. This adjustment is based on management's estimate of the fair value of the loan extended to the buyer to finance the sale.

Investment in unconsolidated joint ventures

According to ASC 323, *Equity Method and Joint Ventures*, investors in unincorporated entities such as partnerships and unincorporated joint ventures generally shall account for their investments using the equity method of accounting if the investor has the ability to exercise significant influence over the investee. Under the equity method, the Company recognizes its allocable share of the earnings or losses of the investment monthly in earnings and adjusts the carrying amount for its share of the distributions that exceeds its allocable share of earnings.

Investments held to maturity

The Company accounts for held to maturity investments under ASC 320. Such securities are accounted for at amortized cost and reviewed on a quarterly basis to determine if an allowance for credit losses should be recorded in the consolidated statements of income.

Purchased future receivables

The Company provides working capital advances to small businesses through the purchase of their future revenues. The Company enters into a contract with the business whereby the Company pays the business an upfront amount in return for a specific amount of the business's future revenue receivables, known as payback amounts. The payback amounts are primarily received through daily payments initiated by automated clearing house transactions.

Revenues from purchased future receivables are realized when funds are received under each contract. The allocation of the amount received is determined by apportioning the amount received based upon the factor (discount) rate of the business's contract. Management believes that this methodology best reflects the effective interest method.

The CECL method the Company utilizes is an aging schedule where estimating expected life-time credit losses is determined on the basis of how long a receivable has been outstanding. Where there is doubt regarding the ultimate collectability, the allowance for credit losses increases through provisions recorded in the consolidated statements of income and reduced by charge-offs, net of recoveries. Purchased future receivables that have been delinquent for 90 days or more are considered uncollectible and subsequently charged off. While the Company has a formal methodology to determine the adequate and appropriate level of the allowance for credit losses, estimates involve judgment and assumptions as to various factors, including current economic conditions and inherent risk in the portfolio. The Company's determination of adequacy of the allowance for credit losses is based on quarterly evaluations of the above factors. Accordingly, the provision for credit losses will vary from period to period based on management's ongoing assessment of the adequacy of the allowance for credit losses.

Intangible assets

The Company accounts for intangible assets under ASC 350, *Intangibles- Goodwill and Other* ("ASC 350"). The Company's intangible assets include an SBA license, capitalized software, a broker network, trade names, customer relationships and an acquired favorable lease. The Company capitalizes software costs expected to result in long-term operational benefits, such as replacement systems or new applications that result in significantly increased operational efficiencies or functionality as well as costs related to internally developed software expected to be sold, leased or otherwise marketed under ASC 985-20, *Software- costs of software to be sold, leased, or marketed*. All other costs incurred in connection with internal use software are expensed as incurred. The Company initially records its intangible assets at cost or fair value and will test for impairment if a triggering event occurs. Intangible assets are included within other assets in the consolidated balance sheets. The Company amortizes intangible assets with identified estimated useful lives on a straight-line basis over their estimated useful lives.

Goodwill

Goodwill represents the excess of the consideration transferred over the fair value of net assets, including identifiable intangible assets, at the acquisition date. Goodwill is assessed for impairment annually in the fourth quarter or more frequently if events or changes in circumstances indicate a potential impairment exists.

In assessing goodwill for impairment, the Company follows ASC 350, which permits a qualitative assessment of whether it is more likely than not that the fair value of the reporting unit is less than its carrying value including goodwill. If the qualitative assessment determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying value, including goodwill, then no impairment is determined to exist for the reporting unit. However, if the qualitative assessment determines that it is more likely than not that the fair value of the reporting unit is less than its carrying value, including goodwill, or the Company chooses not to perform the qualitative assessment, then the Company compares the fair value of that reporting unit with its carrying value, including goodwill, in a quantitative assessment. If the carrying value of a reporting unit exceeds its fair value, goodwill is considered impaired with the impairment loss measured as the excess of the reporting unit's carrying value, including goodwill, over its fair value. The estimated fair value of the reporting unit is derived based on valuation techniques the Company believes market participants would use for each of the reporting units.

The qualitative assessment requires judgment to be applied in evaluating the effects of multiple factors, including actual and projected financial performance of the reporting unit, macroeconomic conditions, industry and market conditions and relevant entity specific events in determining whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount, including goodwill. In the first quarter of 2024, as a result of the qualitative assessment, the Company determined that it was more likely than not that the estimated fair value of each of the reporting units exceeded its respective estimated carrying value. Therefore, goodwill for each reporting unit was not impaired and a quantitative test was not required.

Deferred financing costs

Costs incurred in connection with secured borrowings are accounted for under ASC 340, *Other Assets and Deferred Costs*. Deferred costs are capitalized and amortized using the effective interest method over the respective financing term with such amortization reflected on the Company's consolidated statements of income as a component of interest expense. Secured Borrowings may include legal, accounting and other related fees. Unamortized deferred financing costs are expensed when the associated debt is refinanced or repaid before maturity. Unamortized deferred financing costs related to securitizations and note issuances are presented in the consolidated balance sheets as a direct deduction from the associated liability.

Due from servicers

The loan-servicing activities of the Company's LMM Commercial Real Estate segment are performed primarily by third-party servicers. SBA loans originated by and held at RCL are internally serviced. The Company's servicers hold substantially all of the cash owned by the Company related to loan servicing activities. These amounts include principal and interest payments made by borrowers, net of advances and servicing fees. Cash is generally received within thirty days of recording the receivable.

The Company is subject to credit risk to the extent any servicer with whom the Company conducts business is unable to deliver cash balances or process loan-related transactions on the Company's behalf. The Company monitors the financial condition of the servicers with whom the Company conducts business and believes the likelihood of loss under the aforementioned circumstances is remote.

Secured borrowings

Secured borrowings include borrowings under credit facilities and other financing agreements and repurchase agreements.

Borrowings under credit facilities and other financing agreements. Borrowings under credit facilities and other financing agreements are accounted for under ASC 470, *Debt* ("ASC 470"). The Company partially finances its loans, net through credit agreements and other financing agreements with various counterparties. These borrowings are collateralized by loans, held-for-investment, and loans, held for sale and have maturity dates within two years from the consolidated balance sheet date. If the fair value (as determined by the applicable counterparty) of the collateral securing these borrowings decreases, the Company may be subject to margin calls during the period the borrowings are outstanding. In instances where margin calls are not satisfied within the required time frame the counterparty may retain the collateral and pursue collection of any outstanding debt. Interest paid and accrued in connection with credit facilities is recorded as interest expense in the consolidated statements of income.

Borrowings under repurchase agreements. Borrowings under repurchase agreements are accounted for under ASC 860. Investment securities financed under repurchase agreements are treated as collateralized borrowings, unless they meet sale treatment or are deemed to be linked transactions. As of the current period ended, the Company had no such repurchase agreements that have been accounted for as components of linked transactions. All securities financed through a repurchase agreement have remained on the Company's consolidated balance sheets as an asset and cash received from the lender has been recorded on the Company's consolidated balance sheets as a liability. Interest paid and accrued in connection with repurchase agreements is recorded as interest expense in the consolidated statements of income.

Paycheck Protection Program Liquidity Facility borrowings

The Paycheck Protection Program Liquidity Facility ("PPPLF") is a government loan facility created to enable the distribution of funds for PPP whereby the Company received advances from the Federal Reserve through the PPPLF. The Company accounts for borrowings under the PPPLF under ASC 470. Interest paid and accrued in connection with PPPLF is recorded as interest expense in the consolidated statements of income.

Securitized debt obligations of consolidated VIEs, net

Since 2011, the Company has engaged in several securitization transactions, which the Company accounts for under ASC 810. Securitization involves transferring assets to a special purpose entity or securitization trust, which typically qualifies as a VIE. The entity that has a controlling financial interest in a VIE is referred to as the primary beneficiary and is required to consolidate the VIE. The consolidation of the VIE includes the VIE's issuance of senior securities to third parties, which are shown as securitized debt obligations of consolidated VIEs in the consolidated balance sheets.

Debt issuance costs related to securitizations are presented as a direct deduction from the carrying value of the related debt liability. Debt issuance costs are amortized using the effective interest method and are included in interest expense in the consolidated statements of income.

Senior secured notes, net

The Company accounts for secured debt offerings under ASC 470. Pursuant to the adoption of ASU 2015-03, the Company's senior secured notes are presented net of debt issuance costs. These senior secured notes are collateralized by loans, MBS, and retained interests of consolidated VIE's. Interest paid and accrued in connection with senior secured notes is recorded as interest expense in the consolidated statements of income.

Corporate debt, net

The Company accounts for corporate debt offerings under ASC 470. The Company's corporate debt is presented net of debt issuance costs. Interest paid and accrued in connection with corporate debt is recorded as interest expense in the consolidated statements of income.

Guaranteed loan financing

Certain partial loan sales do not qualify for sale accounting under ASC 860 because these sales do not meet the definition of a "participating interest," as defined in the guidance, in order for sale treatment to be allowed. Participations or other partial loan sales which do not meet the definition of a participating interest remain as an investment in the consolidated balance sheets and the proceeds from the portion sold is recorded as guaranteed loan financing in the liabilities section of the consolidated balance sheets. For these partial loan sales, the interest earned on the entire loan balance is recorded as

interest income and the interest earned by the buyer in the partial loan sale is recorded within interest expense in the accompanying consolidated statements of income.

Contingent consideration

The Company accounts for certain liabilities recognized in relation to mergers and acquisitions as contingent consideration whereby the fair value of this liability is dependent on certain criteria. Contingent consideration is classified as Level 3 in the fair value hierarchy with fair value adjustments reported within other income (loss) in the consolidated statements of income.

Loan participations sold

The Company accounts for loan participations sold, which represents an interest in a loan receivable sold, as a liability on the consolidated balance sheets as these arrangements do not qualify as a sale under U.S. GAAP. Such liabilities are non-recourse and remain on the consolidated balance sheets until the loan is repaid.

Due to third parties

Due to third parties primarily relates to funds held by the Company to advance certain expenditures necessary to fulfill the Company's obligations under its existing indebtedness or to be released at the Company's discretion upon the occurrence of certain pre-specified events, and to serve as additional collateral for borrowers' loans. While retained, these balances earn interest in accordance with the specific loan terms they are associated with.

Repair and denial reserve

The repair and denial reserve represents the potential liability to the SBA in the event that the Company is required to make the SBA whole for reimbursement of the guaranteed portion of SBA loans. The Company may be responsible for the guaranteed portion of SBA loans if there are lien and collateral issues, unauthorized use of proceeds, liquidation deficiencies, undocumented servicing actions or denial of SBA eligibility. This reserve is calculated using an estimated frequency of a repair and denial event upon default, as well as an estimate of the severity of the repair and denial as a percentage of the guaranteed balance.

Variable interest entities

VIEs are entities that, by design, either (i) lack sufficient equity to permit the entity to finance its activities without additional subordinated financial support from other parties; or (ii) have equity investors that do not have the ability to make significant decisions relating to the entity's operations through voting rights, or do not have the obligation to absorb the expected losses, or do not have the right to receive the residual returns of the entity. The entity that is the primary beneficiary is required to consolidate the VIE. An entity is deemed to be the primary beneficiary of a VIE if the entity has both (i) the power to direct the activities that most significantly impact the VIE's economic performance and (ii) the right to receive benefits from the VIE or the obligation to absorb losses of the VIE that could be significant to the VIE.

In determining whether the Company is the primary beneficiary of a VIE, both qualitative and quantitative factors are considered regarding the nature, size and form of its involvement with the VIE, such as its role establishing the VIE and ongoing rights and responsibilities, the design of the VIE, its economic interests, servicing fees and servicing responsibilities, and other factors. The Company performs ongoing reassessments to evaluate whether changes in the entity's capital structure or changes in the nature of its involvement with the entity result in a change to the VIE designation or a change to its consolidation conclusion.

Non-controlling interests

Non-controlling interests are presented on the consolidated balance sheets and the consolidated statements of income and represent direct investment in the operating partnership by third parties, including operating partnership units issued to satisfy a portion of the purchase price in connection with a series of mergers (collectively, the "Mosaic Mergers"), pursuant to which the company acquired a group of privately held, real estate structured finance opportunities funds, with a focus on construction lending (collectively, the "Mosaic Funds"), managed by MREC Management, LLC. In addition, the Company has non-controlling interests from investments in consolidated joint ventures whereby, net income or loss is generally based upon relative ownership interests or contractual arrangements.

Fair value option

ASC 825 provides a fair value option election that allows entities to make an election of fair value as the initial and subsequent measurement attribute for certain eligible financial assets and liabilities. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. The decision to elect the fair value option is

determined on an instrument by instrument basis and must be applied to an entire instrument and is irrevocable once elected. Assets and liabilities measured at fair value pursuant to this guidance are required to be reported separately in the consolidated balance sheets from those instruments using another accounting method.

The Company has elected the fair value option for certain loans held-for-sale originated by the Company that it intends to sell in the near term. The fair value elections for loans, held for sale originated by the Company were made due to the short-term nature of these instruments. The Company additionally elected the fair value option for certain investments in unconsolidated joint ventures due to their short-term tenor.

Share repurchase program

The Company accounts for repurchases of its common stock as a reduction in additional paid in capital. The amounts recognized represent the amount paid to repurchase these shares and are categorized on the balance sheet and changes in equity as a reduction in additional paid in capital.

Earnings per share

The Company presents both basic and diluted earnings per share ("EPS") amounts in its consolidated financial statements. Basic EPS excludes dilution and is computed by dividing income available to common stockholders by the weighted-average number of shares of common stock outstanding for the period. Diluted EPS reflects the maximum potential dilution that could occur from the Company's share-based compensation, consisting of unvested restricted stock units ("RSUs"), unvested restricted stock awards ("RSAs"), performance-based equity awards, as well as the dilutive impact of convertible preferred stock and contingent equity rights ("CERs") under the if-converted method and warrants under the treasury stock method. Potential dilutive shares are excluded from the calculation if they have an anti-dilutive effect in the period.

All of the Company's unvested RSUs, unvested RSAs and preferred stock contain rights to receive non-forfeitable dividends and, thus, are participating securities. Due to the existence of these participating securities, the two-class method of computing EPS is required, unless another method is determined to be more dilutive. Under the two-class method, undistributed earnings are reallocated between shares of common stock and participating securities.

Income taxes

U.S. GAAP establishes financial accounting and reporting standards for the effect of income taxes. The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current period and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in an entity's consolidated financial statements or tax returns. The Company assesses the recoverability of deferred tax assets through evaluation of carryback availability, projected taxable income and other factors as applicable. Significant judgment is required in assessing the future tax consequences of events that have been recognized in the consolidated financial statements or tax returns as well as the recoverability of amounts recorded, including deferred tax assets.

The Company provides for exposure in connection with uncertain tax positions, which requires significant judgment by management including determination, based on the weight of the tax law and available evidence, that it is more-likely-than-not that a tax result will be realized. The Company's policy is to recognize interest and/or penalties related to income tax matters in income tax expense on the consolidated statements of income. As of the date of the consolidated balance sheets, the Company has accrued no taxes, interest or penalties related to uncertain tax positions. In addition, changes in this position in the next 12 months are not anticipated.

Revenue recognition

Under revenue recognition guidance, specifically ASC 606, *Revenue Recognition*, revenue is recognized upon the transfer of promised 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. Revenue is recognized through the following five-step process:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Most of the Company's revenue streams, such as revenue associated with financial instruments, including interest income, realized or unrealized gains on financial instruments, loan servicing fees, loan origination fees, among other revenue streams, follow specific revenue recognition criteria and therefore the guidance referenced above does not have a material impact on the consolidated financial statements. In addition, revisions to existing accounting rules regarding the determination of whether a company is acting as a principal or agent in an arrangement and accounting for sales of nonfinancial assets where the seller has continuing involvement, did not materially impact the Company. A further description of the revenue recognition criteria is outlined below.

Interest income. Interest income on loans, held-for-investment, loans, held at fair value, loans, held for sale, and MBS, at fair value is accrued based on the outstanding principal amount and contractual terms of the instrument. Discounts or premiums associated with the loans and investment securities are amortized or accreted into interest income as a yield adjustment on the effective interest method, based on contractual cash flows through the maturity date of the investment. On at least a quarterly basis, the Company reviews and, if appropriate, makes adjustments to the accrual status of the asset. If the asset has been delinquent for the previous 90 days, the asset status will turn to non-accrual, and recognition of interest income will be suspended until the asset resumes contractual payments for three consecutive months.

Employee retention credit consulting income. In connection with the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), which provided numerous stimulus measures including the employee retention credit ("ERC"), the Company provided consulting services whereby ERC requests received were processed on the client's behalf. Income related to ERC consulting are recorded in accordance with ASC 606 and recognized when the performance obligation has been satisfied. In addition, the Company estimates an allowance for doubtful accounts in accordance with ASC 310 using historical data and other relevant factors, such as collection rate, to determine the uncollectible reserve rate. While the Company has a formal methodology to determine the adequate and appropriate level of the allowance for doubtful accounts, estimates of losses involve judgment and assumptions as to various factors, including current economic conditions. Accordingly, the provision for losses will vary from period to period based on management's ongoing assessment of the adequacy of the allowance for doubtful accounts. Employee retention credit consulting income is reported as other income and the provision for losses is reported as other expense in the consolidated statements of income.

Realized gains (losses). Upon the sale or disposition (not including the prepayment of outstanding principal balance) of loans or securities, the excess (or deficiency) of net proceeds over the net carrying value or cost basis of such loans or securities is recognized as a realized gain (loss).

Origination income and expense. Origination income represents fees received for origination of either loans, held at fair value, loans, held for sale, or loans, held-for-investment. For loans held, at fair value, and loans, held for sale, pursuant to ASC 825 the Company reports origination fee income as revenue and fees charged and costs incurred as expenses. These fees and costs are excluded from the fair value. For originated loans, held-for-investment, under ASC 310 the Company defers these origination fees and costs at origination and amortizes them under the effective interest method over the life of the loan. Origination fees and expenses for loans, held at fair value and loans, held for sale, are presented in the consolidated statements of income as components of other income and operating expenses. The amortization of net origination fees and expenses for loans, held-for-investment are presented in the consolidated statements of income as a component of interest income.

Assets and liabilities held for sale

The Company classifies long-lived assets or a disposal group to be sold as held for sale in the period when all the necessary criteria are met. The criteria includes (i) management, having the authority to approve the action, commits to a plan to sell the asset or the disposal group (ii) the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (iii) an active program to locate a buyer and other actions required to complete the plan to sell the asset or disposal group have been initiated (iv) the sale of the asset or disposal group is probable, and transfer of the asset or disposal group is expected to qualify for recognition as a completed sale within one year (v) the asset or disposal group is being actively marketed for sale at a price that is reasonable in relation to its current fair value and (vi) actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Upon determining that a long-lived asset or disposal group meets the criteria to be classified as held for sale, the Company reports the assets and liabilities of the disposal group, if material, in the line items assets or liabilities held for sale, respectively, on the consolidated balance sheets. A long-lived asset or disposal group that is classified as held for sale is measured at the lower of its cost or estimated fair value less any costs to sell. The fair values of assets held for sale are

assessed each reporting period and changes in such fair values are reported as an adjustment to the carrying value of the asset or disposal group with an offset on the consolidated statements of income, to the extent that any subsequent changes in fair value do not exceed the cost basis of the asset or disposal group. Any loss resulting from the transfer of long-lived assets or disposal groups to assets held for sale is recognized in the period in which the held for sale criteria are met.

Discontinued operations

The results of operations of long-lived assets or a disposal group that the Company has either disposed of or has classified as held for sale is reported as discontinued operations on the consolidated statements of income if the disposal represents a strategic shift that has or will have a major effect on the Company's operations and financial results.

Foreign currency transactions

Assets and liabilities denominated in non-U.S. currencies are translated into U.S. dollars using foreign currency exchange rates prevailing at the end of the reporting period. Revenue and expenses are translated at the average exchange rates for each reporting period. Foreign currency remeasurement gains or losses on transactions in nonfunctional currencies are recognized in earnings. Gains or losses on translation of the financial statements of a non-U.S. operation, when the functional currency is other than the U.S. dollar, are included, net of taxes, in the consolidated statements of comprehensive income.

Note 4. Recent accounting pronouncements

ASU 2024-01, Compensation – Stock Compensation (Topic 718): Scope Application of Profits Interest and Similar Awards *Issued March 2024*

This ASU clarifies how to determine whether profits interest and similar awards should be accounted for as share-based payment arrangements. The ASU is effective in reporting periods beginning after December 15, 2024, including interim periods within the fiscal year, on a prospective or retrospective basis. Early adoption is permitted. The Company is currently assessing the impact upon adoption of this standard on the consolidated financial statements.

ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures *Issued December 2023*

This ASU improves income tax disclosure requirements, primarily through standardization of rate reconciliation categories and disaggregation of income taxes paid by jurisdiction. The ASU is effective in reporting periods beginning after December 15, 2024 on a prospective or retrospective basis. Early adoption is permitted. The Company is currently assessing the impact upon adoption of this standard on the consolidated financial statements.

ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures *Issued November 2023*

This ASU improves reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses that are regularly provided to the Chief Operating Decision Maker ("CODM"). The ASU is effective in reporting periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, on a retrospective basis. Early adoption is permitted. The Company is currently assessing the impact upon adoption of this standard on the consolidated financial statements.

ASU 2023-05, Business Combinations- Joint Venture Formations (Topic 805): Recognition and Initial Measurement *Issued August 2023*

This ASU applies to the formation of a "joint venture" or a "corporate joint venture" and requires a joint venture to initially measure all contributions received upon its formation at fair value and is applicable to joint venture entities with a formation date on or after January 1, 2025 on a prospective basis. The Company is currently assessing the impact of the adoption of this standard on the consolidated financial statements.

Note 5. Business Combinations

On May 31, 2023, the Company completed a merger with Broadmark, a specialty real estate finance company that specialized in originating and servicing residential and commercial construction loans. Refer to Note 1 for more information about the Broadmark Merger. The consideration transferred was allocated to the assets acquired and liabilities assumed based on their respective fair values. The methodologies used, and key assumptions made, to estimate the fair value of the assets acquired and liabilities assumed are primarily based on future cash flows and discount rates.

The table below summarizes the fair value of assets acquired and liabilities assumed from the Broadmark Merger.

<i>(in thousands)</i>	Preliminary Purchase Price Allocation	Measurement Period Adjustments	Updated Purchase Price Allocation
Assets			
Cash and cash equivalents	\$ 38,710	\$ —	\$ 38,710
Loans, net	772,954	(8,587)	764,367
Real estate owned, held for sale	158,911	(5,365)	153,546
Other assets	17,107	(7,151)	9,956
Total assets acquired	\$ 987,682	\$ (21,103)	\$ 966,579
Liabilities			
Corporate debt, net	98,028	—	98,028
Accounts payable and other accrued liabilities	22,531	819	23,350
Total liabilities assumed	\$ 120,559	\$ 819	\$ 121,378
Net assets acquired	\$ 867,123	\$ (21,922)	\$ 845,201

In a business combination, the initial allocation of the purchase price is considered preliminary and therefore, is subject to change until the end of the measurement period. The final determination must occur within one year of the merger date. Because the measurement period is still open for the Broadmark Merger, certain fair value estimates may change once all information necessary to make a final fair value assessment has been received. The amounts presented in the table above pertained to the preliminary purchase price allocation reported at the time of the Broadmark Merger based on information that was available to management at the time the consolidated financial statements were prepared. The preliminary purchase price allocation is subject to change as the Company completes its analysis of the fair value of the assets acquired and liabilities assumed, which could have an impact on the consolidated financial statements. Subsequent to the determination of the preliminary purchase price allocation, the Company recorded a measurement period adjustment based on the updated valuations obtained by decreasing net assets acquired and the bargain purchase gain by \$21.9 million.

The table below illustrates the aggregate consideration transferred, net assets acquired, and the related bargain purchase gain.

<i>(in thousands)</i>	Preliminary Purchase Price Allocation	Measurement Period Adjustments	Updated Purchase Price Allocation
Fair value of net assets acquired	\$ 867,123	\$ (21,922)	\$ 845,201
Consideration transferred based on the value of common stock issued	637,229	—	637,229
Bargain purchase gain	\$ 229,894	\$ (21,922)	\$ 207,972

In the table above, the bargain purchase gain represents the fair value of the assets acquired and liabilities assumed in the Broadmark Merger which exceeds the fair value of the 62.2 million shares of common stock issued at \$ 10.24 per share at the Effective Time. Gain on bargain purchase is recognized in the consolidated statements of income.

The following pro-forma income and earnings (unaudited) of the combined company are presented as if the Broadmark Merger had occurred on January 1, 2024 and January 1, 2023.

<i>(in thousands)</i>	Three Months Ended March 31,	
	2024	2023
Selected Financial Data		
Interest income	\$ 232,354	\$ 239,805
Interest expense	(183,805)	(160,983)
Recovery of loan losses	26,544	5,033
Non-interest income (loss)	(102,628)	32,465
Non-interest expense	(77,862)	(66,686)
Income (loss) before provision for income taxes	\$ (105,397)	\$ 49,634
Income tax benefit (expense)	30,211	(391)
Net income (loss)	\$ (75,186)	\$ 49,243

Non-recurring pro-forma transaction costs directly attributable to the Broadmark Merger were \$ 0.4 million for the three months ended March 31, 2024 and 2023, respectively, and have been deducted from the non-interest expense amount

above. These costs included legal, accounting, valuation, and other professional or consulting fees directly attributable to the Broadmark Merger.

Note 6. Loans and allowance for credit losses

Loans includes (i) loans held for investment that are accounted for at amortized cost net of allowance for credit losses, (ii) loans held at fair value under the fair value option, (iii) loans held for sale that are accounted for at the lower of cost or fair value net of valuation allowance and (iv) loans held for sale at fair value under the fair value option. The classification for a loan is based on product type and management's strategy for the loan.

Loans with the "Other" classification are generally LMM acquired loans that have nonconforming characteristics for the Fixed rate, Bridge, Construction, or Freddie Mac classifications due to loan size, rate type, collateral, or borrower criteria.

Loan portfolio

The table below summarizes the classification, unpaid principal balance ("UPB"), and carrying value of loans held by the Company including loans of consolidated VIEs.

(in thousands)	March 31, 2024		December 31, 2023	
	Carrying Value	UPB	Carrying Value	UPB
Loans				
Bridge	\$ 1,180,936	\$ 1,184,751	\$ 1,444,770	\$ 1,448,281
Fixed rate	192,216	190,017	247,476	241,674
Construction	902,301	904,162	1,207,783	1,212,526
Freddie Mac	—	—	9,500	9,719
SBA - 7(a)	1,004,680	1,012,504	995,974	1,003,323
Other	174,287	176,328	196,087	198,499
Total Loans, before allowance for loan losses	\$ 3,454,420	\$ 3,467,762	\$ 4,101,590	\$ 4,114,022
Allowance for loan losses	\$ (53,939)	\$ —	\$ (81,430)	\$ —
Total Loans, net	\$ 3,400,481	\$ 3,467,762	\$ 4,020,160	\$ 4,114,022
Loans in consolidated VIEs				
Bridge	5,118,769	5,133,800	5,370,251	5,389,535
Fixed rate	784,290	783,420	790,068	790,967
SBA - 7(a)	208,405	221,402	213,892	227,636
Other	244,704	245,493	257,289	258,029
Total Loans, in consolidated VIEs, before allowance for loan losses	\$ 6,356,168	\$ 6,384,115	\$ 6,631,500	\$ 6,666,167
Allowance for loan losses on loans in consolidated VIEs	\$ (13,484)	\$ —	\$ (20,175)	\$ —
Total Loans, net, in consolidated VIEs	\$ 6,342,684	\$ 6,384,115	\$ 6,611,325	\$ 6,666,167
Loans, held for sale				
Bridge	160,786	251,375	—	—
Fixed rate	43,265	45,931	—	—
Construction	270,519	314,010	—	—
Freddie Mac	15,160	15,356	20,955	20,729
SBA - 7(a)	74,019	68,720	59,421	55,769
Other	20,323	20,110	1,223	1,297
Total Loans, held for sale	\$ 584,072	\$ 715,502	\$ 81,599	\$ 77,795
Loans, held for sale in consolidated VIEs				
Bridge	10,973	19,173	—	—
Total Loans, held for sale in consolidated VIEs	\$ 10,973	\$ 19,173	\$ —	\$ —
Total	\$ 10,338,210	\$ 10,586,552	\$ 10,713,084	\$ 10,857,984

Loan vintage and credit quality indicators

The Company monitors the credit quality of its loan portfolio based on primary credit quality indicators, such as delinquency rates. Loans that are 30 days or more past due, provide an indication of the borrower's capacity and willingness to meet its financial obligations. Total Loans, net includes Loans, net in consolidated VIEs and a specific allowance for loan losses of \$21.6 million, including \$11.2 million of PCD loan reserves as of March 31, 2024, and a specific allowance for loan losses of \$57.1 million, including \$21.4 million of PCD loan reserves, as of December 31, 2023.

The tables below summarize the classification, UPB, carrying value and gross write-offs of loans by year of origination.

(in thousands)	UPB	Carrying Value by Year of Origination							Total									
		2024	2023	2022	2021	2020	Pre 2020											
March 31, 2024																		
Bridge	\$	6,318,551	\$	86,682	\$	290,638	\$	2,775,887	\$	2,817,308	\$	206,891	\$	119,945	\$	6,297,351		
Fixed rate		973,437		—		4,007		110,737		181,596		90,433		588,440		975,213		
Construction		904,162		—		111,323		138,755		138,497		47,469		454,388		890,432		
SBA - 7(a)		1,233,906		44,096		150,457		348,424		302,761		111,453		249,911		1,207,102		
Other		421,821		6,337		2,806		4,832		11,813		8,654		384,498		418,940		
Total Loans, before general allowance for loan losses	\$	9,851,877	\$	137,115	\$	559,231	\$	3,378,635	\$	3,451,975	\$	464,900	\$	1,797,182	\$	9,789,038		
General allowance for loan losses																\$	(45,873)	
Total Loans, net																\$	9,743,165	
Gross write-offs		\$	—	\$	494	\$	873	\$	35	\$	201	\$	4,150	\$	5,753			
	UPB	2023	2022	2021	2020	2019	Pre 2019	Total										
December 31, 2023																		
Bridge	\$	6,837,816	\$	323,648	\$	2,956,697	\$	2,949,521	\$	288,647	\$	166,266	\$	111,303	\$	6,796,082		
Fixed rate		1,032,641		4,007		110,800		207,510		90,794		318,077		300,642		1,031,830		
Construction		1,212,526		108,218		253,100		182,920		73,370		434,151		128,876		1,180,635		
Freddie Mac		9,719		—		—		3,810		5,690		—		—		9,500		
SBA - 7(a)		1,230,959		151,878		353,871		318,208		115,019		76,080		189,622		1,204,678		
Other		456,528		2,599		4,877		18,549		8,708		43,724		374,776		453,233		
Total Loans, before general allowance for loan losses	\$	10,780,189	\$	590,350	\$	3,679,345	\$	3,680,518	\$	582,228	\$	1,038,298	\$	1,105,219	\$	10,675,958		
General allowance for loan losses																\$	(44,473)	
Total Loans, net																\$	10,631,485	
Gross write-offs		\$	100	\$	950	\$	3,236	\$	258	\$	360	\$	25,731	\$	30,635			

The tables below present delinquency information on loans, net by year of origination.

(in thousands)	UPB	Carrying Value by Year of Origination							Total							
		2024	2023	2022	2021	2020	Pre 2020									
March 31, 2024																
Current	\$	9,014,343	\$	137,108	\$	540,691	\$	3,116,363	\$	3,060,184	\$	413,838	\$	1,708,790	\$	8,976,97
30 - 59 days past due		199,535		7		3,490		141,674		38,498		1,650		11,781		197,100
60+ days past due		637,999		—		15,050		120,598		353,293		49,412		76,611		614,964
Total Loans, before general allowance for loan losses	\$	9,851,877	\$	137,115	\$	559,231	\$	3,378,635	\$	3,451,975	\$	464,900	\$	1,797,182	\$	9,789,038
General allowance for loan losses															\$	(45,873)
Total Loans, net															\$	9,743,165
December 31, 2023																
Current	\$	9,632,399	\$	574,507	\$	3,351,046	\$	3,409,643	\$	495,433	\$	881,868	\$	875,348	\$	9,587,845
30 - 59 days past due		172,355		582		59,988		80,684		510		22,586		7,148		171,498
60+ days past due		975,435		15,261		268,311		190,191		86,285		133,844		222,723		916,615
Total Loans, before general allowance for loan losses	\$	10,780,189	\$	590,350	\$	3,679,345	\$	3,680,518	\$	582,228	\$	1,038,298	\$	1,105,219	\$	10,675,958
General allowance for loan losses															\$	(44,473)
Total Loans, net															\$	10,631,488

The table below presents delinquency information on loans, net by portfolio.

(in thousands)	Current	30-59 days past due	60+ days past due	Total	Non-Accrual Loans	90+ days past due and Accruing
March 31, 2024						
Bridge	\$ 5,705,330	\$ 139,459	\$ 452,562	\$ 6,297,351	\$ 306,049	\$ —
Fixed rate	952,931	—	22,282	975,213	22,283	—
Construction	730,640	31,891	127,901	890,432	76,861	48,956
SBA - 7(a)	1,173,270	25,448	8,384	1,207,102	36,190	—
Other	414,803	302	3,835	418,940	14,335	—
Total Loans, before general allowance for loan losses	\$ 8,976,974	\$ 197,100	\$ 614,964	\$ 9,789,038	\$ 455,718	\$ 48,956
General allowance for loan losses				\$ (45,873)		
Total Loans, net				\$ 9,743,165		
Percentage of loans outstanding	91.7%	2.0%	6.3%	100%	4.7%	0.5%
December 31, 2023						
Bridge	\$ 6,186,367	\$ 87,163	\$ 522,552	\$ 6,796,082	\$ 339,073	\$ —
Fixed rate	986,755	21,798	23,277	1,031,830	13,928	—
Construction	782,123	49,694	348,818	1,180,635	241,751	82,781
Freddie Mac	9,500	—	—	9,500	2,695	—
SBA - 7(a)	1,179,231	8,619	16,828	1,204,678	30,549	40
Other	443,869	4,224	5,140	453,233	6,005	—
Total Loans, before general allowance for loan losses	\$ 9,587,845	\$ 171,498	\$ 916,615	\$ 10,675,958	\$ 634,001	\$ 82,821
General allowance for loan losses				\$ (44,473)		
Total Loans, net				\$ 10,631,485		
Percentage of loans outstanding	89.8%	1.6%	8.6%	100%	5.9%	0.8%

In addition to delinquency rates, the current estimated LTV ratio, geographic distribution of the loan collateral and collateral concentration are primary credit quality indicators that provide insight into a borrower's capacity and willingness to meet its financial obligation. High LTV loans tend to have higher delinquency rates than loans where the borrower has equity in the collateral. The geographic distribution of the loan collateral considers factors such as the regional economy, property price changes and specific events such as natural disasters, which will affect credit quality. The collateral concentration of the loan portfolio considers economic factors or events may have a more pronounced impact on certain sectors or property types.

The table below presents quantitative information on the credit quality of loans, net.

(in thousands)	LTV ⁽¹⁾						
	0.0 – 20.0%	20.1 – 40.0%	40.1 – 60.0%	60.1 – 80.0%	80.1 – 100.0%	Greater than 100.0%	Total
March 31, 2024							
Bridge	\$ 2,259	\$ 102,161	\$ 700,851	\$ 5,353,476	\$ 108,534	\$ 30,070	\$ 6,297.3
Fixed rate	4,231	32,393	441,069	476,391	19,833	1,296	975.2
Construction	15,292	25,152	128,515	572,255	95,989	53,229	890.4
SBA - 7(a)	12,165	72,245	225,117	361,900	229,108	306,567	1,207.1
Other	117,819	144,546	76,557	63,569	5,107	11,342	418.9
Total Loans, before general allowance for loan losses	\$ 151,766	\$ 376,497	\$ 1,572,109	\$ 6,827,591	\$ 458,571	\$ 402,504	\$ 9,789.6
General allowance for loan losses							\$ (45.8)
Total Loans, net							\$ 9,743.1
Percentage of loans outstanding	1.6%	3.8%	16.1%	69.7%	4.7%	4.1%	
December 31, 2023							
Bridge	\$ 2,308	\$ 97,309	\$ 756,353	\$ 5,781,651	\$ 82,517	\$ 75,944	\$ 6,796.0
Fixed rate	5,222	36,021	449,804	517,628	19,965	3,190	1,031.8
Construction	25,173	94,856	532,730	355,631	119,191	53,054	1,180.6
Freddie Mac	—	—	2,995	6,505	—	—	9.5
SBA - 7(a)	10,627	56,061	172,743	404,102	226,327	334,818	1,204.6
Other	127,310	159,386	81,291	68,451	14,124	2,671	453.2
Total Loans, before general allowance for loan losses	\$ 170,640	\$ 443,633	\$ 1,995,916	\$ 7,133,968	\$ 462,124	\$ 469,677	\$ 10,675.5
General allowance for loan losses							\$ (44.4)
Total Loans, net							\$ 10,631.4
Percentage of loans outstanding	1.6%	4.2%	18.7%	66.8%	4.3%	4.4%	

(1) LTV is calculated by dividing the current carrying amount by the most recent collateral value received. The most recent value for performing loans is often the third-party as-is valuation utilized during the original underwriting process.

The table below presents the geographic concentration of loans, net, secured by real estate.

Geographic Concentration (% of UPB)	March 31, 2024	December 31, 2023
Texas	19.0 %	18.6 %
California	11.8	11.4
Florida	7.0	6.4
Georgia	6.8	7.1
Arizona	6.7	6.1
Oregon	6.3	5.9
New York	4.7	4.8
North Carolina	4.4	4.1
Ohio	3.5	3.2
Washington	3.1	3.4
Other	26.7	29.0
Total	100.0 %	100.0 %

The table below presents the collateral type concentration of loans, net.

Collateral Concentration (% of UPB)	March 31, 2024	December 31, 2023
Multi-family	62.4 %	60.9 %
SBA	12.5	11.4
Mixed Use	8.4	8.4
Industrial	5.3	4.3
Retail	4.0	4.3
Office	3.4	4.4
Lodging	1.4	1.6
Other	2.6	4.7
Total	100.0 %	100.0 %

The table below presents the collateral type concentration of SBA loans within loans, net.

Collateral Concentration (% of UPB)	March 31, 2024	December 31, 2023
Lodging	23.1 %	23.4 %
Gasoline Service Stations	13.0	12.8
Eating Places	6.3	6.2
Child Day Care Services	5.6	5.6
Offices of Physicians	4.0	4.1
General Freight Trucking, Local	3.3	3.5
Grocery Stores	2.3	2.3
Coin-Operated Laundries and Drycleaners	1.9	1.9
Beer, Wine, and Liquor Stores	1.4	1.3
Funeral Service & Crematories	1.3	1.4
Other	37.8	37.5
Total	100.0 %	100.0 %

Allowance for credit losses

The allowance for credit losses consists of the allowance for losses on loans and lending commitments accounted for at amortized cost. Such loans and lending commitments are reviewed quarterly considering credit quality indicators, including probable and historical losses, collateral values, LTV ratios, and economic conditions.

The table below presents the allowance for loan losses by loan product and impairment methodology.

(in thousands)	Bridge	Fixed Rate	Construction	SBA - 7(a)	Other	Total
March 31, 2024						
General	\$ 10,827	\$ 5,971	\$ 11,886	\$ 14,596	\$ 2,593	\$ 45,873
Specific	2,354	1,293	690	5,983	51	10,371
PCD	—	—	11,179	—	—	11,179
Ending balance	\$ 13,181	\$ 7,264	\$ 23,755	\$ 20,579	\$ 2,644	\$ 67,423
December 31, 2023						
General	\$ 17,302	\$ 7,884	\$ 3,722	\$ 12,679	\$ 2,886	\$ 44,473
Specific	18,939	5,714	5,726	5,188	143	35,710
PCD	—	—	21,422	—	—	21,422
Ending balance	\$ 36,241	\$ 13,598	\$ 30,870	\$ 17,867	\$ 3,029	\$ 101,605

The table below presents a summary of the changes in the allowance for loan losses.

<i>(in thousands)</i>	Bridge	Fixed Rate	Construction	SBA - 7(a)	Other	Total
Three Months Ended March 31, 2024						
Beginning balance	\$ 36,241	\$ 13,598	\$ 30,870	\$ 17,867	\$ 3,029	\$ 101,605
Provision for (recoveries of) loan losses	(23,060)	(3,705)	(5,636)	4,163	(319)	(28,557)
Charge-offs and sales	—	(2,629)	(1,479)	(1,579)	(66)	(5,753)
Recoveries	—	—	—	128	—	128
Ending balance	\$ 13,181	\$ 7,264	\$ 23,755	\$ 20,579	\$ 2,644	\$ 67,423
Three Months Ended March 31, 2023						
Beginning balance	\$ 49,905	\$ 6,531	\$ 17,334	\$ 14,299	\$ 2,450	\$ 90,519
Provision for (recoveries of) loan losses	(8,975)	2,654	(63)	1,395	443	(4,546)
Charge-offs and sales	(611)	(100)	(16,898)	(613)	—	(18,222)
Recoveries	—	—	—	29	—	29
Ending balance	\$ 40,319	\$ 9,085	\$ 373	\$ 15,110	\$ 2,893	\$ 67,780

The table above excludes \$0.6 million and \$1.6 million of allowance for loan losses on unfunded lending commitments as of March 31, 2024 and March 31, 2023, respectively. Refer to Note 3 – Summary of Significant Accounting Policies for more information on accounting policies, methodologies and judgment applied to determine the allowance for loan losses and lending commitments.

Non-accrual loans

A loan is placed on nonaccrual status when it is probable that principal and interest will not be collected under the original contractual terms. At that time, interest income is no longer accrued.

The table below presents information on non-accrual loans.

<i>(in thousands)</i>	March 31, 2024	December 31, 2023
Non-accrual loans		
With an allowance	\$ 429,080	\$ 607,292
Without an allowance	26,638	26,709
Total recorded carrying value of non-accrual loans	\$ 455,718	\$ 634,001
Allowance for loan losses related to non-accrual loans	\$ (22,075)	\$ (50,796)
UPB of non-accrual loans	\$ 481,839	\$ 688,282

	March 31, 2024	March 31, 2023
Interest income on non-accrual loans for the three months ended	\$ 3,052	\$ 817

Loan modifications made to borrowers experiencing financial difficulty

In certain situations, the Company may provide loan modifications to borrowers experiencing financial difficulty. These modifications may include interest rate reductions, principal forgiveness, term extensions, and other-than-insignificant payment delay intended to minimize the Company's economic loss and to avoid foreclosure or repossession of collateral.

As of March 31, 2024, substantially all of the loan modifications provided by the Company consisted of a 7-month payment deferral and a 7-month addition to the weighted average life of the original loan term and were deemed to be continuations of the existing loans based on the Company's analysis. As of March 31, 2024, the carrying value of such commercial real estate and SBA - 7(a) loans were \$67.2 million and \$0.1 million, respectively or 0.7% of total Loans, net. These modified loans were predominantly comprised of loans secured by multifamily and residential properties. As of December 31, 2023, substantially all of the loan modifications provided by the Company consisted of a 12-month payment deferral and an 18-month addition to the weighted average life of the original loan term and were deemed to be continuations of the existing loans based on the Company's analysis. As of December 31, 2023, the carrying value of such commercial real estate and SBA - 7(a) loans were \$467.9 million and \$1.3 million, respectively or 4.4% of total Loans, net. These modified loans were predominantly comprised of loans secured by mixed use real estate.

The Company's allowance for loan losses reflects estimates of expected life-time loan losses, which considers historical loan losses including losses from modified loans to borrowers experiencing financial difficulty. The Company continues to estimate the allowance for loan losses after modification using loan-specific inputs. Substantially all of the modified loans were performing in accordance with the modified contractual terms as of both March 31, 2024 and December 31, 2023.

The remaining elements of the Company's modification programs are generally considered insignificant and do not have a material impact on financial results. On loans for which the Company determines foreclosure of the collateral is probable, expected losses are measured based on the difference between the fair value of the collateral and the amortized cost basis of the loan as of the measurement date. As of March 31, 2024 and December 31, 2023, the Company's total carrying amount of loans in the foreclosure process was \$23.6 million and \$95.0 million, respectively.

As of March 31, 2024, lending commitments to borrowers experiencing financial difficulty for which the Company has modified the loan terms were \$12.9 million. As of December 31, 2023, lending commitments to borrowers experiencing financial difficulty for which the Company has modified the loan terms were not material.

PCD loans

Subsequent to the determination of the preliminary purchase price allocation, based on updated valuations obtained, the Company recorded a measurement period adjustment of \$5.2 million to increase the PCD allowance in connection with the Broadmark Merger. A reconciliation between the PCD asset's UPB and purchase price is presented in the table below. Refer to Note 5 for further details on assets acquired and liabilities assumed in connection with the Broadmark Merger. The table below presents a reconciliation of the Company's purchase price with the par value of the purchased loans.

<i>(in thousands)</i>	Preliminary Purchase Price Allocation	Measurement Period Adjustments	Updated Purchase Price Allocation
UPB	\$ 244,932	\$ 38,750	\$ 283,682
Allowance for credit losses	(27,617)	(5,245)	(32,862)
Non-credit discount	(6,035)	(3,342)	(9,377)
Purchase price of loans classified as PCD	\$ 211,280	\$ 30,163	\$ 241,443

The Company did not acquire any PCD loans during the three months ended March 31, 2024 and March 31, 2023.

Note 7. Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. U.S. GAAP has a three-level hierarchy that prioritizes and ranks the level of market price observability used in measuring financial instruments at fair value. Market price observability is impacted by a number of factors, including the type of investment, the characteristics specific to the investment, and the state of the marketplace (including the existence and transparency of transactions between market participants). The Company's valuation techniques for financial instruments use observable and unobservable inputs. Investments with readily available, actively quoted prices or for which fair value can be measured from actively quoted prices in an orderly market will generally have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Investments measured and reported at fair value are classified and disclosed into one of the following categories:

Level 1 — Quoted prices (unadjusted) in active markets for identical assets and liabilities that the Company has the ability to access.

Level 2 — Pricing inputs are other than quoted prices in active markets, including, but not limited to, quoted prices for similar assets and liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market corroborated inputs.

Level 3 — One or more pricing inputs is significant to the overall valuation and unobservable. Significant unobservable inputs are based on the best information available in the circumstances, to the extent observable inputs are not available, including the Company's own assumptions used in determining the fair value of financial instruments. Fair value for these investments is determined using valuation methodologies that consider a range of factors including, but not limited to, the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance, and financing transactions subsequent to the acquisition of the investment. The inputs into the determination of fair value require significant management judgment.

Valuation techniques of Level 3 investments vary by instrument type, but are generally based on an income, market or cost-based approach. The income approach predominantly considers discounted cash flows which is the measure of expected future cash flows in a default scenario, implied by the value of the underlying collateral, where applicable, and current performance whereas the market-based approach predominantly considers pull-through rates, industry multiples and the UPB. Fair value measurements of loans are sensitive to changes in assumptions regarding prepayments, probability of default, loss severity in the event of default, forecasts of home prices, and significant activity or developments in the real estate market.

The fair value of the contingent consideration in connection with mergers and acquisitions was determined using a Monte Carlo simulation model which considers various potential results based on Level 3 inputs, including management's latest estimates of future operating results. Fair value measurements of the contingent consideration liability are sensitive to changes in assumptions related to earnings before tax, discount rate and risk-free rate of return. Contingent consideration also consists of CERs issued pursuant to the Mosaic Mergers. Pursuant to the CER agreement, if, as of the revaluation date, the sum of the updated fair value of the acquired portfolio less all advances made on such assets, plus all principal payments, return of capital and liquidation proceeds received on such assets exceeds the initial discounted fair value of the acquired portfolio, then the Company will issue to the CER holders, with respect to each CER, a number of shares of common stock equal to 90% of the lesser of the valuation excess and the discount amount, divided by the number of initially issued CERs divided by the Company share value, with cash being paid in lieu of any fractional shares of common stock otherwise due to such holder. In addition, each CER holder will be entitled to receive a number of additional shares of common stock equal to (i) the amount of any dividends or other distributions paid with respect to the number of whole shares of common stock received by such CER holder in respect of such holder's CERs and having a record date on or after the closing of the Mosaic Mergers and a payment date prior to the issuance date of such shares of common stock, divided by (ii) the Company share value. The probability-weighted expected return method ("PWERM") was utilized to estimate the return of capital and liquidation proceeds of the acquired asset portfolio, considering each possible outcome, including the economic and projected performance of each acquired asset, using a probability of 65%-100% return of capital. The discounted cashflow technique was utilized by the Company to assess the updated value of the acquired portfolio as of the revaluation date. The fair value of dividend distributions to the CER holders was determined using a Monte Carlo simulation model which considers various potential results based on the CER payments, volatility of the Company's share value and projected dividend distributions.

The final purchase price allocation associated with the closing of the Mosaic Mergers valued the CERs at approximately \$ 25.0 million or \$0.83 per CER. As of March 31, 2024, the CERs were valued at zero.

In certain cases, the inputs used to measure fair value may be categorized into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

The table below presents financial instruments carried at fair value on a recurring basis.

<i>(in thousands)</i>	Level 1	Level 2	Level 3	Total
March 31, 2024				
Assets:				
Money market funds ^(a)	\$ 63,040	\$ —	\$ —	\$ 63,040
Loans, held for sale	—	86,099	—	86,099
Paycheck Protection Program loans ^(b)	—	491	—	491
MBS, at fair value	—	29,546	—	29,546
Derivative instruments	—	15,448	—	15,448
Investment in unconsolidated joint ventures	—	—	7,169	7,169
Preferred equity investment ^(c)	—	—	106,548	106,548
Total assets	\$ 63,040	\$ 131,584	\$ 113,717	\$ 308,341
Liabilities:				
Derivative instruments	—	593	—	593
Total liabilities	\$ —	\$ 593	\$ —	\$ 593
December 31, 2023				
Assets:				
Money market funds ^(a)	\$ 100,238	\$ —	\$ —	\$ 100,238
Loans, held for sale	—	81,599	—	81,599
Loans, net	—	—	9,348	9,348
Paycheck Protection Program loans ^(b)	—	165	—	165
MBS, at fair value	—	27,436	—	27,436
Derivative instruments	—	2,404	—	2,404
Investment in unconsolidated joint ventures	—	—	7,360	7,360
Preferred equity investment ^(c)	—	—	108,423	108,423
Total assets	\$ 100,238	\$ 111,604	\$ 125,131	\$ 336,973
Liabilities:				
Derivative instruments	—	212	—	212
Contingent consideration	—	—	7,628	7,628
Total liabilities	\$ —	\$ 212	\$ 7,628	\$ 7,840

(a) Money market funds are included in cash and cash equivalents on the consolidated balance sheets
(b) Paycheck Protection Program loans are included in other assets on the consolidated balance sheets
(c) Preferred equity investment held through consolidated joint ventures are included in assets of consolidated VIEs on the consolidated balance sheets

The table below presents the valuation techniques and significant unobservable inputs used to value Level 3 financial instruments, using third party information without adjustment.

<i>(in thousands)</i>	Fair Value	Predominant Valuation Technique (a)	Type	Range	Weighted Average
March 31, 2024					
Investment in unconsolidated joint ventures	\$ 7,169	Income Approach	Discount rate	9.0%	9.0%
Preferred equity investment	\$ 106,548	Income Approach	Discount rate	10.0%	10.0%
December 31, 2023					
Investment in unconsolidated joint ventures	\$ 7,360	Income Approach	Discount rate	9.0%	9.0%
Preferred equity investment	\$ 108,423	Income Approach	Discount rate	10.0%	10.0%
Contingent consideration- Mosaic CER dividends	\$ (1,591)	Monte Carlo Simulation Model	Equity volatility Risk-free rate of return Discount rate	30.0% 4.7% 11.5%	30% 4.7% 11.5%
Contingent consideration- Mosaic CER units	\$ (6,037)	Income approach and PWERM Model	Revaluation discount rate Discount rate	12.0% 11.5%	12.0% 11.5%

(a) Prices are weighted based on the UPB of the loans and securities included in the range for each class.

Included within Level 3 assets of \$125.1 million as of December 31, 2023, is \$9.3 million of quoted or transaction prices in which quantitative unobservable inputs are not developed by the Company when measuring fair value.

The table below presents a summary of changes in fair value for Level 3 assets and liabilities.

(in thousands)	Three Months Ended March 31,			
	2024		2023	
Loans, net				
Beginning balance	\$	9,348	\$	9,786
Unrealized gains (losses), net		680		73
Transfer to (from) Level 3		(10,028)		—
Ending balance	\$	—	\$	9,859
Loans, held for sale				
Beginning balance		—		60,924
Sales / Principal payments		—		(11)
Unrealized gains (losses), net		—		(2,583)
Ending balance	\$	—	\$	58,330
Investment in unconsolidated joint ventures				
Beginning balance		7,360		8,094
Unrealized gains (losses), net		(191)		(181)
Ending balance	\$	7,169	\$	7,913
Contingent consideration				
Beginning balance		(7,628)		(28,500)
Sales / Principal payments		—		9,000
Realized gains (losses), net		7,628		—
Unrealized losses (gains), net		—		2,864
Ending balance	\$	—	\$	(16,636)
Preferred equity investment ⁽¹⁾				
Beginning balance		108,423		108,423
Unrealized gains (losses), net		(1,875)		—
Ending balance	\$	106,548	\$	108,423
Total				
Beginning balance		117,503		158,727
Sales / Principal payments		—		8,989
Realized gains (losses), net		7,628		—
Unrealized gains (losses), net		(1,386)		173
Transfer to (from) Level 3		(10,028)		—
Ending balance	\$	113,717	\$	167,889

(1) Preferred equity investment held through consolidated joint ventures are included in assets of consolidated VIEs on the consolidated balance sheets.

The Company's policy is to recognize transfers in and transfers out as of the end of the period of the event or the date of the change in circumstances that caused the transfer. Transfers between Level 2 and Level 3 generally relate to whether there were changes in the significant relevant observable and unobservable inputs that are available for the fair value measurements of such financial instruments.

Financial instruments not carried at fair value

The table below presents the carrying value and estimated fair value of financial instruments that are not carried at fair value and are classified as Level 3.

(in thousands)	March 31, 2024		December 31, 2023	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Assets:				
Loans, net	\$ 9,743,165	\$ 9,585,442	\$ 10,622,137	\$ 10,380,893
Loans, held for sale	508,946	508,946	—	—
Servicing rights	103,555	116,814	102,837	113,715
Total assets	\$ 10,355,666	\$ 10,211,202	\$ 10,724,974	\$ 10,494,608
Liabilities:				
Secured borrowings	2,198,272	2,198,272	2,102,075	2,102,075
Securitized debt obligations of consolidated VIEs, net	4,769,057	4,739,186	5,068,453	5,022,057
Senior secured note, net	345,570	319,102	345,127	317,239
Guaranteed loan financing	814,784	865,630	844,540	889,744
Corporate debt, net	766,084	739,437	764,908	731,104
Total liabilities	\$ 8,893,767	\$ 8,861,627	\$ 9,125,103	\$ 9,062,219

As of both March 31, 2024 and December 31, 2023, other assets and accounts payable and accrued liabilities are not carried at fair value but generally approximate fair value. Further details are presented in Note 18 – Other Assets and Other Liabilities.

Note 8. Servicing rights

The Company performs servicing activities for third parties, which primarily include collecting principal, interest and other payments from borrowers, remitting the corresponding payments to investors and monitoring delinquencies. The Company's servicing fees are specified by pooling and servicing agreements.

The table below presents information about servicing rights.

(in thousands)	Three Months Ended March 31,			
	2024		2023	
SBA servicing rights, at amortized cost				
Beginning net carrying amount	\$	29,536	\$	19,756
Additions due to loans sold, servicing retained		2,677		1,512
Amortization		(855)		(835)
Recovery (impairment)		(15)		1,607
Ending net carrying amount	\$	31,343	\$	22,040
Multi-family servicing rights, at amortized cost				
Beginning net carrying amount		73,301		67,361
Additions due to loans sold, servicing retained		1,738		3,081
Amortization		(2,827)		(2,531)
Ending net carrying amount	\$	72,212	\$	67,911
Total servicing rights, at amortized cost	\$	103,555	\$	89,951

The Company's SBA and multi-family servicing rights are carried at amortized cost and evaluated quarterly for impairment. The Company estimates the fair value of these servicing rights by using a combination of internal models and data provided by third-party valuation experts. The assumptions used in the Company's internal models include forward prepayment rates, forward default rates, discount rates, and servicing expenses.

The Company's models calculate the present value of expected future cash flows utilizing assumptions that it believes are used by market participants. Forward prepayment rates, forward default rates and discount rates are derived from historical experiences adjusted for prevailing market conditions. Components of the estimated future cash flows include servicing fees, late fees, other ancillary fees and cost of servicing.

The table below presents additional information about servicing rights.

(in thousands)	As of March 31, 2024				As of December 31, 2023			
	UPB		Carrying Value		UPB		Carrying Value	
SBA	\$	1,289,023	\$	31,343	\$	1,208,201	\$	29,536
Multi-family		5,763,756		72,212		5,689,872		73,301
Total	\$	7,052,779	\$	103,555	\$	6,898,073	\$	102,837

The table below presents significant assumptions used in the estimated valuation of servicing rights carried at amortized cost.

		March 31, 2024					December 31, 2023					
		Range of input values		Weighted Average			Range of input values		Weighted Average			
SBA servicing rights												
Forward prepayment rate	0.0	-	5.2	%	5.0	%	0.0	-	4.5	%	4.4	%
Forward default rate	0.0	-	7.2	%	6.9	%	0.0	-	7.3	%	7.0	%
Discount rate	12.5	-	22.5	%	12.8	%	14.4	-	22.9	%	14.6	%
Servicing expense	0.4	-	0.4	%	0.4	%	0.4	-	0.4	%	0.4	%
Multi-family servicing rights												
Forward prepayment rate	0.0	-	6.5	%	5.5	%	0.0	-	6.5	%	5.4	%
Forward default rate	0.0	-	0.9	%	0.6	%	0.0	-	0.9	%	0.6	%
Discount rate	6.0	-	6.0	%	6.0	%	6.0	-	6.0	%	6.0	%
Servicing expense	0.0	-	0.8	%	0.1	%	0.0	-	0.8	%	0.1	%

Assumptions can change between and at each reporting period as market conditions and projected interest rates change.

The table below presents the possible impact of 10% and 20% adverse changes to key assumptions on servicing rights.

(in thousands)	March 31, 2024	December 31, 2023
SBA servicing rights		
Forward prepayment rate		
Impact of 10% adverse change	\$ (690)	\$ (543)
Impact of 20% adverse change	\$ (1,355)	\$ (1,069)
Default rate		
Impact of 10% adverse change	\$ (184)	\$ (165)
Impact of 20% adverse change	\$ (366)	\$ (328)
Discount rate		
Impact of 10% adverse change	\$ (1,514)	\$ (1,530)
Impact of 20% adverse change	\$ (2,905)	\$ (2,922)
Servicing expense		
Impact of 10% adverse change	\$ (2,260)	\$ (2,047)
Impact of 20% adverse change	\$ (4,520)	\$ (4,095)
Multi-family servicing rights		
Forward prepayment rate		
Impact of 10% adverse change	\$ (481)	\$ (491)
Impact of 20% adverse change	\$ (947)	\$ (965)
Default rate		
Impact of 10% adverse change	\$ (14)	\$ (14)
Impact of 20% adverse change	\$ (28)	\$ (29)
Discount rate		
Impact of 10% adverse change	\$ (2,305)	\$ (2,320)
Impact of 20% adverse change	\$ (4,496)	\$ (4,524)
Servicing expense		
Impact of 10% adverse change	\$ (2,590)	\$ (2,587)
Impact of 20% adverse change	\$ (5,180)	\$ (5,173)

The table below presents estimated future amortization expense for servicing rights.

(in thousands)	March 31, 2024
2024	\$ 11,877
2025	14,078
2026	12,693
2027	11,347
2028	10,140
Thereafter	43,420
Total	\$ 103,555

Note 9. Discontinued operations and assets and liabilities held for sale

In the fourth quarter of 2023, the Board approved a plan to strategically shift the Company's core focus to LMM commercial real estate lending and government backed small business loans, which contemplates the disposition of assets and liabilities of the Company's residential mortgage banking activities. Accordingly, the Residential Mortgage Banking segment met the criteria to be classified as held for sale on the consolidated balance sheets, presented as discontinued operations on the consolidated statements of income, and excluded from continuing operations for all periods presented. The Company expects to consummate this transaction in the current year.

The table below presents the assets and liabilities of the Residential Mortgage Banking segment classified as held for sale.

(in thousands)	March 31, 2024	December 31, 2023
Assets		
Cash and cash equivalents	\$ 10,555	\$ 13,694
Restricted cash	4,970	6,314
Loans, net	2,970	2,778
Loans, held for sale	116,061	133,204
Loans eligible for repurchase from Ginnie Mae	86,004	86,872
Derivative instruments	107	847
Servicing rights ⁽¹⁾	191,228	188,855
Other assets	27,406	22,032
Total Assets	\$ 439,301	\$ 454,596
Liabilities		
Secured borrowings	219,166	230,965
Liabilities for loans eligible for repurchase from Ginnie Mae	86,004	86,872
Derivative instruments	—	1,321
Accounts payable and other accrued liabilities	10,805	13,999
Total Liabilities	\$ 315,975	\$ 333,157

(1) Servicing rights are Level 3 assets that had been measured at fair value using the income approach valuation technique. Refer to Note 7- Fair value measurements for further details.

The table below presents the operating results of the Residential Mortgage Banking segment presented as discontinued operations.

(in thousands)	Three Months Ended March 31,	
	2024	2023
Interest income	\$ 1,842	\$ 1,605
Interest expense	(2,530)	(1,526)
Net interest income (loss) before provision for loan losses	\$ (688)	\$ 79
Non-interest income		
Residential mortgage banking activities	9,242	9,169
Net unrealized gain (loss) on financial instruments	—	(6,093)
Servicing income, net of amortization and impairment	9,416	9,361
Other income	4	31
Total non-interest income	\$ 18,662	\$ 12,468
Non-interest expense		
Employee compensation and benefits	(5,684)	(5,412)
Variable expenses on residential mortgage banking activities	(6,086)	(5,485)
Professional fees	(153)	(174)
Loan servicing expense	(2,329)	(1,808)
Other operating expenses	(1,835)	(1,709)
Total non-interest expense	\$ (16,087)	\$ (14,588)
Income (loss) from discontinued operations before provision for income taxes	1,887	(2,041)
Income tax (provision) benefit	(472)	510
Net income (loss) from discontinued operations	\$ 1,415	\$ (1,531)

Note 10. Secured borrowings

The table below presents certain characteristics of secured borrowings.

Lenders ⁽¹⁾	Asset Class	Current Maturity ⁽²⁾	Pricing ⁽³⁾	Facility Size	Pledged Assets		Carrying Value at	
					Carrying Value		March 31, 2024	December 31, 2023
3	SBA loans	October 2024 - March 2025	SOFR + 2.82%	\$ 250,000	\$ 201,894	\$	152,988	\$ 117,115
1	LMM loans - USD	February 2025	SOFR + 1.35%	80,000	5,770		5,686	20,729
1	LMM loans - Non-USD ⁽⁴⁾	January 2025	EURIBOR + 3.00%	215,926	45,501		41,466	12,079
Total borrowings under credit facilities and other financing agreements					\$ 545,926	\$	200,140	\$ 149,923
9	LMM loans	July 2024 - November 2026	SOFR + 3.20%	4,295,500	2,688,517		1,764,584	1,677,885
1	LMM loans - Non-USD ⁽⁴⁾	Matured	EURIBOR + 3.00%	—	—		—	45,031
6	MBS	April 2024 - August 2024	6.95%	233,548	375,953		233,548	229,236
Total borrowings under repurchase agreements					\$ 4,529,048	\$	1,998,132	\$ 1,952,152
Total secured borrowings					\$ 5,074,974	\$	2,198,272	\$ 2,102,075

(1) Represents the total number of facility lenders.

(2) Current maturity does not reflect extension options available beyond original commitment terms.

(3) Asset class pricing is determined using an index rate plus a weighted average spread.

(4) Non-USD denominated credit facilities and repurchase agreements have been converted into USD for purposes of this disclosure.

In the table above, the agreements governing secured borrowings require maintenance of certain financial and debt covenants. As of both March 31, 2024 and December 31, 2023, certain financing counterparties covenants calculations were amended to exclude the PPPLF from certain covenant calculations. As of both March 31, 2024 and December 31, 2023 the Company was in compliance with all debt and financial covenants.

The table below presents the carrying value of collateral pledged with respect to secured borrowings outstanding.

(in thousands)	Pledged Assets Carrying Value	
	March 31, 2024	December 31, 2023
Collateral pledged - borrowings under credit facilities and other financing agreements		
Loans, held for sale	\$ 34,013	\$ 43,365
Loans, net	219,152	169,147
Total	\$ 253,165	\$ 212,512
Collateral pledged - borrowings under repurchase agreements		
Loans, net	2,103,618	2,560,725
MBS	20,972	20,770
Retained interest in assets of consolidated VIEs	354,981	356,772
Loans, held for sale	402,434	—
Loans, held at fair value	—	9,349
Real estate acquired in settlement of loans	182,465	160,455
Total	\$ 3,064,470	\$ 3,108,071
Total collateral pledged on secured borrowings	\$ 3,317,635	\$ 3,320,583

Note 11. Senior secured notes, and corporate debt, net

Senior secured notes, net

ReadyCap Holdings, LLC ("ReadyCap Holdings") 4.50% senior secured notes due 2026. On October 20, 2021, ReadyCap Holdings, an indirect subsidiary of the Company, completed the offer and sale of \$350.0 million of its 4.50% Senior Secured Notes due 2026 (the "Senior Secured Notes"). The Senior Secured Notes are fully and unconditionally guaranteed by the Company, each direct parent entity of ReadyCap Holdings, and other direct or indirect subsidiaries of the Company from time to time that is a direct parent entity of Sutherland Asset III, LLC or otherwise pledges collateral to secure the Senior Secured Notes (collectively, the "Guarantors").

ReadyCap Holdings' and the Guarantors' respective obligations under the Senior Secured Notes are secured by a perfected first-priority lien on certain capital stock and assets (collectively, the "SSN Collateral") owned by certain subsidiaries of the Company.

The Senior Secured Notes are redeemable by ReadyCap Holdings' following a non-call period, through the payment of the outstanding principal balance of the Senior Secured Notes plus a "make-whole" or other premium that decreases the closer the Senior Secured Notes are to maturity. ReadyCap Holdings is required to offer to repurchase the Senior Secured Notes at 101% of the principal balance of the Senior Secured Notes in the event of a change in control and a downgrade of the rating on the Senior Secured Notes in connection therewith, as set forth more fully in the note purchase agreement.

The Senior Secured Notes were issued pursuant to a note purchase agreement, which contains certain customary negative covenants and requirements relating to the collateral and our company, including maintenance of minimum liquidity, minimum tangible net worth, maximum debt to net worth ratio and limitations on transactions with affiliates.

As of March 31, 2024, the Company was in compliance with all covenants with respect to the Senior Secured Notes.

Corporate debt, net

The Company issues senior unsecured notes in public and private transactions. The notes are governed by a base indenture and supplemental indentures. Often, the notes are redeemable by us following a non-call period, through the payment of the outstanding principal balance plus a "make-whole" or other premium that typically decreases the closer the notes are to maturity. The Company often is required to offer to repurchase the notes, in some cases at 101% of the principal balance of the notes in the event of a change in control or fundamental change pertaining to our company, as defined in the applicable supplemental indentures. The notes rank equal in right of payment to any of its existing and future unsecured and unsubordinated indebtedness; effectively junior in right of payment to any of its existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness, other liabilities (including trade payables) and (to the extent not held by us) preferred stock, if any, of our subsidiaries. The supplemental indentures governing the notes often contain customary negative covenants and financial covenants relating to maintenance of minimum liquidity, minimum tangible net worth, maximum debt to net worth ratio and limitations on transactions with affiliates.

In addition, in connection with the Broadmark Merger, RCC Merger Sub, a wholly owned subsidiary of the Company, assumed Broadmark's obligations on certain senior unsecured notes. The note purchase agreement governing these notes contain financial covenants that require compliance with leverage and coverage ratios and maintenance of minimum tangible net worth, as well as other customary affirmative and negative covenants.

As of March 31, 2024, the Company was in compliance with all covenants with respect to Corporate debt.

The Debt ATM Agreement

On May 20, 2021, the Company entered into an At Market Issuance Sales Agreement (the "Sales Agreement") with B. Riley Securities, Inc. (the "Agent"), pursuant to which it may offer and sell, from time to time, up to \$100.0 million of the 6.20% 2026 Notes and the 5.75% 2026 Notes. Sales of the 6.20% 2026 Notes and the 5.75% 2026 Notes pursuant to the Sales Agreement, if any, may be made in transactions that are deemed to be "at the market offerings" as defined in Rule 415 under the Securities Act (the "Debt ATM Program"). The Agent is not required to sell any specific number of the notes, but the Agent will make all sales using commercially reasonable efforts consistent with its normal trading and sales practices on mutually agreed terms between the Agent and the Company. No such sales through the Debt ATM Program were made during the three months ended March 31, 2024 or March 31, 2023, respectively.

The table below presents information about senior secured notes and corporate debt.

<i>(in thousands)</i>	Coupon Rate	Maturity Date	March 31, 2024
Senior secured notes principal amount ⁽¹⁾	4.50 %	10/20/2026	\$ 350,000
Unamortized deferred financing costs - Senior secured notes			(4,430)
Total Senior secured notes, net			\$ 345,570
Corporate debt principal amount ⁽²⁾	5.50 %	12/30/2028	110,000
Corporate debt principal amount ⁽³⁾	6.20 %	7/30/2026	104,614
Corporate debt principal amount ⁽³⁾	5.75 %	2/15/2026	206,270
Corporate debt principal amount ⁽⁴⁾	6.125 %	4/30/2025	120,000
Corporate debt principal amount ⁽⁵⁾	7.375 %	7/31/2027	100,000
Corporate debt principal amount ⁽⁶⁾	5.00 %	11/15/2026	100,000
Unamortized discount - corporate debt			(6,432)
Unamortized deferred financing costs - corporate debt			(4,618)
Junior subordinated notes principal amount ⁽⁷⁾	SOFR + 3.10 %	3/30/2035	15,000
Junior subordinated notes principal amount ⁽⁸⁾	SOFR + 3.10 %	4/30/2035	21,250
Total corporate debt, net			\$ 766,084
Total carrying amount of debt			\$ 1,111,654

(1) Interest on the senior secured notes is payable semiannually on April 20 and October 20 of each year.
(2) Interest on the corporate debt is payable semiannually on June 30 and December 30 of each year.
(3) Interest on the corporate debt is payable quarterly on January 30, April 30, July 30, and October 30 of each year.
(4) Interest on the corporate debt is payable semiannually on April 30 and October 30 of each year.
(5) Interest on the corporate debt is payable semiannually on January 31 and July 31 of each year.
(6) Interest on the corporate debt is payable semiannually on May 15 and November 15 of each year; assumed as part of the Broadmark Merger.
(7) Interest on the Junior subordinated notes I-A is payable quarterly on March 30, June 30, September 30, and December 30 of each year.
(8) Interest on the Junior subordinated notes I-B is payable quarterly on January 30, April 30, July 30, and October 30 of each year.

The table below presents the contractual maturities for senior secured notes and corporate debt.

<i>(in thousands)</i>	March 31, 2024
2024	\$ —
2025	120,000
2026	760,884
2027	100,000
2028	110,000
Thereafter	36,250
Total contractual amounts	\$ 1,127,134
Unamortized deferred financing costs, discounts, and premiums, net	(15,480)
Total carrying amount of debt	\$ 1,111,654

Note 12. Guaranteed loan financing

Participations or other partial loan sales which do not meet the definition of a participating interest remain as an investment in the consolidated balance sheets and the portion sold is recorded as guaranteed loan financing in the liabilities section of the consolidated balance sheets. For these partial loan sales, the interest earned on the entire loan balance is recorded as interest income and the interest earned by the buyer in the partial loan sale is recorded within interest expense in the accompanying consolidated statements of income. Guaranteed loan financings are secured by loans of \$815.2 million and \$845.0 million as of March 31, 2024 and December 31, 2023, respectively.

The table below presents guaranteed loan financing and the related interest rates and maturity dates.

<i>(in thousands)</i>	Weighted Average Interest Rate	Range of Interest Rates	Range of Maturities (Years)	Ending Balance
March 31, 2024	9.17 %	1.45-10.50 %	2024-2048	\$ 814,784
December 31, 2023	9.17 %	1.45-10.50 %	2023-2048	\$ 844,540

The table below presents the contractual maturities of guaranteed loan financing.

<i>(in thousands)</i>	March 31, 2024
2024	\$ 238
2025	501
2026	2,250
2027	8,345
2028	9,124
Thereafter	794,326
Total	\$ 814,784

Note 13. Variable interest entities and securitization activities

In the normal course of business, the Company enters into certain types of transactions with entities that are considered to be VIEs. The Company's primary involvement with VIEs has been related to its securitization transactions in which it

transfers assets to securitization vehicles, most notably trusts. The Company primarily securitizes its acquired and originated loans, which provides a source of funding and has enabled it to transfer a certain portion of economic risk on loans or related debt securities to third parties. The Company also transfers originated loans to securitization trusts sponsored by third parties, most notably Freddie Mac. Third-party securitizations are securitization entities in which it maintains an economic interest but does not sponsor. The entity that has a controlling financial interest in a VIE is referred to as the primary beneficiary and is required to consolidate the VIE. The majority of the VIE activity in which the Company is involved in are consolidated within its financial statements. Refer to Note 3 – Summary of Significant Accounting Policies for a discussion of accounting policies applied to the consolidation of the VIE and transfer of the loans in connection with the securitization.

Consolidated VIEs

The Company consolidates variable interests held in an acquired joint venture investment for which it is the primary beneficiary. The equity held by the remaining owners and their portions of net income (loss) are reflected in stockholders' equity on the consolidated balance sheets as Non-controlling interests and in the consolidated statements of income as Net income attributable to noncontrolling interests, respectively. As of March 31, 2024 and December 31, 2023, income and expenses on joint venture investments identified as consolidated VIEs were not material.

The table below presents assets and liabilities of consolidated VIEs.

(in thousands)	March 31, 2024	December 31, 2023
Assets:		
Cash and cash equivalents	\$ 9	\$ 671
Restricted cash	44,607	93,240
Loans, net	6,342,684	6,611,325
Loans, held for sale	10,973	—
Preferred equity investment ⁽¹⁾	106,548	108,423
Other assets	87,013	83,486
Total assets	\$ 6,591,834	\$ 6,897,145
Liabilities:		
Securitized debt obligations of consolidated VIEs, net	4,769,057	5,068,453
Due to third parties	2,780	2,944
Accounts payable and other accrued liabilities	1	34
Total liabilities	\$ 4,771,838	\$ 5,071,431

(1) Preferred equity investment held through consolidated VIEs are included in Assets of consolidated VIEs on the consolidated balance sheets.

Securitization-related VIEs

Company sponsored securitizations. In a securitization transaction, assets are transferred to a trust, which generally meets the definition of a VIE. The Company's primary securitization activity is in the form of LMM and SBA loan securitizations, conducted through securitization trusts, which are typically consolidated, as the company is the primary beneficiary.

As a result of the consolidation, the securitization is viewed as a loan financing to enable the creation of the senior security and ultimately, sale to a third-party investor. As such, the senior security is presented in the consolidated balance sheets as securitized debt obligations of consolidated VIEs. The third-party beneficial interest holders in the VIE have no recourse against the Company, with the exception of an obligation to repurchase assets from the VIE in the event that certain representations and warranties in relation to the loans sold to the VIE are breached. In the absence of such a breach, the Company has no obligation to provide any other explicit or implicit support to any VIE.

The securitization trust receives principal and interest on the underlying loans and distributes those payments to the certificate holders. The assets and other instruments held by the securitization trust are restricted in that they can only be used to fulfill the obligations of the securitization trust. The risks associated with the Company's involvement with the VIE is limited to the risks and rights as a certificate holder of the securities retained by the Company.

The consolidation of securitization transactions includes the senior securities issued to third parties which are shown as securitized debt obligations of consolidated VIEs in the consolidated balance sheets.

The table below presents additional information on the Company's securitized debt obligations.

	March 31, 2024			December 31, 2023		
	Current Principal Balance	Carrying value	Weighted Average Interest Rate	Current Principal Balance	Carrying value	Weighted Average Interest Rate
<i>(in thousands)</i>						
ReadyCap Lending Small Business Trust 2019-2	\$ 27,846	\$ 27,846	8.0 %	\$ 32,175	\$ 32,175	7.6 %
ReadyCap Lending Small Business Trust 2023-3	118,157	116,059	8.6	121,527	119,308	8.5
Sutherland Commercial Mortgage Trust 2017-SBC6	931	928	5.0	1,550	1,532	5.0
Sutherland Commercial Mortgage Trust 2019-SBC8	101,410	99,936	2.9	105,281	103,733	2.9
Sutherland Commercial Mortgage Trust 2021-SBC10	74,951	73,784	1.6	81,214	79,952	1.6
ReadyCap Commercial Mortgage Trust 2015-2	1,830	1,724	5.1	1,902	1,753	5.1
ReadyCap Commercial Mortgage Trust 2016-3	9,038	8,765	5.3	9,038	8,723	5.2
ReadyCap Commercial Mortgage Trust 2018-4	52,568	50,942	4.6	53,052	51,309	4.5
ReadyCap Commercial Mortgage Trust 2019-5	86,938	82,218	4.9	88,520	83,529	4.7
ReadyCap Commercial Mortgage Trust 2019-6	198,331	194,675	3.4	199,379	195,496	3.4
ReadyCap Commercial Mortgage Trust 2022-7	195,150	188,593	4.2	195,866	188,995	4.2
Ready Capital Mortgage Financing 2021-FL5	223,027	223,027	7.3	273,681	273,623	6.6
Ready Capital Mortgage Financing 2021-FL6	304,519	304,045	6.8	417,782	416,467	6.4
Ready Capital Mortgage Financing 2021-FL7	586,037	584,645	7.1	586,117	583,771	6.7
Ready Capital Mortgage Financing 2022-FL8	791,220	788,790	7.5	808,671	805,220	7.0
Ready Capital Mortgage Financing 2022-FL9	501,751	497,559	8.5	511,622	505,917	8.1
Ready Capital Mortgage Financing 2022-FL10	640,903	634,495	8.2	654,116	646,141	7.8
Ready Capital Mortgage Financing 2023-FL11	456,990	453,033	8.2	473,481	468,307	8.2
Ready Capital Mortgage Financing 2023-FL12	441,496	436,688	8.1	507,646	500,882	8.0
Total	\$ 4,813,093	\$ 4,767,752	7.2 %	\$ 5,122,620	\$ 5,066,833	6.9 %

The table above excludes non-company sponsored securitized debt obligations of \$1.3 million and \$1.6 million that are included in the consolidated balance sheets as of March 31, 2024 and December 31, 2023, respectively.

Repayment of securitized debt will be dependent upon the cash flows generated by the loans in the securitization trust that collateralize such debt. The actual cash flows from the securitized loans are comprised of coupon interest, scheduled principal payments, prepayments and liquidations of the underlying loans. The actual term of the securitized debt may differ significantly from the Company's estimate given that actual interest collections, mortgage prepayments and/or losses on liquidation of mortgages may differ significantly from those expected.

Third-party sponsored securitizations. For most third-party sponsored securitizations, the Company determined that it is not the primary beneficiary because it does not have the power to direct the activities that most significantly impact the economic performance of these entities. Specifically, the Company does not manage these entities or otherwise solely hold decision making powers that are significant, which include special servicing decisions. As a result of this assessment, the Company does not consolidate any of the underlying assets and liabilities of these trusts and only accounts for its specific interests in them.

Unconsolidated VIEs

The Company does not consolidate variable interests held in an acquired joint venture investment accounted for as an equity method investment as it does not have the power to direct the activities that most significantly impact their economic performance and therefore, the Company only accounts for its specific interest in them.

The table below reflects variable interests in identified VIEs for which the Company is not the primary beneficiary.

	Carrying Amount		Maximum Exposure to Loss ⁽¹⁾	
	March 31, 2024	December 31, 2023	March 31, 2024	December 31, 2023
<i>(in thousands)</i>				
MBS ⁽²⁾	\$ 26,716	\$ 26,301	\$ 26,716	\$ 26,301
Investment in unconsolidated joint ventures	132,730	133,321	132,730	133,321
Total assets in unconsolidated VIEs	\$ 159,446	\$ 159,622	\$ 159,446	\$ 159,622

(1) Maximum exposure to loss is limited to the greater of the fair value or carrying value of the assets as of the consolidated balance sheet date.

(2) Retained interest in other third party sponsored securitizations.

Note 14. Interest income and interest expense

Interest income and expense are recorded in the consolidated statements of income and classified based on the nature of the underlying asset or liability. The table below presents the components of interest income and expense.

(in thousands)	Three Months Ended March 31,	
	2024	2023
Interest income		
Loans, net		
Bridge	\$ 148,273	\$ 160,431
Fixed rate	12,266	13,028
Construction	30,168	12,166
SBA - 7(a)	31,290	14,921
PPP ⁽¹⁾	301	3,007
Other	7,785	8,375
Total loans, net ⁽²⁾	\$ 230,083	\$ 211,928
Loans, held for sale, at fair value		
Fixed rate	—	735
Other	218	7
Total loans, held for sale, at fair value ⁽²⁾	\$ 218	\$ 742
Investments held to maturity ⁽¹⁾	13	8
Preferred equity investment ⁽²⁾	1,084	2,168
MBS	956	1,122
Total interest income	\$ 232,354	\$ 215,968
Interest expense		
Secured borrowings	(47,638)	(45,220)
PPPLF borrowings ⁽³⁾	(28)	(164)
Securitized debt obligations of consolidated VIEs	(100,252)	(90,601)
Guaranteed loan financing	(18,508)	(4,872)
Senior secured note	(4,381)	(4,381)
Convertible note	—	(2,188)
Corporate debt	(12,998)	(11,442)
Total interest expense	\$ (183,805)	\$ (158,868)
Net interest income before provision for loan losses	\$ 48,549	\$ 57,100

(1) Included in Other assets on the consolidated balance sheets.

(2) Includes interest income on assets in consolidated VIEs.

(3) Included in Other liabilities on the consolidated balance sheets.

Note 15. Derivative instruments

The Company is exposed to changing interest rates and market conditions, which affect cash flows associated with borrowings. The Company uses derivative instruments to manage interest rate risk and conditions in the commercial mortgage market and, as such, views them as economic hedges. Interest rate swaps are used to mitigate the exposure to changes in interest rates and involve the receipt of variable-rate interest amounts from a counterparty in exchange for making payments based on a fixed interest rate over the life of the swap contract.

For derivative instruments where the Company has not elected hedge accounting, fair value adjustments are recorded in earnings. The fair value adjustments for interest rate swaps, along with the related interest income, interest expense and gains (losses) on termination of such instruments, are reported as a net realized gain on financial instruments in the consolidated statements of income.

As described in Note 3, for qualifying cash flow hedges, the change in the fair value of derivatives is recorded in OCI and not recognized in the consolidated statements of income. Derivative movements impacting earnings are recognized on a consistent basis with the classification of the hedged item, primarily interest expense. The ineffective portions of the cash flow hedges are immediately recognized in earnings.

The table below presents average notional derivative amounts, as this is the most relevant measure of volume, and derivative assets and liabilities by type.

		March 31, 2024			December 31, 2023		
(in thousands)	Primary Underlying Risk	Notional Amount	Derivative Asset	Derivative Liability	Notional Amount	Derivative Asset	Derivative Liability
Interest Rate Swaps - not designated as hedges ⁽¹⁾	Interest rate risk	\$ 40,500	\$ 10,882	\$ —	\$ 183,081	\$ 12,349	\$ —
Interest Rate Swaps - designated as hedges ⁽¹⁾	Interest rate risk	564,620	43,917	—	416,139	24,463	—
FX forwards	Foreign exchange rate risk	65,350	1,011	(593)	39,447	—	(212)
Total		\$ 670,470	\$ 55,810	\$ (593)	\$ 638,667	\$ 36,812	\$ (212)

(1) Refer to Note 22 - Offsetting Assets and Liabilities for further details.

The table below presents gains and losses on derivatives.

(in thousands)	Net Realized Gain (Loss)	Net Unrealized Gain (Loss)
Three Months Ended March 31, 2024		
Interest rate swaps	\$ 4,392	\$ 6,886
Total	\$ 4,392	\$ 6,886
Three Months Ended March 31, 2023		
Interest rate swaps	\$ 3,686	\$ (8,459)
FX forwards	—	(462)
Total	\$ 3,686	\$ (8,921)

In the table above:

- Gains (losses) on interest rate swaps and FX forwards are recorded in net unrealized gain (loss) on financial instruments or net realized gain (loss) on financial instruments in the consolidated statements of income.
- For qualifying hedges of interest rate risk on interest rate swaps, the effective portion relating to the unrealized gain (loss) on derivatives are recorded in AOCI.

The table below summarizes the gains and losses on derivatives which have qualified for hedge accounting.

(in thousands)	Derivatives - effective portion reclassified from AOCI to income	Hedge ineffectiveness recorded directly in income	Total income statement impact	Derivatives - effective portion recorded in OCI	Total change in OCI for period
Interest rate swaps					
Three Months Ended March 31, 2024	\$ (283)	\$ —	\$ (283)	\$ 5,962	\$ 6,245
Three Months Ended March 31, 2023	\$ (298)	\$ —	\$ (298)	\$ (4,103)	\$ (3,805)

In the table above:

- Forecasted transactions on interest rates consists of benchmark interest rate hedges of SOFR and LIBOR-indexed floating-rate liabilities.
- Hedge ineffectiveness is the amount by which the cumulative gain or loss on the designated derivative instrument exceeds the present value of the cumulative expected change in cash flows on the hedged item attributable to the hedged risk.
- Amounts recorded in OCI for the period represents after tax amounts.

Note 16. Real estate owned, held for sale

The table below presents details on the real estate owned, held for sale portfolio.

<i>(in thousands)</i>	March 31, 2024		December 31, 2023	
Acquired Portfolio:				
Mixed Use	\$	8,535	\$	8,535
Multi-family		72,664		73,745
Lodging		5,342		14,010
Residential		23,064		23,064
Office		6,883		6,901
Land		82,507		86,375
Total Acquired REO ⁽¹⁾	\$	198,995	\$	212,630
Other REO held for sale:				
Office		6,601		5,983
Services		—		1,126
Mixed Use		4,247		4,247
Multi-family		28,139		28,139
Other		1,892		824
Total Other REO	\$	40,879	\$	40,319
Total real estate owned, held for sale	\$	239,874	\$	252,949

(1) Refer to Note 5 for further details on assets acquired and liabilities assumed in connection with the Broadmark Merger.

In the table above, Other REO excludes \$3.1 million and \$1.9 million as of March 31, 2024 and December 31, 2023, respectively, of real estate owned, held for sale within consolidated VIEs.

Subsequent to the determination of the preliminary purchase price allocation, based on updated valuations obtained, the Company recorded a measurement period adjustment of \$5.4 million to decrease the value of real estate owned, held for sale in connection with the Broadmark Merger. Refer to Note 5 for further details on assets acquired and liabilities assumed in connection with the Broadmark Merger.

Note 17. Agreements and transactions with related parties
Management Agreement

The Company has entered into a management agreement with its Manager (the "Management Agreement"), which describes the services to be provided to the Company by its Manager and compensation for such services. The Company's Manager is responsible for managing the Company's day-to-day operations, subject to the direction and oversight of the Board.

Management fee. Pursuant to the terms of the Management Agreement, the Manager is paid a management fee calculated and payable quarterly in arrears equal to 1.5% per annum of the Company's stockholders' equity (as defined in the Management Agreement) up to \$ 500 million and 1.00% per annum of stockholders' equity in excess of \$ 500 million.

The table below presents the management fee payable to the Manager.

	Three Months Ended March 31,			
	2024		2023	
Management fee - total	\$	6.6 million	\$	5.1 million
Management fee - amount unpaid	\$	6.6 million	\$	5.1 million

Incentive distribution. The Manager is entitled to an incentive distribution in an amount equal to the product of (i) 15% and (ii) the excess of (a) core earnings as defined in the partnership agreement (IFCE)) on a rolling four-quarter basis over (b) an amount equal to 8.00% per annum multiplied by the weighted average of the issue price per share of the common stock or OP units multiplied by the weighted average number of shares of common stock outstanding, provided that IFCE over the prior twelve calendar quarters is greater than zero. For purposes of determining the incentive distribution payable to the Manager, incentive fee core earnings ("IFCE") is defined under the partnership agreement of the operating partnership as GAAP net income (loss) of the Operating Partnership excluding non-cash equity compensation expense, the expenses incurred in connection with the Operating Partnership's formation or continuation, the incentive distribution, real estate depreciation and amortization (to the extent that the Company forecloses on any properties underlying its assets) and any unrealized gains, losses, or other non-cash items recorded in the period, regardless of whether such items are included in other comprehensive income or loss, or in net income. The amount will be adjusted to exclude one-time events pursuant to changes in GAAP and certain other non-cash charges after discussions between the Manager and the Company's independent directors and after approval by a majority of the independent directors.

The table below presents the Incentive fee payable to the Manager.

	Three Months Ended March 31,			
	2024		2023	
Incentive fee distribution - total	\$	—	\$	1.7 million
Incentive fee distribution - amount unpaid	\$	—	\$	1.7 million

The Management Agreement may be terminated upon the affirmative vote of at least two-thirds of the Company's independent directors or the holders of a majority of the outstanding common stock (excluding shares held by employees and affiliates of the Manager), based upon (1) unsatisfactory performance by the Manager that is materially detrimental to the Company or (2) a determination that the management fee payable to the Manager is not fair, subject to the Manager's right to prevent such a termination based on unfair fees by accepting a mutually acceptable reduction of management fees agreed to by at least two-thirds of the Company's independent directors. The Manager must be provided with written notice of any such termination at least 180 days prior to the expiration of the then existing term. Additionally, upon such a termination by the Company without cause (or upon termination by the Manager due to the Company's material breach), the management agreement provides that the Company will pay the Manager a termination fee equal to three times the average annual base management fee earned by the Manager during the prior 24 month period immediately preceding the date of termination, calculated as of the end of the most recently completed fiscal quarter prior to the date of termination, except upon an internalization. Additionally, if the management agreement is terminated under circumstances in which the Company is obligated to make a termination payment to the Manager, the operating partnership shall repurchase, concurrently with such termination, the Class A special unit for an amount equal to three times the average annual amount of the incentive distribution paid or payable in respect of the Class A special unit during the 24 month period immediately preceding such termination, calculated as of the end of the most recently completed fiscal quarter before the date of termination.

The current term of the Management Agreement will expire on October 31, 2024 and is automatically renewed for successive one-year terms on each anniversary thereafter; provided, however, that either the Company, under the certain limited circumstances described above that would require the Company and the operating partnership to make the payments described above, or the Manager may terminate the Management Agreement annually upon 180 days prior notice.

Expense reimbursement. In addition to the management fees and incentive distribution described above, the Company is also responsible for reimbursing the Manager for certain expenses paid by the Manager on behalf of the Company and for certain services provided by the Manager to the Company. Expenses incurred by the Manager and reimbursed by the Company are typically included in salaries and benefits or general and administrative expense in the consolidated statements of income.

The table below presents reimbursable expenses payable to the Manager.

	Three Months Ended March 31,			
	2024		2023	
Reimbursable expenses payable to Manager - total	\$	2.8 million	\$	2.9 million
Reimbursable expenses payable to Manager - amount unpaid	\$	1.2 million	\$	1.8 million

Co-Investment with Manager

On July 15, 2022, the Company closed on a \$125.0 million commitment to invest into a parallel vehicle, Waterfall Atlas Anchor Feeder, LLC (the "Fund"), a fund managed by the Manager, in exchange for interests in the Fund. In exchange for the Company's commitment, the Company is entitled to 15% of any carried interest distributions received by the general partner of the Fund such that over the life of the Fund, the Company receives an internal rate of return of 1.5% over the internal rate of return of the Fund. The Fund focuses on commercial real estate equity through the acquisition of distressed and value-add real estate across property types with local operating partners. As of March 31, 2024, the Company has contributed \$61.2 million of cash into the Fund for a remaining commitment of \$63.8 million.

Note 18. Other assets and other liabilities

The table below presents the composition of other assets and other liabilities.

(in thousands)	March 31, 2024	December 31, 2023
Other assets:		
Goodwill	\$ 38,530	\$ 38,530
Deferred loan exit fees	31,530	32,271
Accrued interest	64,439	64,504
Due from servicers	20,348	20,780
Intangible assets	18,072	17,749
Receivable from third party	34,187	36,519
Deferred financing costs	11,910	9,544
Deferred tax asset	21,085	—
Right-of-use lease asset	4,297	2,539
PPP receivables	27,364	34,597
Investments held to maturity	3,446	3,446
Purchased future receivables, net	3,717	9,483
Other	36,847	30,213
Other assets	\$ 315,772	\$ 300,175
Accounts payable and other accrued liabilities:		
Accrued salaries, wages and commissions	14,885	33,961
Accrued interest payable	43,601	35,373
Servicing principal and interest payable	7,932	6,249
Deferred tax liability	32,977	32,977
Repair and denial reserve	8,041	6,974
Payable to related parties	6,650	7,038
PPP liabilities	28,494	36,182
Accrued professional fees	4,769	5,354
Lease payable	9,795	8,205
Other	36,752	35,168
Total accounts payable and other accrued liabilities	\$ 193,896	\$ 207,481

In the table above, investments held to maturity was \$ 3.4 million as of both March 31, 2024 and December 31, 2023. As of both March 31, 2024 and December 31, 2023 substantially all of the investments held to maturity consisted of multi-family preferred equities with maturities of one through five years and a weighted average interest rate of 10.0%. The provision for credit losses on held to maturity securities was not material for the three months ended March 31, 2024 or March 31, 2023.

Goodwill

The table below presents the carrying value of goodwill by reportable segment.

(in thousands)	March 31, 2024	December 31, 2023
LMM Commercial Real Estate	\$ 27,324	\$ 27,324
Small Business Lending	11,206	11,206
Total	\$ 38,530	\$ 38,530

Intangible assets

The table below presents information on intangible assets.

(in thousands)	March 31, 2024	December 31, 2023	Estimated Useful Life
Internally developed software to be sold, leased, or marketed	\$ 7,469	\$ 6,795	5 years
Customer Relationships - Red Stone	5,846	5,935	19 years
Trade name - Red Stone	2,500	2,500	Indefinite life
Internally developed software - Knight Capital	1,003	1,161	6 years
SBA license	1,000	1,000	Indefinite life
Trade name - Knight Capital	232	269	6 years
Broker network - Knight Capital	22	89	4.5 years
Total intangible assets	\$ 18,072	\$ 17,749	

The amortization expense related to intangible assets was \$ 0.4 million and \$0.6 million for the three months ended March 31, 2024 and March 31, 2023, respectively. Such amounts are recorded as other operating expenses in the consolidated statements of income.

The table below presents accumulated amortization for finite-lived intangible assets.

(in thousands)		March 31, 2024
Internally developed software - Knight Capital	\$	2,797
Internally developed software to be sold, leased, or marketed		1,695
Broker network - Knight Capital		1,178
Customer Relationship - Red Stone		954
Trade name - Knight Capital		648
Total accumulated amortization	\$	7,272

The table below presents amortization expense related to finite-lived intangible assets for the subsequent five years.

(in thousands)		March 31, 2024
2024	\$	2,249
2025		2,843
2026		2,191
2027		2,071
2028		1,054
Thereafter		4,164
Total	\$	14,572

Note 19. Other income and operating expenses

The table below presents the composition of other income and operating expenses.

(in thousands)		Three Months Ended March 31,	
		2024	2023
Other income:			
Origination income	\$	2,657	\$ 4,612
Change in repair and denial reserve		(1,207)	(199)
Employee retention credit consulting income		2,491	9,675
Other		11,439	5,764
Total other income	\$	15,380	\$ 19,852
Other operating expenses:			
Origination costs		1,814	1,655
Technology expense		2,593	1,512
Impairment on real estate		16,972	3,418
Rent and property tax expense		2,318	1,068
Recruiting, training and travel expense		707	631
Marketing expense		399	312
Bad debt expense - ERC		1,813	—
Other		3,571	4,013
Total other operating expenses	\$	30,187	\$ 12,609

Note 20. Redeemable Preferred Stock and Stockholders' Equity

Common stock dividends

The table below presents dividends declared by the Board on common stock during the last twelve months.

Declaration Date	Record Date	Payment Date	Dividend per Share	
March 15, 2023	March 31, 2023	April 28, 2023	\$	0.40
May 15, 2023	May 30, 2023	June 15, 2023	\$	0.26
May 15, 2023	June 30, 2023	July 31, 2023	\$	0.14
September 15, 2023	September 29, 2023	October 31, 2023	\$	0.36
December 14, 2023	December 29, 2023	January 31, 2024	\$	0.30
March 15, 2024	March 28, 2024	April 30, 2024	\$	0.30

Stock incentive plans

The Company currently maintains the 2013 Equity Incentive Plan and the 2023 Equity Incentive Plan which authorize the Compensation Committee of the Board to approve grants of equity-based awards to the Company's officers and directors, and employees of the Manager and its affiliates. The 2013 Equity Incentive Plan provided for grants of equity-based awards up to an aggregate of 5% of the shares of the Company's common stock issued and outstanding from time to time on a fully diluted basis. On August 22, 2023, the Company's stockholders approved the 2023 Equity Incentive Plan which replaces the 2013 Equity Incentive Plan and provides for grants of equity-based awards up to 5.5 million shares of the Company's common stock. As of August 22, 2023, no further awards will be granted under the 2013 Equity Incentive Plan, and the 2013 Equity Incentive Plan remains in effect only for so long as awards granted thereunder remain outstanding. The Company currently settles stock-based incentive awards with newly issued shares. The fair value of the RSUs and RSAs granted, which is determined based upon the stock price on the grant date, is recorded as compensation expense on a straight-line basis over the vesting periods for the awards, with an offsetting increase in stockholders' equity.

In 2024, 2023, and 2022, the Company granted 612,262, 413,852, and 327,692, respectively, of time-based RSAs under the 2013 Equity Incentive Plan and the 2023 Equity Incentive Plan to certain key employees. These awards generally vest ratably in equal annual installments over a three-year period based solely on continued employment or service. The Company further granted in these years 126,930, 75,639, and 45,162, respectively, of time-based RSAs and RSUs to directors of the Company, which vest ratably in equal installments quarterly over a one-year period. Directors may elect to receive RSAs or RSUs that have a deferred settlement date of their choosing. Dividends are paid on all above-mentioned time-based awards, vested and non-vested.

Additionally, as part of the Broadmark Merger, the Company assumed the Broadmark RSU Awards outstanding immediately prior to the Effective Time and converted them into 736,666 Company RSUs after applying the Exchange Ratio. The Broadmark RSU Awards have the same terms and conditions as were applicable to them immediately prior to the Effective Time and, accordingly, are not dividend eligible.

The table below summarizes RSU and RSA activity.

(in thousands, except share data)	Restricted Stock Units/Awards		
	Number of Shares	Grant date fair value	Weighted-average grant date fair value (per share)
Outstanding, December 31, 2023	747,808	\$ 9,888	\$ 13.22
Granted	768,407	6,993	9.10
Vested	(325,918)	(4,110)	12.61
Forfeited	(58,937)	(609)	10.33
Outstanding, March 31, 2024	1,131,360	\$ 12,162	\$ 10.75

During each of the three months ended March 31, 2024 and 2023, the Company recognized \$ 1.9 million of non-cash compensation expense related to its stock-based incentive plan in the consolidated statements of income. As of March 31, 2024 and December 31, 2023, approximately \$12.2 million and \$9.9 million, respectively, of non-cash compensation expense related to unvested awards had not yet been charged to net income. These costs are expected to be amortized into compensation expense ratably over the course of the remaining vesting periods.

Performance-based equity awards under the 2023 Equity Incentive Plan

2024 performance-based RSUs. In February 2024, the Company granted, to certain key employees, 132,450 performance-based RSUs. Subject to the pre-established metrics achieved during the performance period, the actual number of shares that the key employees receive at the end of the performance period remains at risk and subject to forfeiture. The fair value of the performance-based RSUs is recorded as compensation expense over the performance period and will cliff vest at the end of the performance period, with an offsetting increase in stockholders' equity.

Performance-based equity awards under the 2013 Equity Incentive Plan

2023 performance-based RSUs. In June 2023, the Company granted, to certain key employees, 222,552 performance-based RSUs which may be earned based on the achievement of performance goals by the end of 2024 in relation to the Broadmark Merger. The awards are allocated 30% to awards that may be earned based on cost savings in 2024 as a percentage of the pre-merger Broadmark expense run rate, 15% to awards that may be earned based on the volume of Broadmark product originated from the time of the merger through the end of 2024, 30% to awards that may be earned based on the generation of incremental liquidity from asset level financing, portfolio run-off, sales or corporate re-levering through the end of 2024, and 25% to awards that may be earned based on distributable return on equity ("ROE") for 2024. Subject to the level of achievement of these goals during the performance period, the actual number of shares that the key employees receive may range from 0% to 200% of the target award. The fair value of the performance-based RSUs granted

is recorded as compensation expense over the performance period and will vest 2/3rds on December 31, 2024, and 1/3rd on December 31, 2025, with an offsetting increase in stockholders' equity. Any awards earned on December 31, 2024 based on achievement of the applicable performance metrics but vesting on December 31, 2025 will convert into RSAs that are eligible to vest on December 31, 2025 based on the key employee's continued employment or service through that date.

In February 2023, the Company granted, to certain key employees, 92,451 performance-based RSUs which are allocated 50% to awards that may be earned based on achievement of performance goals related to distributable ROE for the three-year forward-looking period ending December 31, 2025 and 50% to awards that may be earned based on achievement of performance goals related to relative TSR for such three-year forward-looking performance period relative to the performance of a designated peer group. Subject to the distributable ROE metric and relative TSR achieved during the performance period, the actual number of shares that the key employees receive at the end of the performance period may range from 0% to 200% of the target award. The fair value of the performance-based RSUs is recorded as compensation expense over the performance period and will cliff vest at the end of the three-year performance period, with an offsetting increase in stockholders' equity.

2022 performance-based RSUs. In February 2022, the Company granted, to certain key employees, 84,566 performance-based RSUs which are allocated 50% to awards that may be earned based on achievement of performance goals related to distributable ROE for the three-year forward-looking period ending December 31, 2024 and 50% to awards that may be earned based on achievement of performance goals related to relative TSR for such three-year forward-looking performance period relative to the performance of a designated peer group. Subject to the distributable ROE metric and relative TSR achieved during the vesting period, the actual number of shares that the key employees receive at the end of the performance period may range from 0% to 200% of the target award. The fair value of the performance-based RSUs is recorded as compensation expense over the performance period and will cliff vest at the end of a three-year performance period, with an offsetting increase in stockholders' equity.

2021 performance-based RSUs. In February 2021, the Company granted, to certain key employees, 43,327 performance-based RSUs which are allocated 50% to awards that may be earned based on achievement of performance goals related to absolute TSR for the three-year forward-looking period ending December 31, 2023 and 50% to awards that may be earned based on achievement of performance goals related to TSR for such three-year forward-looking performance period relative to the performance of a designated peer group. Subject to the absolute and relative TSR achieved during the performance period, the actual number of shares that the key employees receive at the end of the performance period may range from 0% to 300% of the target award. Following the conclusion of the performance period on December 31, 2023, the Board determined that the relative TSR target goal was achieved and the absolute TSR goal was not achieved. As such, on January 9, 2024 the Board approved the settlement of 29,215 performance-based RSUs. The fair value of the performance-based RSUs granted was recorded as compensation expense over the performance period with an offsetting increase in stockholders' equity.

Preferred Stock

In the event of a liquidation or dissolution of the Company, any outstanding preferred stock ranks senior to the outstanding common stock with respect to payment of dividends and the distribution of assets.

The Company classifies Series C Cumulative Convertible Preferred Stock, or Series C Preferred Stock, on the balance sheets using the guidance in ASC 480-10-S99. The Series C Preferred Stock contains certain fundamental change provisions that allow the holder to redeem the preferred stock for cash only if certain events occur, such as a change in control. As of March 31, 2024, the conversion rate was 1.4686 shares of common stock per \$25 principal amount of the Series C Preferred Stock, which is equivalent to a conversion price of approximately \$17.02 per share of common stock. As redemption under these circumstances is not solely within the Company's control, the Series C Preferred Stock has been classified as temporary equity. The Company has analyzed whether the conversion features should be bifurcated under the guidance in ASC 815 and has determined that bifurcation is not necessary.

The table below presents details on preferred equity by series.

Series	Shares Issued and Outstanding (in thousands)	Par Value	Preferential Cash Dividends			Carrying Value (in thousands)	
			Liquidation Preference	Rate per Annum	Annual Dividend (per share)	March 31, 2024	
C	335	0.0001	\$ 25.00	6.25%	\$ 1.56	\$	8,361
E	4,600	0.0001	\$ 25.00	6.50%	\$ 1.63	\$	111,378

In the table above,

- Shareholders are entitled to receive dividends, when and as authorized by the Board, out of funds legally available for the payment of dividends. Dividends for Series C Preferred Stock are payable quarterly on the 15th day of January, April, July and October of each year or if not a business day, the next succeeding business day. Dividends for Series E preferred stock are payable quarterly on or about the last day of each January, April, July and October of each year. Any dividend payable on the preferred stock for any partial dividend period will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends will be payable in arrears to holders of record as they appear on the Company's records at the close of business on the last day of each of March, June, September and December, as the case may be, immediately preceding the applicable dividend payment date.
- The Company declared dividends of \$0.1 million and \$1.9 million on its Series C Preferred Stock and Series E Preferred Stock, respectively, during the three months ended March 31, 2024. The dividends were paid on April 15, 2024 for Series C Preferred Stock and on April 30, 2024 for Series E Preferred Stock to the holders of record as of the close of business on March 28, 2024.
- The Company may, at its option, redeem the Series E Preferred Stock, in whole or in part, at any time and from time to time, for cash at a redemption price equal to 100% of the liquidation preference of \$25.00 per share, plus accrued and unpaid dividends, if any, to the redemption date. Series E Preferred Stock is not redeemable prior to June 10, 2026, except under certain conditions.

Public and Private Warrants

As part of the Broadmark Merger, the Company assumed public and private placement warrants that represented the right to purchase shares of Broadmark Common Stock. As of March 31, 2024, there were 41.7 million public warrants outstanding, each representing the right to purchase 0.1180825 shares of our common stock, and 5.2 million private placement warrants outstanding, each representing the right to purchase 0.47233 shares of common stock. In the aggregate, the Company has outstanding warrants to purchase approximately 7.4 million shares of common stock at a price of \$24.34 per whole share. Settlement of outstanding warrants will be in shares of common stock, unless the Company elects (solely in the Company's discretion) to settle warrants the Company has called for redemption in cash, and subject to customary adjustment in the event of business combinations and certain tender offers. Unless earlier redeemed, the public warrants will expire on November 19, 2024.

The liability for the private placement warrants was less than \$ 0.1 million as of March 31, 2024 and is included in accounts payable and other accrued liabilities in the consolidated balance sheets.

Equity ATM Program

On July 9, 2021, the Company entered into an Equity Distribution Agreement, as amended on March 8, 2022 (the "Equity Distribution Agreement"), with JMP Securities LLC (the "Sales Agent"), pursuant to which the Company may sell, from time to time, shares of the Company's common stock, par value \$0.0001 per share, having an aggregate offering price of up to \$150 million, through the Sales Agent either as agent or principal (the "Equity ATM Program"). The Company made no such sales through the Equity ATM Program during the three months ended March 31, 2024 or March 31, 2023. As of March 31, 2024, shares representing approximately \$78.4 million remain available for sale under the Equity ATM Program.

Note 21. Earnings per Share of Common Stock

The table below provides information on the basic and diluted EPS computations, including the number of shares of common stock used for purposes of these computations.

(in thousands, except for share and per share amounts)	Three Months Ended March 31,			
	2024		2023	
Basic Earnings				
Net income (loss) from continuing operations	\$	(75,582)	\$	38,509
Less: Income attributable to non-controlling interest		117		1,835
Less: Income attributable to participating shares		2,335		2,371
Basic earnings - continuing operations	\$	(78,034)	\$	34,303
Basic earnings - discontinued operations	\$	1,415	\$	(1,531)
Diluted Earnings				
Net income (loss) from continuing operations		(75,582)		38,509
Less: Income attributable to non-controlling interest		117		1,835
Less: Income attributable to participating shares		2,335		2,371
Add: Expenses attributable to dilutive instruments		131		2,319
Diluted earnings - continuing operations	\$	(77,903)	\$	36,622
Diluted earnings - discontinued operations	\$	1,415	\$	(1,531)
Number of Shares				
Basic — Average shares outstanding		172,032,866		110,672,939
Effect of dilutive securities — Unvested participating shares		1,071,549		10,352,970
Diluted — Average shares outstanding		173,104,415		121,025,909
EPS Attributable to RC Common Stockholders:				
Basic - continuing operations	\$	(0.45)	\$	0.31
Basic - discontinued operations	\$	0.01	\$	(0.01)
Basic - total	\$	(0.44)	\$	0.30
Diluted - continuing operations	\$	(0.45)	\$	0.30
Diluted - discontinued operations	\$	0.01	\$	(0.01)
Diluted - total	\$	(0.44)	\$	0.29

In the table above, participating unvested RSUs were excluded from the computation of diluted shares as their effect was already considered under the more dilutive two-class method used above.

Certain investors own OP units in the operating partnership. An OP unit and a share of common stock of the Company have substantially the same economic characteristics in as much as they effectively share equally in the net income or loss of the operating partnership. OP unit holders have the right to redeem their OP units, subject to certain restrictions. The redemption is required to be satisfied in shares of common stock or cash at the Company's option, calculated as follows: one share of the Company's common stock, or cash equal to the fair value of a share of the Company's common stock at the time of redemption, for each OP unit. When an OP unit holder redeems an OP unit, non-controlling interests in the operating partnership is reduced and the Company's equity is increased. As of March 31, 2024 and December 31, 2023, the non-controlling interest OP unit holders owned 1,240,582 and 1,330,582 OP units, respectively.

Note 22. Offsetting assets and liabilities

In order to better define its contractual rights and to secure rights that will help the Company mitigate its counterparty risk, the Company may enter into an International Swaps and Derivatives Association ("ISDA") Master Agreement with multiple derivative counterparties. An ISDA Master Agreement, published by ISDA, is a bilateral trading agreement between two parties that allow both parties to enter into over-the-counter ("OTC"), derivative contracts. The ISDA Master Agreement contains a Schedule to the Master Agreement and a Credit Support Annex, which governs the maintenance, reporting, collateral management and default process (netting provisions in the event of a default and/or a termination event). Under an ISDA Master Agreement, the Company may, under certain circumstances, offset with the counterparty certain derivative financial instruments' payables and/or receivables with collateral held and/or posted and create one single net payment. The provisions of the ISDA Master Agreement typically permit a single net payment in the event of default, including the bankruptcy or insolvency of the counterparty. However, bankruptcy or insolvency laws of a particular jurisdiction may impose restrictions on or prohibitions against the right of offset in bankruptcy, insolvency or other events. In addition, certain ISDA Master Agreements allow counterparties to terminate derivative contracts prior to maturity in the event the Company's stockholders' equity declines by a stated percentage or the Company fails to meet the terms of its ISDA Master Agreements, which would cause the Company to accelerate payment of any net liability owed to the counterparty. As of March 31, 2024 and December 31, 2023, the Company was in good standing on all of its ISDA Master Agreements or similar arrangements with its counterparties.

For derivatives traded under an ISDA Master Agreement, the collateral requirements are listed under the Credit Support Annex, which is the sum of the mark to market for each derivative contract, the independent amount due to the derivative counterparty and any thresholds, if any. Collateral may be in the form of cash or any eligible securities, as defined in the respective ISDA agreements. Cash collateral pledged to and by the Company with the counterparty, if any, is reported separately in the consolidated balance sheets as restricted cash. All margin call amounts must be made before the notification time and must exceed a minimum transfer amount threshold before a transfer is required. All margin calls must be responded to and completed by the close of business on the same day of the margin call, unless otherwise specified. Any margin calls after the notification time must be completed by the next business day. Typically, the Company and its counterparties are not permitted to sell, rehypothecate or use the collateral posted. To the extent amounts due to the Company from its counterparties are not fully collateralized, the Company bears exposure and the risk of loss from a defaulting counterparty. The Company attempts to mitigate counterparty risk by establishing ISDA agreements with only high-grade counterparties that have the financial health to honor their obligations and diversification by entering into agreements with multiple counterparties.

In accordance with ASU 2013-01, *Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities*, the Company is required to disclose the impact of offsetting of assets and liabilities represented in the consolidated balance sheets to enable users of the consolidated financial statements to evaluate the effect or potential effect of netting arrangements on its financial position for recognized assets and liabilities. These recognized assets and liabilities are financial instruments and derivative instruments that are either subject to enforceable master netting arrangements or ISDA Master Agreements or meet the following right of setoff criteria: (a) the amounts owed by the Company to another party are determinable, (b) the Company has the right to set off the amounts owed with the amounts owed by the counterparty, (c) the Company intends to offset, and (d) the Company's right of offset is enforceable at law. As of March 31, 2024 and December 31, 2023, the Company has elected to offset assets and liabilities associated with its OTC derivative contracts in the consolidated balance sheets.

The table below presents the gross fair value of derivative contracts by product type, Paycheck Protection Program Liquidity Facility borrowings and secured borrowings, the amount of netting reflected in the consolidated balance sheets, as well as the amount not offset in the consolidated balance sheets as they do not meet the enforceable credit support criteria for netting under U.S. GAAP.

	Gross amounts of Assets / Liabilities		Gross amounts offset	Balance in Consolidated Balance Sheets	Gross amounts not offset in the Consolidated Balance Sheets ⁽¹⁾					
(in thousands)					Financial Instruments		Cash Collateral Received / Paid		Net Amount	
March 31, 2024										
Assets										
FX forwards	\$	1,011	\$	—	\$	1,011	\$	—	\$	1,011
Interest rate swaps		54,799		40,362		14,437		—		14,437
Total	\$	55,810	\$	40,362	\$	15,448	\$	—	\$	15,448
Liabilities										
FX forwards		593		—		593		—		593
Secured borrowings		2,198,272		—		2,198,272		2,198,272		—
PPPLF		28,348		—		28,348		27,364		984
Total	\$	2,227,213	\$	—	\$	2,227,213	\$	2,225,636	\$	—
December 31, 2023										
Assets										
Interest rate swaps		36,812		34,408		2,404		—		2,404
Total	\$	36,812	\$	34,408	\$	2,404	\$	—	\$	2,404
Liabilities										
FX forwards		212		—		212		—		212
Secured borrowings		2,102,075		—		2,102,075		2,102,075		—
PPPLF		36,036		—		36,036		34,596		1,440
Total	\$	2,138,323	\$	—	\$	2,138,323	\$	2,136,671	\$	—

(1) Amounts presented in these columns are limited in total to the net amount of assets or liabilities presented in the prior column by instrument. In certain cases, there is excess cash collateral or financial assets the Company has pledged to a counterparty that exceed the financial liabilities subject to a master netting repurchase arrangement or similar agreement. Additionally, in certain cases, counterparties may have pledged excess cash collateral to the Company that exceeds the Company's corresponding financial assets. In each case, any of these excess amounts are excluded from the table although they are separately reported in the Company's consolidated balance sheets as assets or liabilities, respectively.

Note 23. Financial instruments with off-balance sheet risk, credit risk, and certain other risks

In the normal course of business, the Company enters into transactions in various financial instruments that expose us to various types of risk, both on and off-balance sheet. Such risks are associated with financial instruments and markets in

which the Company invests. These financial instruments expose us to varying degrees of market risk, credit risk, interest rate risk, liquidity risk, off-balance sheet risk and prepayment risk.

Market Risk — Market risk is the potential adverse changes in the values of the financial instrument due to unfavorable changes in the level or volatility of interest rates, foreign currency exchange rates, or market values of the underlying financial instruments. The Company attempts to mitigate its exposure to market risk by entering into offsetting transactions, which may include purchase or sale of interest-bearing securities and equity securities.

Credit Risk — The Company is subject to credit risk in connection with its investments in LMM loans and LMM MBS and other target assets it may acquire in the future. The credit risk related to these investments pertains to the ability and willingness of the borrowers to pay, which is assessed before credit is granted or renewed and periodically reviewed throughout the loan or security term. The Company believes that loan credit quality is primarily determined by the borrowers' credit profiles and loan characteristics and seeks to mitigate this risk by seeking to acquire assets at appropriate prices given anticipated and unanticipated losses and by deploying a value-driven approach to underwriting and diligence, consistent with its historical investment strategy, with a focus on projected cash flows and potential risks to cash flow. The Company further mitigates its risk of potential losses while managing and servicing loans by performing various workout and loss mitigation strategies with delinquent borrowers. Nevertheless, unanticipated credit losses could occur, which could adversely impact operating results.

The Company is also subject to credit risk with respect to the counterparties to derivative contracts. If a counterparty becomes bankrupt or otherwise fails to perform its obligation under a derivative contract due to financial difficulties, the Company may experience significant delays in obtaining any recovery under the derivative contract in a dissolution, assignment for the benefit of creditors, liquidation, winding-up, bankruptcy, or other analogous proceeding. In the event of the insolvency of a counterparty to a derivative transaction, the derivative transaction would typically be terminated at its fair market value. If the Company is owed this fair market value in the termination of the derivative transaction and its claim is unsecured, it will be treated as a general creditor of such counterparty and will not have any claim with respect to the underlying security. The Company may obtain only a limited recovery or may obtain no recovery in such circumstances. In addition, the business failure of a counterparty with whom it enters a hedging transaction will most likely result in its default, which may result in the loss of potential future value and the loss of our hedge and force the Company to cover its commitments, if any, at the then current market price.

Counterparty credit risk is the risk that counterparties may fail to fulfill their obligations, including their inability to post additional collateral in circumstances where their pledged collateral value becomes inadequate. The Company attempts to manage its exposure to counterparty risk through diversification, use of financial instruments and monitoring the creditworthiness of counterparties.

The Company finances the acquisition of a significant portion of its loans and investments with repurchase agreements and borrowings under credit facilities and other financing agreements. In connection with these financing arrangements, the Company pledges its loans, securities and cash as collateral to secure the borrowings. The amount of collateral pledged will typically exceed the amount of the borrowings (i.e., the haircut) such that the borrowings will be over-collateralized. As a result, the Company is exposed to the counterparty if, during the term of the repurchase agreement financing, a lender should default on its obligation and the Company is not able to recover its pledged assets. The amount of this exposure is the difference between the amount loaned to the Company plus interest due to the counterparty and the fair value of the collateral pledged by the Company to the lender including accrued interest receivable on such collateral.

The Company is exposed to changing interest rates and market conditions, which affects cash flows associated with borrowings. The Company enters into derivative instruments, such as interest rate swaps, to mitigate these risks. Interest rate swaps are used to mitigate the exposure to changes in interest rates and involve the receipt of variable-rate interest amounts from a counterparty in exchange for making payments based on a fixed interest rate over the life of the swap contract.

Certain subsidiaries have entered into OTC interest rate swap agreements to hedge risks associated with movements in interest rates. Because certain interest rate swaps were not cleared through a central counterparty, the Company remains exposed to the counterparty's ability to perform its obligations under each such swap and cannot look to the creditworthiness of a central counterparty for performance. As a result, if an OTC swap counterparty cannot perform under the terms of an interest rate swap, the Company's subsidiary would not receive payments due under that agreement, the Company may lose any unrealized gain associated with the interest rate swap and the hedged liability would cease to be

hedged by the interest rate swap. While the Company would seek to terminate the relevant OTC swap transaction and may have a claim against the defaulting counterparty for any losses, including unrealized gains, there is no assurance that the Company would be able to recover such amounts or to replace the relevant swap on economically viable terms or at all. In such case, the Company could be forced to cover its unhedged liabilities at the then current market price. The Company may also be at risk for any pledged collateral to secure its obligations under the OTC interest rate swap if the counterparty becomes insolvent or files for bankruptcy. Therefore, upon a default by an interest rate swap agreement counterparty, the interest rate swap would no longer mitigate the impact of changes in interest rates as intended.

Liquidity Risk — Liquidity risk arises from investments and the general financing of the Company's investing activities. It includes the risk of not being able to fund acquisition and origination activities at settlement dates and/or liquidate positions in a timely manner at reasonable prices, in addition to potential increases in collateral requirements during times of heightened market volatility. If the Company was forced to dispose of an illiquid investment at an inopportune time, it might be forced to do so at a substantial discount to the market value, resulting in a realized loss. The Company attempts to mitigate its liquidity risk by regularly monitoring the liquidity of its investments in LMM loans, MBS and other financial instruments. Factors such as expected exit strategy for, the bid to offer spread of, and the number of broker dealers making an active market in a particular strategy and the availability of long-term funding, are considered in analyzing liquidity risk. To reduce any perceived disparity between the liquidity and the terms of the debt instruments in which the Company invests, it attempts to minimize its reliance on short-term financing arrangements. While the Company may finance certain investments in security positions using traditional margin arrangements and reverse repurchase agreements, other financial instruments such as collateralized debt obligations, and other longer term financing vehicles may be utilized to provide it with sources of long-term financing.

Off-Balance Sheet Risk —The Company has undrawn commitments on outstanding loans which are disclosed in Note 24.

Interest Rate — Interest rate risk is highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond the Company's control.

The Company's operating results will depend, in part, on differences between the income from its investments and financing costs. Generally, debt financing is based on a floating rate of interest calculated on a fixed spread over the relevant index, subject to a floor, as determined by the particular financing arrangement. In the event of a significant rising interest rate environment and/or economic downturn, defaults could increase and result in credit losses to us, which could materially and adversely affect the Company's business, financial condition, liquidity, results of operations and prospects. Furthermore, such defaults could have an adverse effect on the spread between the Company's interest-earning assets and interest-bearing liabilities.

Additionally, non-performing LMM loans are not as interest rate sensitive as performing loans, as earnings on non-performing loans are often generated from restructuring the assets through loss mitigation strategies and opportunistically disposing of them. Because non-performing LMM loans are short-term assets, the discount rates used for valuation are based on short-term market interest rates, which may not move in tandem with long-term market interest rates.

Prepayment Risk — As the Company receives prepayments of principal on its assets, any premiums paid on such assets are amortized against interest income. In general, an increase in prepayment rates accelerates the amortization of purchase premiums, thereby reducing the interest income earned on the assets. Conversely, discounts on such assets are accreted into interest income. In general, an increase in prepayment rates accelerates the accretion of purchase discounts, thereby increasing the interest income earned on the assets.

Note 24. Commitments, contingencies and indemnifications

Litigation

The Company may be subject to litigation and administrative proceedings arising in the ordinary course of its business and as such, has entered into agreements which provide for indemnifications against losses, costs, claims, and liabilities arising from the performance of individual obligations under such agreements. The Company has had no prior claims or payments pursuant to these agreements and the individual maximum exposure is unknown as this would involve future claims that may be made against the Company that have not yet occurred. However, based on history and experience, the risk of loss is expected to be remote. Management is not aware of any other contingencies that would require accrual or disclosure in the consolidated financial statements.

Unfunded Loan Commitments

The table below presents unfunded loan commitments.

(in thousands)	March 31, 2024		December 31, 2023	
Loans, net	\$	566,488	\$	745,782
Loans, held for sale	\$	133,990	\$	19,327
Preferred equity investment	\$	279	\$	436

Note 25. Income Taxes

The Company is a REIT pursuant to Internal Revenue Code Section 856. Qualification as a REIT depends on the Company's ability to meet various requirements imposed by the Internal Revenue Code, which relate to its organizational structure, diversity of stock ownership and certain requirements with regard to the nature of its assets and the sources of its income. As a REIT, the Company generally must distribute annually dividends equal to at least 90% of its net taxable income, subject to certain adjustments and excluding any net capital gain, in order for U.S. federal income tax not to apply to earnings that are distributed. To the extent the Company satisfies this distribution requirement but distributes less than 100% of its net taxable income, it will be subject to U.S. federal income tax on its undistributed taxable income. In addition, the Company will be subject to a 4% nondeductible excise tax if the actual amount paid to stockholders in a calendar year is less than a minimum amount specified under U.S. federal tax laws. Even if the Company qualifies as a REIT, it may be subject to certain U.S. federal income and excise taxes and state and local taxes on its income and assets. If the Company fails to maintain its qualification as a REIT for any taxable year, it may be subject to material penalties as well as federal, state and local income tax on its taxable income at regular corporate rates and it would not be able to qualify as a REIT for the subsequent four taxable years. As of March 31, 2024 and December 31, 2023, the Company was in compliance with all REIT requirements.

Certain subsidiaries have elected to be treated as taxable REIT subsidiaries ("TRSs"). TRSs permit the Company to participate in certain activities that would not be qualifying income if earned directly by the parent REIT, as long as these activities meet specific criteria, are conducted within the parameters of certain limitations established by the Internal Revenue Code and are conducted in entities which elect to be treated as taxable subsidiaries under the Internal Revenue Code. To the extent these criteria are met, the Company will continue to maintain our qualification as a REIT. The Company's TRSs engage in various real estate - related operations, including originating and securitizing commercial mortgage loans, and investments in real property. Such TRSs are not consolidated for federal income tax purposes but are instead taxed as corporations. For financial reporting purposes, a provision for current and deferred income taxes is established for the portion of earnings recognized by the Company with respect to its interest in TRSs.

The Company recognizes deferred tax assets and liabilities for the future tax consequences arising from differences between the carrying amounts of existing assets and liabilities under GAAP and their respective tax bases. The Company evaluates its deferred tax assets for recoverability using a consistent approach which considers the relative impact of negative and positive evidence, including historical profitability and projections of future taxable income.

The provisions of ASC 740 require that carrying amounts of deferred tax assets be reduced by a valuation allowance if, based on the available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. As of December 31, 2023, the Company recorded net deferred tax assets of \$21.1 million as a result of the acquisition of Broadmark taxable REIT subsidiary. A full valuation allowance was recorded against these deferred tax assets at year-end as it was more likely than not that these assets would not be realized. In the three months ended March 31, 2024, the Company completed a reorganization which will allow the Company to recover the deferred tax assets recorded, and as such, the valuation allowance was released in the first quarter.

The Company's framework for assessing the recoverability of deferred tax assets requires it to weigh all available evidence, including the sustainability of recent profitability required to realize the deferred tax assets, the cumulative net income in its consolidated statements of income in recent years, the future reversals of existing taxable temporary differences, and the carryforward periods for any carryforwards of net operating losses.

Note 26. Segment reporting

The Company reports its results of operations through the following two business segments: i) LMM Commercial Real Estate (formerly our SBC Lending and Acquisitions segment) and ii) Small Business Lending. The Company's organizational structure is based on a number of factors that the Chief Operating Decision Maker ("CODM"), the Chief

Executive Officer, uses to evaluate, view, and run its business operations, which includes customer base and nature of loan program types. The segments are based on this organizational structure and the information reviewed by the CODM and management to evaluate segment results.

LMM Commercial Real Estate

The Company originates LMM loans across the full life-cycle of an LMM property including construction, bridge, stabilized and agency channels. As part of this segment, the Company originates and services multi-family loan products under the Freddie Mac SBL program. LMM originations include construction and permanent financing activities for the preservation and construction of affordable housing, primarily utilizing tax-exempt bonds, through Red Stone. This segment also reflects the impact of LMM securitization activities. The Company acquires performing and non-performing LMM loans and intends to continue to acquire these loans as part of the Company's business strategy.

Small Business Lending

The Company acquires, originates and services loans guaranteed by the SBA under the SBA Section 7(a) Program. This segment also reflects the impact of SBA securitization activities. The Company also acquires purchased future receivables through Knight Capital.

Corporate- Other

Corporate - Other consists primarily of unallocated activities including interest expense relating to senior secured notes, allocated employee compensation from the Manager, management and incentive fees paid to the Manager and other general corporate overhead expenses.

Results of business segments and all other. The tables below present reportable business segments, along with remaining unallocated amounts recorded within Corporate- Other.

	Three Months Ended March 31, 2024				
	LMM Commercial	Small Business	Corporate-		
(in thousands)	Real Estate	Lending	Other	Consolidated	
Interest income	\$ 200,763	\$ 31,591	\$ —	\$	232,354
Interest expense	(158,885)	(24,920)	—		(183,805)
Net interest income before recovery of (provision for) loan losses	\$ 41,878	\$ 6,671	\$ —	\$	48,549
Recovery of (provision) for loan losses	30,755	(4,211)	—		26,544
Net interest income after recovery of (provision for) loan losses	\$ 72,633	\$ 2,460	\$ —	\$	75,093
Non-interest income					
Net realized gain (loss) on financial instruments and real estate owned	5,755	13,113	—		18,868
Net unrealized gain (loss) on financial instruments	2,986	1,646	—		4,632
Valuation allowance, loans held for sale	(146,180)	—	—		(146,180)
Servicing income, net	1,298	2,460	—		3,758
Income on purchased future receivables, net	—	446	—		446
Income on unconsolidated joint ventures	468	—	—		468
Other income	12,727	2,653	—		15,380
Total non-interest income	\$ (122,946)	\$ 20,318	\$ —	\$	(102,628)
Non-interest expense					
Employee compensation and benefits	(7,476)	(9,292)	(1,646)		(18,414)
Allocated employee compensation and benefits from related party	(250)	—	(2,250)		(2,500)
Professional fees	(1,641)	(3,215)	(2,209)		(7,065)
Management fees – related party	—	—	(6,648)		(6,648)
Loan servicing expense	(12,547)	(247)	—		(12,794)
Transaction related expenses	—	—	(650)		(650)
Other operating expenses	(21,534)	(5,353)	(3,300)		(30,187)
Total non-interest expense	\$ (43,448)	\$ (18,107)	\$ (16,703)	\$	(78,258)
Income before provision for income taxes	\$ (93,761)	\$ 4,671	\$ (16,703)	\$	(105,793)
Total assets	\$ 9,905,732	\$ 1,357,398	\$ 341,101	\$	11,604,231

(in thousands)	Three Months Ended March 31, 2023				
	LMM Commercial Real Estate	Small Business Lending	Corporate- Other	Consolidated	
Interest income	\$ 198,039	\$ 17,929	\$ —	\$ 215,968	
Interest expense	(149,494)	(9,374)	—	(158,868)	
Net interest income before recovery of (provision for) loan losses	\$ 48,545	\$ 8,555	\$ —	\$ 57,100	
Recovery of (provision for) loan losses	8,129	(1,395)	—	6,734	
Net interest income after recovery of (provision for) loan losses	\$ 56,674	\$ 7,160	\$ —	\$ 63,834	
Non-interest income					
Net realized gain (loss) on financial instruments and real estate owned	4,825	6,750	—	11,575	
Net unrealized gain (loss) on financial instruments	(6,111)	476	—	(5,635)	
Servicing income, net	1,093	3,549	—	4,642	
Income on purchased future receivables, net	—	540	—	540	
Income on unconsolidated joint ventures	656	—	—	656	
Other income	9,093	10,428	331	19,852	
Total non-interest income	\$ 9,556	\$ 21,743	\$ 331	\$ 31,630	
Non-interest expense					
Employee compensation and benefits	(6,206)	(11,275)	(2,246)	(19,727)	
Allocated employee compensation and benefits from related party	(232)	—	(2,094)	(2,326)	
Professional fees	(981)	(1,625)	(2,937)	(5,543)	
Management fees – related party	—	—	(5,081)	(5,081)	
Incentive fees – related party	—	—	(1,720)	(1,720)	
Loan servicing expense	(8,058)	(97)	—	(8,155)	
Transaction related expenses	—	—	(893)	(893)	
Other operating expenses	(6,733)	(4,094)	(1,782)	(12,609)	
Total non-interest expense	\$ (22,210)	\$ (17,091)	\$ (16,753)	\$ (56,054)	
Income (loss) before provision for income taxes	\$ 44,020	\$ 11,812	\$ (16,422)	\$ 39,410	
Total assets	\$ 10,184,788	\$ 791,394	\$ 104,601	\$ 11,080,783	

Note 27. Subsequent events

On April 12, 2024, the Company, through its indirect wholly-owned subsidiaries, entered into a credit agreement which provides for a delayed draw term loan to the Company in an aggregate principal amount not to exceed \$115.25 million (the "Term Loan"). The Term Loan may be drawn at any time on or prior to January 12, 2025, subject to the satisfaction of customary conditions. The Company borrowed \$75.0 million on April 12, 2024 in connection with the initial closing of the credit agreement.

The scheduled maturity date of the Term Loan is April 12, 2029. The Term Loan bears interest on the outstanding principal amount thereof at a rate equal to (a) SOFR plus 5.50% per annum or (b) base rate plus 4.50% per annum; provided that if at any time the Term Loan is rated below investment grade, the interest rate shall increase to (x) SOFR plus 6.50% per annum or (y) base rate plus 5.50% per annum until the rating is no longer below investment grade. In connection with the entry into the credit agreement, the Company also agreed to pay certain upfront fees on the initial borrowing date. The Company will also pay, with respect to any unused portion of the Term Loan, a commitment fee of 1.00% per annum.

During April 2024, the Company acquired approximately 1.6 million shares of the Company's common stock, \$ 0.0001 par value per share, at an average price of \$8.57 per share through the Company's stock repurchase program.

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

Forward-Looking Statements

Except where the context suggests otherwise, the terms "Company," "we," "us" and "our" refer to Ready Capital Corporation and its subsidiaries. We make forward-looking statements in this Quarterly Report on Form 10-Q (the "Form 10-Q") within the meaning of the Private Securities Litigation Reform Act of 1995 and 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"). We intend such statements to be covered by the safe harbor provisions for forward-looking statements contained therein. Forward-looking statements contained in this Form 10-Q reflect our current views about future events and are inherently subject to substantial risks and uncertainties, many of which are difficult to predict and beyond our control, that may cause our actual results to materially differ. These forward-looking statements include information about possible or assumed future results of our operations, financial condition, liquidity, plans and objectives. When we use the words "believe," "expect," "anticipate," "estimate," "plan," "continue," "intend," "should," "could," "would," "may," "potential" or other comparable terminology, we intend to identify forward-looking statements, although not all forward-looking statements may contain such words. Statements regarding the following subjects, among others, may be forward-looking, and the occurrence of events impacting these subjects, or otherwise impacting our business, may cause our financial condition, liquidity and consolidated results of operations to vary materially from those expressed in, or implied by, any such forward-looking statements:

- our investment objectives and business strategy;
- our ability to borrow funds or otherwise raise capital on favorable terms;
- our expected leverage;
- our expected investments;
- estimates or statements relating to, and our ability to make, future distributions;
- projected capital and operating expenditures;
- availability of qualified personnel;
- prepayment rates;
- projected default rates;
- increased rates of default and/or decreased recovery rates on our investments;
- changes in interest rates, interest rate spreads, the yield curve or prepayment rates;
- the impact of inflation on our business;
- changes in prepayments of our assets;
- our ability to achieve the expected synergies, cost savings and other benefits from the acquisition of Broadmark Realty Capital Inc. ("Broadmark"), a specialty real estate finance company that specialized in originating and servicing residential and commercial construction loans;
- risks associated with achieving expected synergies, cost savings and other benefits from acquisitions and our increased scale;
- risks related to integrating a construction lending platform into our existing operations and the origination and ownership of construction loans, which are subject to additional risks as compared to loans secured by existing structures or land, following the Broadmark Merger;

- risks associated with the divestiture of our Residential Mortgage Banking segment;
- market, industry and economic trends;
- our ability to compete in the marketplace;
- the availability of attractive risk-adjusted investment opportunities in lower-to-middle-market commercial real estate loans ("LMM"), loans guaranteed by the U.S. Small Business Administration (the "SBA") under its Section 7(a) loan program (the "SBA Section 7(a) Program"), mortgage backed securities ("MBS"), residential mortgage loans and other real estate-related investments that satisfy our investment objectives and strategies;
- general volatility of the capital markets;
- changes in our investment objectives and business strategy;
- the availability, terms and deployment of capital;
- the availability of suitable investment opportunities;
- market developments and actions recently taken and which may be taken by the U.S. Government, the U.S. Department of the Treasury ("Treasury") and the Board of Governors of the Federal Reserve System, the Federal Depositary Insurance Corporation, the Federal National Mortgage Association ("Fannie Mae"), the Federal Home Loan Mortgage Corporation ("Freddie Mac"), the Government National Mortgage Association ("Ginnie Mae"), Federal Housing Administration ("FHA") Mortgagee, U.S. Department of Agriculture ("USDA"), U.S. Department of Veterans Affairs ("VA") and the U.S. Securities and Exchange Commission ("SEC");
- applicable regulatory changes;
- changes in our assets, interest rates or the general economy;
- mortgage loan modification programs and future legislative actions;
- our ability to maintain our qualification as a real estate investment trust ("REIT") and limitations on our business as a result of our qualifications as a REIT;
- our ability to maintain our exemption from qualification under the Investment Company Act of 1940, as amended (the "1940 Act");
- factors described in our annual report on Form 10-K, including those set forth under the captions "Risk Factors" and "Business";
- our dependence on our external advisor, Waterfall Asset Management, LLC ("Waterfall" or the "Manager"), and our ability to find a suitable replacement if we or Waterfall were to terminate the management agreement we have entered into with Waterfall (the "management agreement");
- the degree and nature of our competition, including competition for LMM loans, MBS, residential mortgage loans, construction loans and other real estate-related investments that satisfy our investment objectives and strategies;
- geopolitical events such as acts of terrorism, war or other military conflict, and the related impact on macroeconomic conditions;
- the impact of pandemics and epidemics, such as the coronavirus ("COVID-19") pandemic, on our business and operations, financial condition, results of operations, liquidity and capital resources; and
- the impact of pandemics or epidemics on our borrowers, the real estate industry and global markets.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements, and we caution readers not to place undue reliance on any forward-looking statements. These forward-looking statements apply only as of the date of this Form 10-Q. We are not obligated, and do not intend, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent required by law. Refer to Item 1A. "Risk Factors" and Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our annual report on Form 10-K.

Introduction

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to provide a reader of our interim consolidated financial statements with a narrative from the perspective of our management on our financial condition, results of operations, liquidity and certain other factors that may affect our future results. Our MD&A is presented in five main sections:

- Overview
- Results of Operations
- Liquidity and Capital Resources
- Contractual Obligations and Off-Balance Sheet Arrangements
- Critical Accounting Estimates

The following discussion should be read in conjunction with our unaudited interim consolidated financial statements and accompanying Notes included in Part I, Item 1, "Financial Statements," of this Form 10-Q and with Items 6, 7, 8, and 9A of our annual report on Form 10-K. Refer to "Forward-Looking Statements" in this Form 10-Q and in our annual report on Form 10-K and "Critical Accounting Estimates" in our annual report on Form 10-K for certain other factors that may cause actual results to differ, materially, from those anticipated in the forward-looking statements included in this Form 10-Q.

Overview

Our Business

We are a multi-strategy real estate finance company that originates, acquires, finances, and services LMM loans, SBA loans, construction loans and, to a lesser extent, MBS collateralized primarily by LMM loans, or other real estate-related investments. Our loans generally range in original principal amounts up to \$40 million and are used by businesses to purchase real estate used in their operations or by investors seeking to acquire multi-family, office, retail, mixed use or warehouse properties. Our objective is to provide attractive risk-adjusted returns to our stockholders primarily through dividends, as well as through capital appreciation. In order to achieve this objective, we continue to grow our investment portfolio and believe that the breadth of our full-service real estate finance platform will allow us to adapt to market conditions and deploy capital in our asset classes and segments with the most attractive risk-adjusted returns.

Our Residential Mortgage Banking segment meets the criteria to be classified as held for sale and presented as a discontinued operation. For all periods presented, the operating results for these operations have been removed from continuing operations. The MD&A has been adjusted to exclude discontinued operations unless otherwise noted. We report our activities in the following two operating segments:

- **LMM Commercial Real Estate.** We originate LMM loans across the full life-cycle of an LMM property including construction, bridge, stabilized and agency loan origination channels through our wholly-owned subsidiary, ReadyCap Commercial. These originated loans are generally held-for-investment or placed into securitization structures. As part of this segment, we originate and service multi-family loan products under the Freddie Mac SBL program. These originated loans are held for sale, and subsequently sold to Freddie Mac. We provide construction and permanent financing for the preservation and construction of affordable housing, primarily utilizing tax-exempt bonds through Red Stone, a wholly owned subsidiary. In addition, we acquire LMM loans as part of our business strategy. We hold performing LMM loans to term and seek to maximize the value of the non-performing LMM loans acquired by us through borrower-based resolution strategies. We typically acquire non-performing loans at a discount to their unpaid principal balance ("UPB") when we believe that resolution of the loans will provide attractive risk-adjusted returns.

- **Small Business Lending.** We acquire, originate and service owner-occupied loans guaranteed by the SBA under the SBA Section 7(a) Program through our wholly-owned subsidiary, ReadyCap Lending. We hold an SBA license as one of only 17 non-bank SBLCs and have been granted preferred lender status by the SBA. These originated loans are either held-for-investment, placed into securitization structures, or sold. We also acquire purchased future receivables through Knight Capital, which is a technology-driven platform that provides working capital to small and medium sized businesses across the U.S.

We are organized and conduct our operations to qualify as a REIT under the Code. To qualify as a REIT, we are required to annually distribute substantially all of our net taxable income, excluding capital gain, to stockholders. To the extent that we do not distribute all of our net capital gain, or distribute at least 90%, but less than 100%, of our REIT taxable income, as adjusted, we will be required to pay U.S. federal corporate income tax on the undistributed income. We are organized in a traditional UpREIT format pursuant to which we serve as the general partner of, and conduct substantially all of our business through, our operating partnership. We also intend to operate our business in a manner that will permit us to be excluded from registration as an investment company under the 1940 Act.

For additional information on our business, refer to Part I, Item 1, "Business" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (the "Form 10-K").

Broadmark Acquisition. On May 31, 2023, the Company, Broadmark Realty Capital Inc., a Maryland corporation ("Broadmark"), and RCC Merger Sub, LLC, a Delaware limited liability company and a wholly owned subsidiary of Ready Capital ("RCC Merger Sub"), completed a merger (such transaction, the "Broadmark Merger") in which Broadmark merged with and into RCC Merger Sub, with RCC Merger Sub remaining as a wholly owned subsidiary of the Company. As a result of the Broadmark Merger, the number of directors on the Company's board of directors (the "Board") increased by three members, from nine to twelve, with the three additional directors each having served on the board of directors of Broadmark immediately prior to the effective time of the Broadmark Merger. The Broadmark Merger further diversified our business by expanding on our residential and commercial construction lending platforms. Refer to Notes 1 and 5, included in Part I, Item 1, "Financial Statements," of this Form 10-Q, for more information about the Broadmark Merger and the assets acquired and liabilities assumed as a result of the Broadmark Merger.

Factors Impacting Operating Results

We expect that our results of operations will be affected by a number of factors and will primarily depend on the level of interest income from our assets, the market value of our assets and the supply of, and demand for, LMM loans, SBA loans, construction loans, MBS and other assets we may acquire in the future, demand for housing, population trends, construction costs, the availability of alternative real estate financing from other lenders and the financing and other costs associated with our business. These factors may have an impact on our ability to originate new loans or the performance of our existing loan portfolio. Our net investment income, which includes the amortization of purchase premiums and accretion of purchase discounts, varies primarily as a result of changes in market interest rates, the rate at which our distressed assets are liquidated and the prepayment speed of our performing assets. Interest rates and prepayment speeds vary according to the type of investment, conditions in the financial markets, competition and other factors, none of which can be predicted with any certainty. Our operating results may also be impacted by our available borrowing capacity, conditions in the financial markets, credit losses in excess of initial estimates or unanticipated credit events experienced by borrowers whose loans are held directly by us or are included in our MBS. Difficult market conditions as well as inflation, energy costs, geopolitical issues, health epidemics and outbreaks of contagious diseases, unemployment and the availability and cost of credit are factors which could also impact our operating results.

Changes in Market Interest Rates. We own and expect to acquire or originate fixed rate mortgages and floating rate mortgages with maturities ranging from two to 30 years. Our loans typically have amortization periods of 15 to 30 years or balloon payments due in two to 10 years. Fixed rate mortgage loans bear interest that is fixed for the term of the loan and we typically utilize derivative financial and hedging instruments in an effort to hedge the interest rate risk associated with such fixed rate mortgages. As of March 31, 2024, 73% of fixed rate loans are match funded in securitization. Floating rate mortgage loans generally have an adjustable interest rate equal to the sum of a fixed spread plus an index rate, such as the Secured Overnight Financing Rate ("SOFR"), which typically resets monthly. As of March 31, 2024, approximately 82% of the loans in our portfolio were floating rate mortgages, and 18% were fixed rate mortgages, based on UPB.

With respect to our business operations, increases in interest rates may generally over time cause the interest expense associated with our variable-rate borrowings to increase, the value of fixed-rate loans, MBS and other real estate-related

assets to decline, coupons on variable-rate loans and MBS to reset to higher interest rates, and prepayments on loans and MBS to slowdown. Conversely, decreases in interest rates generally tend to have the opposite effect.

Non-performing loans are not as interest rate sensitive as performing loans, as earnings on non-performing loans are often generated from restructuring the assets through loss mitigation strategies and opportunistically disposing of them. Because non-performing loans are short-term assets, the discount rates used for valuation are based on short-term market interest rates, which may not move in tandem with long-term market interest rates.

Changes in Fair Value of Our Assets. Certain originated loans, MBS, and servicing rights are carried at fair value, while future assets may also be carried at fair value. Accordingly, changes in the fair value of our assets may impact the results of our operations in the period such changes occur. The expectation of changes in real estate prices is a key determinant for the value of loans and ABS.

Prepayment Speeds. Prepayment speeds on loans vary according to interest rates, the type of investment, conditions in the financial markets, competition, foreclosures and other factors that cannot be predicted with any certainty. In general, when interest rates rise, it is relatively less attractive for borrowers to refinance their mortgage loans and, as a result, prepayment speeds tend to decrease. This can extend the period over which we earn interest income and servicing fee income. When interest rates fall, prepayment speeds increase on loans, thereby decreasing the period over which we earn interest income or servicing fee income. Additionally, other factors such as the credit rating of the borrower, the rate of property value appreciation or depreciation, financial market conditions, foreclosures and lender competition, none of which can be predicted with any certainty, may affect prepayment speeds on loans.

Credit Spreads. Our investment portfolio may be subject to changes in credit spreads. Credit spreads measure the yield demanded on loans and securities by the market based on their credit relative to a specific benchmark and is a measure of the perceived risk of the investment. Fixed rate loans and securities are valued based on a market credit spread over the rate payable on fixed rate swaps or fixed rate U.S. Treasuries of similar maturity. Floating rate securities are typically valued based on a market credit spread over SOFR (or another floating rate index) and are affected similarly by changes in SOFR spreads. Excessive supply of these loans and securities, or reduced demand, may cause the market to require a higher yield on these securities, resulting in the use of a higher, or "wider," spread over the benchmark rate to value such assets. Under such conditions, the value of our portfolios would tend to decline. Conversely, if the spread used to value such assets were to decrease, or "tighten," the value of our loans and securities would tend to increase. Such changes in the market value of these assets may affect our net equity, net income or cash flow directly through their impact on unrealized gains or losses.

The spread between the yield on our assets and our funding costs is an important factor in the performance of this aspect of our business. Wider spreads imply greater income on new asset purchases but may have a negative impact on our stated book value. Wider spreads generally negatively impact asset prices. In an environment where spreads are widening, counterparties may require additional collateral to secure borrowings which may require us to reduce leverage by selling assets. Conversely, tighter spreads imply lower income on new asset purchases but may have a positive impact on our stated book value. Tighter spreads generally have a positive impact on asset prices. In this case, we may be able to reduce the amount of collateral required to secure borrowings.

Loan and ABS Extension Risk. The Company estimates the projected weighted-average life of our investments based on assumptions regarding the rate at which the borrowers will prepay the underlying mortgages and/or the speed at which we are able to liquidate an asset. If the timeline to resolve non-performing assets extends, this could have a negative impact on our results of operations, as carrying costs may therefore be higher than initially anticipated. This situation may also cause the fair market value of our investment to decline if real estate values decline over the extended period. In extreme situations, we may be forced to sell assets to maintain adequate liquidity, which could cause us to incur losses.

Credit Risk. We are subject to credit risk in connection with our investments in loans and ABS and other target assets we may acquire in the future. Increases in defaults and delinquencies will adversely impact our operating results, while declines in rates of default and delinquencies will improve our operating results from this aspect of our business. Default rates are influenced by a wide variety of factors, including, property performance, property management, supply and demand factors, construction trends, consumer behavior, regional economics, interest rates, the strength of the United States economy and other factors beyond our control. All loans are subject to the possibility of default. We seek to mitigate this inherent risk by seeking to acquire assets at appropriate prices given anticipated and unanticipated losses and by deploying a value-driven approach to underwriting and diligence, consistent with our historical investment strategy, with

a focus on projected cash flows and potential risks to cash flow. We further mitigate our risk of potential losses while managing and servicing our loans by performing various workout and loss mitigation strategies with delinquent borrowers. Nevertheless, unanticipated credit losses could occur which could adversely impact operating results.

Current market conditions. The first quarter was generally characterized by persisting macroeconomic concerns including uncertainty about the commercial real estate sector, inflation, interest rates, and geopolitical tensions. Although the full impact of these changes remains uncertain and difficult to predict, concerns and uncertainties about the economic outlook may adversely impact our financial condition, results of operations and cash flows.

Results of Operations

Key Financial Measures and Indicators

As a real estate finance company, we believe the key financial measures and indicators for our business are earnings per share, dividends declared per share, distributable earnings, return on equity, and net book value per share. As further described below, distributable earnings is a measure that is not prepared in accordance with GAAP. We use distributable earnings to evaluate our performance and determine dividends, excluding the effects of certain transactions and GAAP adjustments that we believe are not necessarily indicative of our current loan activity and operations. Refer to “—Non-GAAP Financial Measures” below for a reconciliation of net income to distributable earnings.

The table below sets forth certain information on our operating results.

(\$ in thousands, except share data)	Three Months Ended March 31,			
	2024		2023	
Net Income (loss) from continuing operations	\$	(75,582)	\$	38,509
Earnings per common share from continuing operations - basic	\$	(0.45)	\$	0.31
Earnings per common share from continuing operations - diluted	\$	(0.45)	\$	0.30
Distributable earnings	\$	53,976	\$	38,149
Distributable earnings per common share - basic	\$	0.29	\$	0.31
Distributable earnings per common share - diluted	\$	0.29	\$	0.30
Dividends declared per common share	\$	0.30	\$	0.40
Dividend yield ⁽¹⁾		13.1 %		15.7 %
Return on equity from continuing operations		(13.3)%		9.4 %
Distributable return on equity		8.6 %		8.5 %
Book value per common share	\$	13.44	\$	15.07

(1) Dividend yield is based on the respective period end closing share price.

Our Loan Pipeline

We have a large and active pipeline of potential acquisition and origination opportunities that are in various stages of our investment process. We refer to assets as being part of our acquisition or origination pipeline if (i) an asset or portfolio opportunity has been presented to us and we have determined, after a preliminary analysis, that the assets fit within our investment strategy and exhibit the appropriate risk/reward characteristics (ii) in the case of acquired loans, we have executed a non-disclosure agreement (“NDA”) or an exclusivity agreement and commenced the due diligence process or we have executed more definitive documentation, such as a letter of intent (“LOI”); and (iii) in the case of originated loans, we have issued an LOI, and the borrower has paid a deposit.

We operate in a competitive market for investment opportunities and competition may limit our ability to originate or acquire the potential investments in the pipeline. The consummation of any of the potential loans in the pipeline depends upon, among other things, one or more of the following: available capital and liquidity, our Manager’s allocation policy, satisfactory completion of our due diligence investigation and investment process, approval of our Manager’s Investment Committee, market conditions, our agreement with the seller on the terms and structure of such potential loan, and the execution and delivery of satisfactory transaction documentation. Historically, we have acquired less than a majority of the assets in our pipeline at any one time and there can be no assurance the assets currently in our pipeline will be acquired or originated by us in the future.

The table below presents information on our investment portfolio originations and acquisitions (based on fully committed amounts).

	Three Months Ended March 31,			
(in thousands)	2024		2023	
Loan originations:				
LMM loans	\$	259,676	\$	410,516
SBA loans		197,159		92,296
Total loan investment activity	\$	456,835	\$	502,812

Balance Sheet Analysis and Metrics

(in thousands)	March 31, 2024		December 31, 2023		\$ Change	% Change
Assets						
Cash and cash equivalents	\$	166,004	\$	138,532	\$ 27,472	19.8 %
Restricted cash		24,915		30,063	(5,148)	(17.1)
Loans, net (including \$0 and \$9,348 held at fair value)		3,400,481		4,020,160	(619,679)	(15.4)
Loans, held for sale (net of valuation allowance of \$146,180 and \$0)		584,072		81,599	502,473	615.8
Mortgage-backed securities		29,546		27,436	2,110	7.7
Investment in unconsolidated joint ventures (including \$7,169 and \$7,360 held at fair value)		132,730		133,321	(591)	(0.4)
Derivative instruments		15,448		2,404	13,044	542.6
Servicing rights		103,555		102,837	718	0.7
Real estate owned, held for sale		239,874		252,949	(13,075)	(5.2)
Other assets		315,772		300,175	15,597	5.2
Assets of consolidated VIEs		6,591,834		6,897,145	(305,311)	(4.4)
Assets held for sale		439,301		454,596	(15,295)	(3.4)
Total Assets	\$	12,043,532	\$	12,441,217	\$ (397,685)	(3.2)%
Liabilities						
Secured borrowings		2,198,272		2,102,075	96,197	4.6
Securitized debt obligations of consolidated VIEs, net		4,769,057		5,068,453	(299,396)	(5.9)
Senior secured notes, net		345,570		345,127	443	0.1
Corporate debt, net		766,084		764,908	1,176	0.2
Guaranteed loan financing		814,784		844,540	(29,756)	(3.5)
Contingent consideration		—		7,628	(7,628)	(100.0)
Derivative instruments		593		212	381	179.7
Dividends payable		53,908		54,289	(381)	(0.7)
Loan participations sold		73,749		62,944	10,805	17.2
Due to third parties		3,401		3,641	(240)	(6.6)
Accounts payable and other accrued liabilities		193,896		207,481	(13,585)	(6.5)
Liabilities held for sale		315,975		333,157	(17,182)	(5.2)
Total Liabilities	\$	9,535,289	\$	9,794,455	\$ (259,166)	(2.6)%
Preferred stock Series C, liquidation preference \$25.00 per share		8,361		8,361	—	—
Commitments & contingencies						
Stockholders' Equity						
Preferred stock Series E liquidation preference \$25.00 per share		111,378		111,378	—	—
Common stock, \$0.0001 par value, 500,000,000 shares authorized, 170,445,333 and 172,276,105 shares issued and outstanding, respectively		17		17	—	—
Additional paid-in capital		2,307,303		2,321,989	(14,686)	(0.6)
Retained earnings (deficit)		(3,546)		124,413	(127,959)	(102.9)
Accumulated other comprehensive loss		(12,335)		(17,860)	5,525	30.9
Total Ready Capital Corporation equity		2,402,817		2,539,937	(137,120)	(5.4)
Non-controlling interests		97,065		98,464	(1,399)	(1.4)
Total Stockholders' Equity	\$	2,499,882	\$	2,638,401	\$ (138,519)	(5.3)%
Total Liabilities, Redeemable Preferred Stock, and Stockholders' Equity	\$	12,043,532	\$	12,441,217	\$ (397,685)	(3.2)%

As of March 31, 2024, total assets in our consolidated balance sheet were \$12.0 billion, a decrease of \$398 million from December 31, 2023, primarily reflecting a decrease in Loans, net and Assets of consolidated VIEs, partially offset by an increase in Loans, held for sale. Loans, net decreased \$620 million, primarily due to loans transferred to Loans, held for sale. Assets of consolidated VIEs decreased \$305 million, due to paydowns on securitized loans. Loans, held for sale increased \$502 million, primarily due to loans transferred from Loans, net.

As of March 31, 2024, total liabilities in our consolidated balance sheet were \$9.5 billion, a decrease of \$259 million from December 31, 2023, primarily reflecting a decrease in Securitized debt obligations of consolidated VIEs, net, partially offset by an increase in Secured borrowings. Securitized debt obligations of consolidated VIEs, net decreased \$299 million due to paydowns on securitized loans. Secured borrowings increased \$96 million due to increased borrowings on originations of loans, partially offset by payments.

As of March 31, 2024, total stockholders' equity was \$2.5 billion, a decrease of \$139 million from December 31, 2023, primarily due to common stock repurchased through the Company's share repurchase program.

Selected Balance Sheet Information by Business Segment. The table below presents certain selected balance sheet data by each of our two business segments, with the remaining amounts reflected in *Corporate –Other*.

(in thousands)		LMM Commercial Real Estate	Small Business Lending	Total
March 31, 2024				
Assets				
Loans, net	\$	8,597,503	\$ 1,213,085	\$ 9,810,588
Loans, held for sale		521,026	74,019	595,045
MBS		29,546	—	29,546
Investment in unconsolidated joint ventures		132,730	—	132,730
Servicing rights		72,212	31,343	103,555
Real estate owned, held for sale		243,023	—	243,023
Liabilities				
Secured borrowings		2,045,283	152,989	2,198,272
Securitized debt obligations of consolidated VIEs		4,625,152	143,905	4,769,057
Senior secured notes, net		332,019	13,551	345,570
Corporate debt, net		766,084	—	766,084
Guaranteed loan financing		—	814,784	814,784
Loan participations sold		73,749	—	73,749

In the table above,

- Loans, net includes assets of consolidated VIEs and excludes allowance for loan losses.
- Loans, held for sale includes assets of consolidated VIEs, net of valuation allowance.
- Real estate owned, held for sale includes assets of consolidated VIEs.

Income Statement Analysis and Metrics

(in thousands)	Three Months Ended March 31,			\$ Change
	2024	2023		
Interest income				
LMM commercial real estate	\$ 200,763	\$ 198,039	\$	2,724
Small business lending	31,591	17,929		13,662
Total interest income	\$ 232,354	\$ 215,968	\$	16,386
Interest expense				
LMM commercial real estate	(158,885)	(149,494)		(9,391)
Small business lending	(24,920)	(9,374)		(15,546)
Total interest expense	\$ (183,805)	\$ (158,868)	\$	(24,937)
Net interest income before recovery of loan losses	\$ 48,549	\$ 57,100	\$	(8,551)
Recovery of (provision for) loan losses				
LMM commercial real estate	30,755	8,129		22,626
Small business lending	(4,211)	(1,395)		(2,816)
Total recovery of loan losses	\$ 26,544	\$ 6,734	\$	19,810
Net interest income after recovery of loan losses	\$ 75,093	\$ 63,834	\$	11,259
Non-interest income (loss)				
LMM commercial real estate	(122,946)	9,556		(132,502)
Small business lending	20,318	21,743		(1,425)
Corporate - other	—	331		(331)
Total non-interest income (loss)	\$ (102,628)	\$ 31,630	\$	(134,258)
Non-interest expense				
LMM commercial real estate	(43,448)	(22,210)		(21,238)
Small business lending	(18,107)	(17,091)		(1,016)
Corporate - other	(16,703)	(16,753)		50
Total non-interest expense	\$ (78,258)	\$ (56,054)	\$	(22,204)
Net income (loss) before provision for income taxes				
LMM commercial real estate	(93,761)	44,020		(137,781)
Small business lending	4,671	11,812		(7,141)
Corporate - other	(16,703)	(16,422)		(281)
Total net income (loss) before provision for income taxes	\$ (105,793)	\$ 39,410	\$	(145,203)

Results of Operations – Supplemental Information. Realized and unrealized gains (losses) on financial instruments are recorded in the consolidated statements of income and classified based on the nature of the underlying asset or liability.

The table below presents the components of realized and unrealized gains (losses) on financial instruments.

(in thousands)	Three Months Ended March 31,			\$ Change
	2024	2023		
Realized gain (loss) on financial instruments				
Realized gain on loans - Freddie Mac and CMBS	\$ 347	\$ 252	\$	95
Creation of MSRs - Freddie Mac	278	224		54
Realized gain on loans - SBA	10,435	5,239		5,196
Creation of MSRs - SBA	2,683	1,511		1,172
Creation of MSRs - Red Stone	1,455	2,858		(1,403)
Realized gain on derivatives	4,392	3,686		706
Realized loss on MBS	(12)	—		(12)
Net realized gain (loss) - all other	(710)	(2,195)		1,485
Net realized gain (loss) on financial instruments	\$ 18,868	\$ 11,575	\$	7,293
Unrealized gain (loss) on financial instruments				
Unrealized loss on loans - Freddie Mac and CMBS	(141)	(2,668)		2,527
Unrealized gain on loans - SBA	1,645	474		1,171
Unrealized gain (loss) on derivatives	376	(3,537)		3,913
Unrealized gain on MBS	1,786	210		1,576
Net unrealized gain (loss) - all other	966	(114)		1,080
Net unrealized gain (loss) on financial instruments	\$ 4,632	\$ (5,635)	\$	10,267

LMM Commercial Real Estate Segment Results.

Q1 2024 versus Q1 2023. Interest income of \$200.8 million represented an increase of \$2.7 million, primarily due to increased loan balances and increases in interest rates. Interest expense of \$158.9 million represented an increase of \$9.4 million, driven by increases in interest rates. Recovery of loan losses of \$30.8 million represented an increase of \$22.6 million, primarily due to loans transferred to Loans, held for sale. Non-interest loss of \$122.9 million represented an increase of \$132.5 million, primarily due to the valuation allowance related to the transfer of Loans, net to Loans, held for

sale. Non-interest expense of \$43.4 million represented an increase of \$21.2 million, due to an increase in charge-offs of real estate acquired in settlement of loans.

Small Business Lending Segment Results.

Q1 2024 versus Q1 2023. Interest income of \$31.6 million represented an increase of \$13.7 million, primarily due to increases in interest rates. Interest expense of \$24.9 million represented an increase of \$15.5 million, driven by increases in interest rates. Provision for loan losses of \$4.2 million represented an increase of \$2.8 million, due to changes in the forecasted macroeconomic inputs for reserve modeling and an increase in specific loan reserves. Non-interest income of \$20.3 million represented a decrease of \$1.4 million, primarily due to a decrease in servicing income and employee tax credit consulting income, partially offset by net realized and unrealized gains on financial instruments. Non-interest expense of \$18.1 million represented an increase of \$1.0 million, due to an increase in professional fees and other operating expenses related to employee tax credit consulting income, partially offset by a decrease in employee compensation and benefits.

Corporate – Other.

Q1 2024 versus Q1 2023. Non-interest expense of \$16.7 million was essentially unchanged from the respective prior year period.

Non-GAAP financial measures

We believe that providing investors with distributable earnings, formerly referred to as core earnings, gives investors greater transparency into the information used by management in our financial and operational decision-making, including the determination of dividends. Distributable earnings is a non-U.S. GAAP financial measure and because distributable earnings is an incomplete measure of our financial performance and involves differences from net income computed in accordance with U.S. GAAP, it should be considered along with, but not as an alternative to, our net income as a measure of our financial performance. In addition, because not all companies use identical calculations, our presentation of distributable earnings may not be comparable to other similarly-titled measures of other companies.

We calculate distributable earnings as GAAP net income (loss) excluding the following:

- i) any unrealized gains or losses on certain MBS not retained by us as part of our loan origination businesses
- ii) any realized gains or losses on sales of certain MBS
- iii) any unrealized gains or losses on Residential MSRs from discontinued operations
- iv) any unrealized change in current expected credit loss reserve and valuation allowances
- v) any unrealized gains or losses on de-designated cash flow hedges
- vi) any unrealized gains or losses on foreign exchange hedges
- vii) any unrealized gains or losses on certain unconsolidated joint ventures
- viii) any non-cash compensation expense related to stock-based incentive plan
- ix) one-time non-recurring gains or losses, such as gains or losses on discontinued operations, bargain purchase gains, or merger related expenses

In calculating distributable earnings, net income (in accordance with GAAP) is adjusted to exclude unrealized gains and losses on MBS acquired by us in the secondary market but is not adjusted to exclude unrealized gains and losses on MBS retained by us as part of our loan origination businesses, where we transfer originated loans into an MBS securitization and retain an interest in the securitization. In calculating distributable earnings, we do not adjust net income (in accordance with GAAP) to take into account unrealized gains and losses on MBS retained by us as part of our loan origination businesses because we consider the unrealized gains and losses that are generated in the loan origination and securitization process to be a fundamental part of this business and an indicator of the ongoing performance and credit quality of our historical loan originations. In calculating distributable earnings, net income (in accordance with GAAP) is adjusted to exclude realized gains and losses on certain MBS securities due to a variety of reasons which may include collateral type, duration, and size.

In addition, in calculating distributable earnings, net income (in accordance with GAAP) is adjusted to exclude unrealized gains or losses on residential MSRs, held at fair value from discontinued operations. Servicing rights relating to our small business commercial business are accounted for under ASC 860, *Transfer and Servicing*. In calculating distributable earnings, we do not exclude realized gains or losses on commercial MSRs, as servicing income is a fundamental part of our business and an indicator of the ongoing performance.

To qualify as a REIT, we must distribute to our stockholders each calendar year dividends equal to at least 90% of our REIT taxable income (including certain items of non-cash income), determined without regard to the deduction for dividends paid and excluding net capital gain. There are certain items, including net income generated from the creation of MSRs, that are included in distributable earnings but are not included in the calculation of the current year's taxable income. These differences may result in certain items that are recognized in the current period's calculation of distributable earnings not being included in taxable income, and thus not subject to the REIT dividend distribution requirement, until future years.

The table below presents a reconciliation of net income to distributable earnings.

	Three Months Ended March 31,				
(in thousands)	2024		2023		\$ Change
Net income (loss)	\$	(74,167)	\$	36,978	\$ (111,145)
Reconciling items:					
Unrealized loss on MSR - discontinued operations		—		6,093	(6,093)
Unrealized gain on joint ventures		(35)		—	(35)
Decrease in CECL reserve		(32,181)		(7,321)	(24,860)
Increase in valuation allowance		146,180		—	146,180
Non-recurring REO impairment		15,512		—	15,512
Non-cash compensation		1,877		1,853	24
Merger transaction costs and other non-recurring expenses		1,931		1,733	198
Total reconciling items	\$	133,284	\$	2,358	\$ 130,926
Income tax adjustments		(5,141)		(1,187)	(3,954)
Distributable earnings	\$	53,976	\$	38,149	\$ 15,827
Less: Distributable earnings attributable to non-controlling interests		1,108		1,869	(761)
Less: Income attributable to participating shares		2,335		2,371	(36)
Distributable earnings attributable to common stockholders	\$	50,533	\$	33,909	\$ 16,624
Distributable earnings per common share - basic	\$	0.29	\$	0.31	\$ (0.02)
Distributable earnings per common share - diluted	\$	0.29	\$	0.30	\$ (0.01)

Q1 2024 versus Q1 2023. Consolidated net loss of \$74.2 million for the first quarter of 2024 represented a decrease of \$111.1 million from the first quarter of 2023, primarily due to a valuation allowance related to the transfer of Loans, net to Loans, held for sale. Consolidated distributable earnings of \$54.0 million for the first quarter of 2024 represented an increase of \$15.8 million from the first quarter of 2023. The increase in the distributable earnings reconciling items is primarily due to a valuation allowance related to the transfer of Loans, net to Loans, held for sale.

Incentive distribution payable to our Manager

Under the partnership agreement of our operating partnership, our Manager, the holder of the Class A special unit in our operating partnership, is entitled to receive an incentive distribution, distributed quarterly in arrears in an amount, not less than zero, equal to the difference between (i) the product of (A) 15% and (B) the difference between (x) IFCE (as described below) of our operating partnership, on a rolling four-quarter basis and before the incentive distribution for the current quarter, and (y) the product of (1) the weighted average of the issue price per share of common stock or operating partnership unit ("OP unit") (without double counting) in all of our offerings multiplied by the weighted average number of shares of common stock outstanding (including any restricted shares of common stock and any other shares of common stock underlying awards granted under our 2013 Equity Incentive Plan, our 2023 Equity Incentive Plan and the Broadmark Equity Plan) and OP units (without double counting) in such quarter and (2) 8%, and (ii) the sum of any incentive distribution paid to our Manager with respect to the first three quarters of such previous four quarters; provided, however, that no incentive distribution is payable with respect to any calendar quarter unless cumulative IFCE is greater than zero for the most recently completed 12 calendar quarters.

The incentive distribution shall be calculated within 30 days after the end of each quarter and such calculation shall promptly be delivered to our Company. We are obligated to pay the incentive distribution 50% in cash and 50% in either common stock or OP units, as determined in our discretion, within five business days after delivery to our Company of the written statement from the holder of the Class A special unit setting forth the computation of the incentive distribution for such quarter. Subject to certain exceptions, our Manager may not sell or otherwise dispose of any portion of the incentive distribution issued to it in common stock or OP units until after the three-year anniversary of the date that such shares of common stock or OP units were issued to our Manager. The price of shares of our common stock for purposes of determining the number of shares payable as part of the incentive distribution is the closing price of such shares on the last trading day prior to the approval by our Board of the incentive distribution.

For purposes of determining the incentive distribution payable to the Manager, incentive fee core earnings ("IFCE") is defined under the partnership agreement of the operating partnership as GAAP net income (loss) of the operating

partnership excluding non-cash equity compensation expense, the expenses incurred in connection with the operating partnership's formation or continuation, the incentive distribution, real estate depreciation and amortization (to the extent that the Company forecloses on any properties underlying its assets) and any unrealized gains, losses, or other non-cash items recorded in the period, regardless of whether such items are included in other comprehensive income or loss, or in net income. The amount will be adjusted to exclude one-time events pursuant to changes in GAAP and certain other non-cash charges after discussions between the Manager and the Company's independent directors and after approval by a majority of the independent directors.

Liquidity and Capital Resources

Liquidity is a measure of our ability to turn non-cash assets into cash and to meet potential cash requirements. We use significant cash to purchase LMM loans and other target assets, originate new LMM loans, pay dividends, repay principal and interest on our borrowings, fund our operations and meet other general business needs. Our primary sources of liquidity will include our existing cash balances, borrowings, including securitizations, re-securitizations, repurchase agreements, warehouse facilities, bank credit facilities and other financing agreements (including term loans and revolving facilities), the net proceeds of offerings of equity and debt securities, including our senior secured notes, corporate debt, and net cash provided by operating activities.

We are continuing to monitor the impact of rising interest rates, credit spreads and inflation on the Company, the borrowers underlying our real estate-related assets, the tenants in the properties we own, our financing sources, and the economy as a whole. Because the severity, magnitude and duration of these economic events remain uncertain, rapidly changing and difficult to predict, the impact on our operations and liquidity also remains uncertain and difficult to predict.

Cash flow

Three Months Ended March 31, 2024. Cash and cash equivalents as of March 31, 2024, decreased by \$27.0 million to \$235.5 million from December 31, 2023, primarily due to cash used for financing activities, partially offset by cash provided by investing and operating activities. The net cash used for financing activities primarily reflected repayments of securitized debt obligations of consolidated VIEs. The net cash provided by investing activities primarily reflected proceeds on disposition and principal payments of loans, partially offset by net cash used for loan originations. The net cash provided by operating activities reflected a valuation allowance related to the transfer of Loans, net to Loans, held for sale, partially offset by an increase in operating assets.

Three Months Ended March 31, 2023. Cash and cash equivalents as of March 31, 2023, decreased by \$84.1 million to \$189.5 million from December 31, 2022, primarily due to cash used for financing and operating activities, partially offset by cash provided by investing activities. The net cash used for financing activities primarily reflected net payments on secured borrowings, partially offset by net proceeds from issuances of securitized debt. The net cash used for operating activities primarily reflected a decrease in operating liabilities and increase in operating assets, partially offset by net proceeds on disposition and principal payments of loans, held for sale. The net cash provided by investing activities primarily reflected proceeds from disposition and principal payments of loans and proceeds from the sale of real estate held for sale, partially offset by net cash used for loan originations.

Financing Strategy and Leverage

In addition to raising capital through offerings of our public equity and debt securities, we finance our investment portfolio through securitization and secured borrowings. We generally seek to match-fund our investments to minimize the differences in the terms of our investments and our liabilities. Our secured borrowings have various recourse levels including full recourse, partial recourse and non-recourse, as well as varied mark-to-market provisions including full mark-to-market, credit mark only and non-mark-to-market. Securitizations allow us to match fund loans pledged as collateral on a long-term, non-recourse basis. Securitization structures typically consist of trusts with principal and interest collections allocated to senior debt and losses on liquidated loans to equity and subordinate tranches, and provide debt equal to 50% to 90% of the cost basis of the assets.

We also finance originated Freddie Mac SBL with secured borrowings until the loans are sold, generally within 30 days.

As of March 31, 2024, we had a total leverage ratio of 3.4x and recourse leverage ratio of 0.9x. Our operating segments have different levels of recourse debt according to the differentiated nature of each segment. Our LMM Commercial Real

Estate and Small Business Lending segments have recourse leverage ratios of 0.3x and 1.1x, respectively. The remaining recourse leverage ratio is from our corporate debt offerings.

Secured Borrowings

Credit Facilities and Other Financing Agreements. We utilize credit facilities and other financing arrangements to finance our business. The financings are collateralized by the underlying mortgages, assets, related documents, and instruments, and typically contain index-based financing rate and terms, haircut and collateral posting provisions which depend on the types of collateral and the counterparties involved. These agreements often contain customary negative covenants and financial covenants, including maintenance of minimum liquidity, minimum tangible net worth, maximum debt to net worth ratio and current ratio and limitations on capital expenditures, indebtedness, distributions, transactions with affiliates and maintenance of positive net income.

The table below presents certain characteristics of our credit facilities and other financing arrangements.

Lenders ⁽¹⁾	Asset Class	Current Maturity ⁽²⁾	Pricing ⁽³⁾	Facility Size	Pledged Assets		Carrying Value at	
					Carrying Value		March 31, 2024	December 31, 2023
3	SBA loans	October 2024 - March 2025	SOFR + 2.82% Prime - 0.82%	\$ 250,000	\$ 201,894	\$	152,988	117,115
1	LMM loans - USD	February 2025	SOFR + 1.35%	80,000	5,770		5,686	20,729
1	LMM loans - Non-USD ⁽⁴⁾	January 2025	EURIBOR + 3.00%	215,926	45,501		41,466	12,079
Total borrowings under credit facilities and other financing agreements				\$ 545,926	\$ 253,165	\$	200,140	149,923

(1) Represents the total number of facility lenders.

(2) Current maturity does not reflect extension options available beyond original commitment terms.

(3) Asset class pricing is determined using an index rate plus a weighted average spread.

(4) Non-USD denominated credit facilities have been converted into USD for purposes of this disclosure.

Repurchase Agreements. Under the loan repurchase facilities and securities repurchase agreements, we may be required to pledge additional assets to our counterparties in the event that the estimated fair value of the existing pledged collateral under such agreements declines and such lenders demand additional collateral, which may take the form of additional assets or cash. Generally, the loan repurchase facilities and securities repurchase agreements contain a SOFR-based financing rate, term and haircuts depending on the types of collateral and the counterparties involved. The loan repurchase facilities also include financial maintenance covenants.

If the estimated fair values of the assets increase due to changes in market interest rates or other market factors, lenders may release collateral back to us. Margin calls may result from a decline in the value of the investments securing the loan repurchase facilities and securities repurchase agreements, prepayments on the loans securing such investments and from changes in the estimated fair value of such investments generally due to principal reduction of such investments from scheduled amortization and resulting from changes in market interest rates and other market factors. Counterparties also may choose to increase haircuts based on credit evaluations of our Company and/or the performance of the assets in question. Historically, disruptions in the financial and credit markets have resulted in increased volatility in these levels, and this volatility could persist as market conditions continue to change. Should prepayment speeds on the mortgages underlying our investments or market interest rates suddenly increase, margin calls on the loan repurchase facilities and securities repurchase agreements could result, causing an adverse change in our liquidity position. To date, we have satisfied all of our margin calls and have never sold assets in response to any margin call under these borrowings.

Our borrowings under repurchase agreements are renewable at the discretion of our lenders and, as such, our ability to roll-over such borrowings are not guaranteed. The terms of the repurchase transaction borrowings under our repurchase agreements generally conform to the terms in the standard master repurchase agreement as published by the Securities Industry and Financial Markets Association, as to repayment, margin requirements and the segregation of all assets we have initially sold under the repurchase transaction. In addition, each lender typically requires that we include supplemental terms and conditions to the standard master repurchase agreement. Typical supplemental terms and conditions, which differ by lender, may include changes to the margin maintenance requirements, required haircuts and purchase price maintenance requirements, requirements that all controversies related to the repurchase agreement be litigated in a particular jurisdiction, and cross default and setoff provisions.

We maintain certain assets, which, from time to time, may include cash, unpledged LMM loans, LMM ABS and short-term investments (which may be subject to various haircuts if pledged as collateral to meet margin requirements) and collateral in excess of margin requirements held by our counterparties, or collectively, the "Cushion", to meet routine margin calls and protect against unforeseen reductions in our borrowing capabilities. Our ability to meet future margin calls will be impacted by the Cushion, which varies based on the fair value of our investments, our cash position and

margin requirements. Our cash position fluctuates based on the timing of our operating, investing and financing activities and is managed based on our anticipated cash needs.

The table below presents certain characteristics of our repurchase agreements.

Lenders ⁽¹⁾	Asset Class	Current Maturity ⁽²⁾	Pricing ⁽³⁾	Facility Size	Pledged Assets Carrying Value	Carrying Value at	
						March 31, 2024	December 31, 2023
9	LMM loans	July 2024 - November 2026	SOFR + 3.20%	\$ 4,295,500	\$ 2,688,517	\$ 1,764,584	\$ 1,677,885
1	LMM loans - Non-USD ⁽⁴⁾	Matured	EURIBOR + 3.00%	—	—	—	45,031
6	MBS	April 2024 - August 2024	6.95%	233,548	375,953	233,548	229,236
Total borrowings under repurchase agreements				\$ 4,529,048	\$ 3,064,470	\$ 1,998,132	\$ 1,952,152

(1) Represents the total number of facility lenders.

(2) Current maturity does not reflect extension options available beyond original commitment terms.

(3) Asset class pricing is determined using an index rate plus a weighted average spread.

(4) Non-USD denominated repurchase agreements have been converted into USD for purposes of this disclosure.

Collateralized borrowings under repurchase agreements

The table below presents the amount of collateralized borrowings outstanding under repurchase agreements as of the end of each quarter, the average amount of collateralized borrowings outstanding under repurchase agreements during the quarter and the highest balance of any month end during the quarter.

(in thousands)	Quarter End Balance	Average Balance in Quarter	Highest Month End Balance in Quarter
Q2 2022	2,701,180	2,805,935	3,009,961
Q3 2022	2,870,807	2,887,318	2,940,474
Q4 2022	2,329,270	2,295,348	2,329,270
Q1 2023	1,959,888	2,094,621	2,371,413
Q2 2023	1,792,366	1,945,290	2,022,433
Q3 2023	1,915,878	1,876,204	1,915,879
Q4 2023	1,952,152	1,889,494	1,952,152
Q1 2024	1,998,132	1,956,153	1,998,132

The net increase in the outstanding balances during the first quarter of 2024 was primarily due to increased borrowings to fund origination volumes.

Paycheck Protection Program Liquidity Facility borrowings. The Company uses the Paycheck Protection Program Liquidity Facility ("PPPLF") from the Federal Reserve to finance PPP loans. The program charges an interest rate of 0.35%. As of March 31, 2024, we had approximately \$28.3 million outstanding under this credit facility.

Senior Secured Notes and Corporate Debt, Net

The table below presents information about senior secured notes and corporate debt issued through public and private transactions.

(in thousands)	Coupon Rate	Maturity Date	March 31, 2024
Senior secured notes principal amount ⁽¹⁾	4.50 %	10/20/2026	\$ 350,000
Unamortized deferred financing costs - Senior secured notes			(4,430)
Total Senior secured notes, net			\$ 345,570
Corporate debt principal amount ⁽²⁾	5.50 %	12/30/2028	110,000
Corporate debt principal amount ⁽³⁾	6.20 %	7/30/2026	104,614
Corporate debt principal amount ⁽³⁾	5.75 %	2/15/2026	206,270
Corporate debt principal amount ⁽⁴⁾	6.125 %	4/30/2025	120,000
Corporate debt principal amount ⁽⁵⁾	7.375 %	7/31/2027	100,000
Corporate debt principal amount ⁽⁶⁾	5.00 %	11/15/2026	100,000
Unamortized discount - corporate debt			(6,432)
Unamortized deferred financing costs - corporate debt			(4,618)
Junior subordinated notes principal amount ⁽⁷⁾	SOFR + 3.10 %	3/30/2035	15,000
Junior subordinated notes principal amount ⁽⁸⁾	SOFR + 3.10 %	4/30/2035	21,250
Total corporate debt, net			\$ 766,084
Total carrying amount of debt			\$ 1,111,654

(1) Interest on the senior secured notes is payable semiannually on April 20 and October 20 of each year.

(2) Interest on the corporate debt is payable semiannually on June 30 and December 30 of each year.

(3) Interest on the corporate debt is payable quarterly on January 30, April 30, July 30, and October 30 of each year.

(4) Interest on the corporate debt is payable semiannually on April 30 and October 30 of each year.

(5) Interest on the corporate debt is payable semiannually on January 31 and July 31 of each year.

(6) Interest on the corporate debt is payable semiannually on May 15 and November 15 of each year; assumed as part of the Broadmark Merger.

(7) Interest on the Junior subordinated notes I-A is payable quarterly on March 30, June 30, September 30, and December 30 of each year.

(8) Interest on the Junior subordinated notes I-B is payable quarterly on January 30, April 30, July 30, and October 30 of each year.

The table below presents the contractual maturities for senior secured notes and corporate debt.

(in thousands)	March 31, 2024
2024	\$ —
2025	120,000
2026	760,884
2027	100,000
2028	110,000
Thereafter	36,250
Total contractual amounts	\$ 1,127,134
Unamortized deferred financing costs, discounts, and premiums, net	(15,480)
Total carrying amount of debt	\$ 1,111,654

ReadyCap Holdings 4.50% senior secured notes due 2026. On October 20, 2021, ReadyCap Holdings, an indirect subsidiary of the Company, completed the offer and sale of \$350.0 million of its 4.50% Senior Secured Notes due 2026 (the "Senior Secured Notes"). The Senior Secured Notes are fully and unconditionally guaranteed by the Company, each direct parent entity of ReadyCap Holdings, and other direct or indirect subsidiaries of the Company from time to time that is a direct parent entity of Sutherland Asset III, LLC or otherwise pledges collateral to secure the Senior Secured Notes (collectively, the "Guarantors").

ReadyCap Holdings' and the Guarantors' respective obligations under the Senior Secured Notes are secured by a perfected first-priority lien on certain capital stock and assets (collectively, the "SSN Collateral") owned by certain subsidiaries of the Company.

The Senior Secured Notes are redeemable by ReadyCap Holdings' following a non-call period, through the payment of the outstanding principal balance of the Senior Secured Notes plus a "make-whole" or other premium that decreases the closer the Senior Secured Notes are to maturity. ReadyCap Holdings is required to offer to repurchase the Senior Secured Notes at 101% of the principal balance of the Senior Secured Notes in the event of a change in control and a downgrade of the rating on the Senior Secured Notes in connection therewith, as set forth more fully in the note purchase agreement.

The Senior Secured Notes were issued pursuant to a note purchase agreement, which contains certain customary negative covenants and requirements relating to the collateral and our company, including maintenance of minimum liquidity, minimum tangible net worth, maximum debt to net worth ratio and limitations on transactions with affiliates.

Corporate debt.

We issue senior unsecured notes in public and private transactions. The notes are governed by a base indenture and supplemental indentures. Often, the notes are redeemable by us following a non-call period, through the payment of the outstanding principal balance plus a "make-whole" or other premium that typically decreases the closer the notes are to maturity. We are often required to offer to repurchase the notes, in some cases at 101% of the principal balance of the notes, in the event of a change in control or fundamental change pertaining to our company, as defined in the applicable supplemental indentures. The notes rank equal in right of payment to any of our existing and future unsecured and unsubordinated indebtedness; effectively junior in right of payment to any of our existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness, other liabilities (including trade payables) and (to the extent not held by us) preferred stock, if any, of our subsidiaries. The supplemental indentures governing the notes often contain customary negative covenants and financial covenants relating to maintenance of minimum liquidity, minimum tangible net worth, maximum debt to net worth ratio and limitations on transactions with affiliates.

In addition, in connection with the Broadmark Merger, RCC Merger Sub, a wholly owned subsidiary of the Company, assumed Broadmark's obligations on certain senior unsecured notes. The note purchase agreement governing these notes contains financial covenants that require compliance with leverage and coverage ratios and maintenance of minimum tangible net worth, as well as other customary affirmative and negative covenants.

The Debt ATM Agreement

On May 20, 2021, the Company entered into an At Market Issuance Sales Agreement (the "Sales Agreement") with B. Riley Securities, Inc. (the "Agent"), pursuant to which it may offer and sell, from time to time, up to \$100.0 million of the 6.20% 2026 Notes and the 5.75% 2026 Notes. Sales of the 6.20% 2026 Notes and the 5.75% 2026 Notes pursuant to the Sales Agreement, if any, may be made in transactions that are deemed to be "at the market offerings" as defined in Rule 415 under the Securities Act (the "Debt ATM Program"). The Agent is not required to sell any specific number of the notes, but the Agent will make all sales using commercially reasonable efforts consistent with its normal trading and sales

practices on mutually agreed terms between the Agent and the Company. No such sales through the Debt ATM Program were made during the three months ended March 31, 2024 or March 31, 2023.

Securitization transactions

Our Manager's extensive experience in loan acquisition, origination, servicing and securitization strategies has enabled us to complete several securitizations of LMM and SBA loan assets since January 2011. These securitizations allow us to match fund the LMM and SBA loans on a long-term, non-recourse basis. The assets pledged as collateral for these securitizations were contributed from our portfolio of assets. By contributing these LMM and SBA assets to the various securitizations, these transactions created capacity for us to fund other investments.

The table below presents information on the securitization structures and related issued tranches of notes to investors.

(in millions)	Collateral Asset Class	Issuance	Active / Collapsed	Bonds Issued
Trusts (Firm sponsored)				
Waterfall Victoria Mortgage Trust 2011-1 (SBC1)	LMM Acquired loans	February 2011	Collapsed	\$ 40.5
Waterfall Victoria Mortgage Trust 2011-3 (SBC3)	LMM Acquired loans	October 2011	Collapsed	143.4
Sutherland Commercial Mortgage Trust 2015-4 (SBC4)	LMM Acquired loans	August 2015	Collapsed	125.4
Sutherland Commercial Mortgage Trust 2018 (SBC7)	LMM Acquired loans	November 2018	Collapsed	217.0
ReadyCap Lending Small Business Trust 2015-1 (RCLT 2015-1)	Acquired SBA 7(a) loans	June 2015	Collapsed	189.5
ReadyCap Lending Small Business Loan Trust 2019-2 (RCLT 2019-2)	Originated SBA 7(a) loans, Acquired SBA 7(a) loans	December 2019	Active	131.0
ReadyCap Lending Small Business Loan Trust 2023-3 (RCLT 2023-3)	Originated SBA 7(a) loans, Acquired SBA 7(a) loans	July 2023	Active	132.0
Real Estate Mortgage Investment Conduits (REMICs)				
ReadyCap Commercial Mortgage Trust 2014-1 (RCMT 2014-1)	LMM Originated conventional	September 2014	Collapsed	181.7
ReadyCap Commercial Mortgage Trust 2015-2 (RCMT 2015-2)	LMM Originated conventional	November 2015	Active	218.8
ReadyCap Commercial Mortgage Trust 2016-3 (RCMT 2016-3)	LMM Originated conventional	November 2016	Active	162.1
ReadyCap Commercial Mortgage Trust 2018-4 (RCMT 2018-4)	LMM Originated conventional	March 2018	Active	165.0
Ready Capital Mortgage Trust 2019-5 (RCMT 2019-5)	LMM Originated conventional	January 2019	Active	355.8
Ready Capital Mortgage Trust 2019-6 (RCMT 2019-6)	LMM Originated conventional	November 2019	Active	430.7
Ready Capital Mortgage Trust 2022-7 (RCMT 2022-7)	LMM Originated conventional	April 2022	Active	276.8
Waterfall Victoria Mortgage Trust 2011-2 (SBC2)	LMM Acquired loans	March 2011	Collapsed	97.6
Sutherland Commercial Mortgage Trust 2018 (SBC6)	LMM Acquired loans	August 2017	Active	154.9
Sutherland Commercial Mortgage Trust 2019 (SBC8)	LMM Acquired loans	June 2019	Active	306.5
Sutherland Commercial Mortgage Trust 2020 (SBC9)	LMM Acquired loans	June 2020	Collapsed	203.6
Sutherland Commercial Mortgage Trust 2021 (SBC10)	LMM Acquired loans	May 2021	Active	232.6
Collateralized Loan Obligations (CLOs)				
Ready Capital Mortgage Financing 2017 – FL1	LMM Originated bridge	August 2017	Collapsed	198.8
Ready Capital Mortgage Financing 2018 – FL2	LMM Originated bridge	June 2018	Collapsed	217.1
Ready Capital Mortgage Financing 2019 – FL3	LMM Originated bridge	April 2019	Collapsed	320.2
Ready Capital Mortgage Financing 2020 – FL4	LMM Originated bridge	June 2020	Collapsed	405.3
Ready Capital Mortgage Financing 2021 – FL5	LMM Originated bridge	March 2021	Active	628.9
Ready Capital Mortgage Financing 2021 – FL6	LMM Originated bridge	August 2021	Active	652.5
Ready Capital Mortgage Financing 2021 – FL7	LMM Originated bridge	November 2021	Active	927.2
Ready Capital Mortgage Financing 2022 – FL8	LMM Originated bridge	March 2022	Active	1,135.0
Ready Capital Mortgage Financing 2022 – FL9	LMM Originated bridge	June 2022	Active	754.2
Ready Capital Mortgage Financing 2022 – FL10	LMM Originated bridge	October 2022	Active	860.1
Ready Capital Mortgage Financing 2023 – FL11	LMM Originated bridge	February 2023	Active	586.0
Ready Capital Mortgage Financing 2023 – FL12	LMM Originated bridge	June 2023	Active	648.6
Trusts (Non-firm sponsored)				
Freddie Mac Small Balance Mortgage Trust 2016-SB11	Originated agency multi-family	January 2016	Active	110.0
Freddie Mac Small Balance Mortgage Trust 2016-SB18	Originated agency multi-family	July 2016	Active	118.0
Freddie Mac Small Balance Mortgage Trust 2017-SB33	Originated agency multi-family	June 2017	Active	197.9
Freddie Mac Small Balance Mortgage Trust 2018-SB45	Originated agency multi-family	January 2018	Active	362.0
Freddie Mac Small Balance Mortgage Trust 2018-SB52	Originated agency multi-family	September 2018	Active	505.0
Freddie Mac Small Balance Mortgage Trust 2018-SB56	Originated agency multi-family	December 2018	Active	507.3
Key Commercial Mortgage Trust 2020-S3 ⁽¹⁾	LMM Originated conventional	September 2020	Active	263.2

⁽¹⁾ Contributed portion of assets into trust

We used the proceeds from the sale of the tranches issued to purchase and originate LMM and SBA loans. We are the primary beneficiary of all firm sponsored securitizations; therefore they are consolidated in our financial statements.

Contractual Obligations and Off-Balance Sheet Arrangements

Other than the items referenced above, there have been no material changes to our contractual obligations for the three months ended March 31, 2024. Refer to Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Contractual Obligations," in the Company's Form 10-K for further details. As of the date of this Form 10-Q, we had no off-balance sheet arrangements, other than as disclosed.

Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with GAAP, which requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. We believe that all of the decisions and assessments upon which our consolidated financial statements are based were reasonable at the time made, based upon information available to us at that time. The following discussion describes the critical accounting estimates that apply to our operations and require complex management judgment. This summary should be read in conjunction with our accounting policies and use of estimates included in "Notes to Consolidated Financial Statements, Note 3 – Summary of Significant Accounting Policies" included in Item 8, "Financial Statements and Supplementary Data," in the Company's Form 10-K.

Allowance for credit losses

The allowance for credit losses consists of the allowance for losses on loans and lending commitments accounted for at amortized cost. Such loans and lending commitments are reviewed quarterly considering credit quality indicators, including probable and historical losses, collateral values, LTV ratio and economic conditions. The allowance for credit losses increases through provisions charged to earnings and reduced by charge-offs, net of recoveries.

We utilize loan loss forecasting models for estimating expected life-time credit losses, at the individual loan level, for its loan portfolio. The Current Expected Credit Loss ("CECL") forecasting methods used by the Company include (i) a probability of default and loss given default method using underlying third-party CMBS/CRE loan database with historical loan losses and (ii) probability weighted expected cash flow method, depending on the type of loan and the availability of relevant historical market loan loss data. We might use other acceptable alternative approaches in the future depending on, among other factors, the type of loan, underlying collateral, and availability of relevant historical market loan loss data.

We estimate the CECL expected credit losses for our loan portfolio at the individual loan level. Significant inputs to our forecasting methods include (i) key loan-specific inputs such as LTV, vintage year, loan-term, underlying property type, occupancy, geographic location, and others, and (ii) a macro-economic forecast. These estimates may change in future periods based on available future macro-economic data and might result in a material change in our future estimates of expected credit losses for its loan portfolio.

In certain instances, we consider relevant loan-specific qualitative factors to certain loans to estimate its CECL expected credit losses. We consider loan investments that are both (i) expected to be substantially repaid through the operation or sale of the underlying collateral, and (ii) for which the borrower is experiencing financial difficulty, to be "collateral-dependent" loans. For such loans that we determine that foreclosure of the collateral is probable, we measure the expected losses based on the difference between the fair value of the collateral (less costs to sell the asset if repayment is expected through the sale of the collateral) and the amortized cost basis of the loan as of the measurement date. For collateral-dependent loans that we determine foreclosure is not probable, we apply a practical expedient to estimate expected losses using the difference between the collateral's fair value (less costs to sell the asset if repayment is expected through the sale of the collateral) and the amortized cost basis of the loan.

While we have a formal methodology to determine the adequate and appropriate level of the allowance for credit losses, estimates of inherent loan losses involve judgment and assumptions as to various factors, including current economic conditions. Our determination of adequacy of the allowance for credit losses is based on quarterly evaluations of the above factors. Accordingly, the provision for loan losses will vary from period to period based on management's ongoing assessment of the adequacy of the allowance for credit losses.

Significant judgment is required when evaluating loans for impairment; therefore, actual results over time could be materially different. Refer to "Notes to Consolidated Financial Statements, Note 6 – Loans and Allowance for Credit Losses" included in this Form 10-Q for results of our loan impairment evaluation.

Valuation of financial assets and liabilities carried at fair value

We measure our MBS, derivative assets and liabilities, and any assets or liabilities where we have elected the fair value option at fair value, including certain loans we have originated that are expected to be sold to third parties or securitized in the near term.

We have established valuation processes and procedures designed so that fair value measurements are appropriate and reliable, that they are based on observable inputs where possible, that the valuation approaches are consistently applied, and the assumptions and inputs are reasonable. We also have established processes to provide that the valuation methodologies, techniques and approaches for investments that are categorized within Level 3 of the ASC 820 *Fair Value Measurement* fair value hierarchy (the "fair value hierarchy") are fair, consistent and verifiable. Our processes provide a framework that ensures the oversight of our fair value methodologies, techniques, validation procedures, and results.

When actively quoted observable prices are not available, we either use implied pricing from similar assets and liabilities or valuation models based on net present values of estimated future cash flows, adjusted as appropriate for liquidity, credit, market and/or other risk factors. Refer to "Notes to Consolidated Financial Statements, Note 7 – Fair Value Measurements" included in Item 8, "Financial Statements and Supplementary Data," in the Form 10-K for a more complete discussion of our critical accounting estimates as they pertain to fair value measurements.

Servicing rights impairment

Servicing rights, at amortized cost, are initially recorded at fair value and subsequently carried at amortized cost.

For purposes of testing our servicing rights, carried at amortized cost, for impairment, we first determine whether facts and circumstances exist that would suggest the carrying value of the servicing asset is not recoverable. If so, we then compare the net present value of servicing cash flow with its carrying value. The estimated net present value of servicing cash flows of the intangibles is determined using discounted cash flow modeling techniques which require management to make estimates regarding future net servicing cash flows, taking into consideration historical and forecasted loan prepayment rates, delinquency rates and anticipated maturity defaults. If the carrying value of the servicing rights exceeds the net present value of servicing cash flows, the servicing rights are considered impaired and an impairment loss is recognized in earnings for the amount by which carrying value exceeds the net present value of servicing cash flows. We monitor the actual performance of our servicing rights by regularly comparing actual cash flow, credit, and prepayment experience to modeled estimates.

Significant judgment is required when evaluating servicing rights for impairment; therefore, actual results over time could be materially different. Refer to "Notes to Consolidated Financial Statements, Note 8 – Servicing Rights" included in this Form 10-Q for a more complete discussion of our critical accounting estimates as they pertain to servicing rights impairment.

Refer to "Notes to Consolidated Financial Statements, Note 4– Recently Issued Accounting Pronouncements" included in Item 8, "Financial Statements and Supplementary Data," in the Company's Form 10-K for a discussion of recent accounting developments and the expected impact to the Company.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

In the normal course of business, we enter into transactions in various financial instruments that expose us to various types of risk, both on and off-balance sheet, which are associated with such financial instruments and markets for which we invest. These financial instruments expose us to varying degrees of market risk, credit risk, interest rate risk, liquidity risk, off-balance sheet risk and prepayment risk. Many of these risks have been augmented due to the continuing economic disruptions caused by inflationary pressures, rising energy costs, heightened geopolitical tensions, and the impact of pandemics and epidemics which remain uncertain and difficult to predict. We continue to monitor the impact and effect of these risks in our operations.

Market risk. Market risk is the potential adverse changes in the values of the financial instrument due to unfavorable changes in the level or volatility of interest rates, foreign currency exchange rates, or market values of the underlying financial instruments. We attempt to mitigate our exposure to market risk by entering into offsetting transactions, which may include purchase or sale of interest-bearing securities and equity securities.

Credit risk. We are subject to credit risk in connection with our investments in LMM loans and LMM ABS and other target assets we may acquire in the future. The credit risk related to these investments pertains to the ability and willingness of the borrowers to pay, which is assessed before credit is granted or renewed and periodically reviewed throughout the loan or security term. We believe that loan credit quality is primarily determined by the borrowers' credit profiles and loan characteristics. We seek to mitigate this risk by seeking to acquire assets at appropriate prices given anticipated and unanticipated losses and by deploying a value-driven approach to underwriting and diligence, consistent with our historical

investment strategy, with a focus on projected cash flows and potential risks to cash flow. We further mitigate our risk of potential losses while managing and servicing our loans by performing various workout and loss mitigation strategies with delinquent borrowers. Nevertheless, unanticipated credit losses could occur which could adversely impact operating results.

Interest rate risk. Interest rate risk is highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond our control.

Our operating results will depend, in part, on differences between the income from our investments and our financing costs. Our debt financing is based on a floating rate of interest calculated on a fixed spread over the relevant index, subject to a floor, as determined by the particular financing arrangement. The general impact of changing interest rates is discussed above under “— Factors Impacting Operating Results — Changes in Market Interest Rates.” In the event of a significant rising interest rate environment and/or economic downturn, defaults could increase and result in credit losses to us, which could materially and adversely affect our business, financial condition, liquidity, results of operations and prospects. Furthermore, such defaults could have an adverse effect on the spread between our interest-earning assets and interest-bearing liabilities.

Additionally, non-performing LMM loans are not as interest rate sensitive as performing loans, as earnings on non-performing loans are often generated from restructuring the assets through loss mitigation strategies and opportunistically disposing of them. Because non-performing LMM loans are short-term assets, the discount rates used for valuation are based on short-term market interest rates, which may not move in tandem with long-term market interest rates.

The table below projects the impact on our interest income and expense for the twelve-month period following March 31, 2024, assuming an immediate increase or decrease of 25, 50, 75, and 100 basis points in interest rates.

12-month pretax net interest income sensitivity profiles								
(in thousands)	Instantaneous change in rates							
	25 basis point increase	50 basis point increase	75 basis point increase	100 basis point increase	25 basis point decrease	50 basis point decrease	75 basis point decrease	100 basis point decrease
Assets:								
Loans	\$ 18,232	\$ 36,468	\$ 54,706	\$ 72,944	\$ (18,170)	\$ (36,298)	\$ (54,381)	\$ (72,331)
Interest rate swap hedges	1,513	3,026	4,538	6,051	(1,513)	(3,026)	(4,538)	(6,051)
Total	\$ 19,745	\$ 39,494	\$ 59,244	\$ 78,995	\$ (19,683)	\$ (39,324)	\$ (58,919)	\$ (78,382)
Liabilities:								
Secured borrowings	(4,898)	(9,795)	(14,693)	(19,590)	4,898	9,795	14,693	19,590
Securitized debt obligations	(10,233)	(20,467)	(30,700)	(40,934)	10,233	20,467	30,700	40,934
Total	\$ (15,131)	\$ (30,262)	\$ (45,393)	\$ (60,524)	\$ 15,131	\$ 30,262	\$ 45,393	\$ 60,524
Total Net Impact to Net Interest Income (Expense)	\$ 4,614	\$ 9,232	\$ 13,851	\$ 18,471	\$ (4,552)	\$ (9,062)	\$ (13,526)	\$ (17,858)

Such hypothetical impact of interest rates on our variable rate debt does not consider the effect of any change in overall economic activity that could occur in a rising interest rate environment. Further, in the event of such a change in interest rates, we may take actions to further mitigate our exposure to such a change. However, due to the uncertainty of the specific actions that would be taken and their possible effects, this analysis assumes no changes in our financial structure.

Liquidity risk. Liquidity risk arises in our investments and the general financing of our investing activities. It includes the risk of not being able to fund acquisition and origination activities at settlement dates and/or liquidate positions in a timely manner at a reasonable price, in addition to potential increases in collateral requirements during times of heightened market volatility. If we were forced to dispose of an illiquid investment at an inopportune time, we might be forced to do so at a substantial discount to the market value, resulting in a realized loss. We attempt to mitigate our liquidity risk by regularly monitoring the liquidity of our investments in LMM loans, ABS and other financial instruments. Factors such as our expected exit strategy for, the bid to offer spread of, and the number of broker dealers making an active market in a particular strategy and the availability of long-term funding, are considered in analyzing liquidity risk. To reduce any perceived disparity between the liquidity and the terms of the debt instruments in which we invest, we attempt to minimize our reliance on short-term financing arrangements. While we may finance certain investments in security positions using traditional margin arrangements and reverse repurchase agreements, other financial instruments such as collateralized debt obligations, and other longer-term financing vehicles may be utilized to provide us with sources of long-term financing.

Prepayment risk. Prepayment risk is the risk that principal will be repaid at a different rate than anticipated, causing the return on certain investments to be less than expected. As we receive prepayments of principal on our assets, any premiums paid on such assets are amortized against interest income. In general, an increase in prepayment rates accelerates the amortization of purchase premiums, thereby reducing the interest income earned on the assets. Conversely, discounts on such assets are accreted into interest income. In general, an increase in prepayment rates accelerates the accretion of purchase discounts, thereby increasing the interest income earned on the assets.

LMM loan and ABS extension risk. Our Manager computes the projected weighted-average life of our assets based on assumptions regarding the rate at which the borrowers will prepay the mortgages or extend. If prepayment rates decrease in a rising interest rate environment or extension options are exercised, the life of the fixed-rate assets could extend beyond the term of the secured debt agreements. This could have a negative impact on our results of operations. In some situations, we may be forced to sell assets to maintain adequate liquidity, which could cause us to incur losses.

Real estate risk. The market values of commercial assets are subject to volatility and may be affected adversely by a number of factors, including, but not limited to, national, regional and local economic conditions (which may be adversely affected by industry slowdowns and other factors); local real estate conditions (such as an oversupply of housing, retail, industrial, office or other commercial space); changes or continued weakness in specific industry segments; construction quality, construction cost, age and design; demographic factors; and retroactive changes to building or similar codes. In addition, decreases in property values reduce the value of the collateral and the potential proceeds available to a borrower to repay the underlying loans, which could also cause us to suffer losses.

Fair value risk. The estimated fair value of our investments fluctuates primarily due to changes in interest rates. Generally, in a rising interest rate environment, the estimated fair value of the fixed-rate investments would be expected to decrease; conversely, in a decreasing interest rate environment, the estimated fair value of the fixed-rate investments would be expected to increase. As market volatility increases or liquidity decreases, the fair value of our assets recorded and/or disclosed may be adversely impacted. Our economic exposure is generally limited to our net investment position as we seek to fund fixed rate investments with fixed rate financing or variable rate financing hedged with interest rate swaps.

Counterparty risk. We finance the acquisition of a significant portion of our commercial mortgage loans, MBS and other assets with our repurchase agreements, credit facilities, and other financing agreements. In connection with these financing arrangements, we pledge our mortgage loans and securities as collateral to secure the borrowings. The amount of collateral pledged will typically exceed the amount of the borrowings (i.e. the haircut) such that the borrowings will be over-collateralized. As a result, we are exposed to the counterparty if, during the term of the financing, a lender should default on its obligation and we are not able to recover our pledged assets. The amount of this exposure is the difference between the amount loaned to us plus interest due to the counterparty and the fair value of the collateral pledged by us to the lender including accrued interest receivable on such collateral.

We are exposed to changing interest rates and market conditions, which affects cash flows associated with borrowings. We enter into derivative instruments, such as interest rate swaps, to mitigate these risks. Interest rate swaps are used to mitigate the exposure to changes in interest rates and involve the receipt of variable-rate interest amounts from a counterparty in exchange for us making payments based on a fixed interest rate over the life of the swap contract.

Certain of our subsidiaries have entered into over-the-counter ("OTC") interest rate swap agreements to hedge risks associated with movements in interest rates. Because certain interest rate swaps were not cleared through a central counterparty, we remain exposed to the counterparty's ability to perform its obligations under each such swap and cannot look to the creditworthiness of a central counterparty for performance. As a result, if an OTC swap counterparty cannot perform under the terms of an interest rate swap, our subsidiary would not receive payments due under that agreement, we may lose any unrealized gain associated with the interest rate swap and the hedged liability would cease to be hedged by the interest rate swap. While we would seek to terminate the relevant OTC swap transaction and may have a claim against the defaulting counterparty for any losses, including unrealized gains, there is no assurance that we would be able to recover such amounts or to replace the relevant swap on economically viable terms or at all. In such case, we could be forced to cover our unhedged liabilities at the then current market price. We may also be at risk for any collateral we have pledged to secure our obligations under the OTC interest rate swap if the counterparty becomes insolvent or files for bankruptcy. Therefore, upon a default by an interest rate swap agreement counterparty, the interest rate swap would no longer mitigate the impact of changes in interest rates as intended.

The table below presents information with respect to any counterparty for repurchase agreements for which our Company had greater than 5% of stockholders' equity at risk in the aggregate.

(in thousands)	March 31, 2024			
	Counterparty Rating	Amount of Risk	Weighted Average Months to Maturity for Agreement	Percentage of Stockholders' Equity
JPMorgan Chase Bank, N.A.	A+/Aa2	\$ 583,305	27	23.3%

In the table above,

- The counterparty ratings presented are the long-term issuer credit rating as rated by S&P and Moody's, respectively.
- The amount at risk reflects the difference between the amount loaned through repurchase agreements, including interest payable, and the cash and fair value of the assets pledged as collateral, including accrued interest receivable.

Capital market risk. We are exposed to risks related to the equity capital markets, and our related ability to raise capital through the issuance of our common stock or other equity instruments. We are also exposed to risks related to the debt capital markets, and our related ability to finance our business through borrowings under repurchase obligations or other financing arrangements. As a REIT, we are required to distribute a significant portion of our taxable income annually, which constrains our ability to accumulate operating cash flow and therefore requires us to utilize debt or equity capital to finance our business. We seek to mitigate these risks by monitoring the debt and equity capital markets to inform our decisions on the amount, timing, and terms of capital we raise.

Off-balance sheet risk. Off-balance sheet risk refers to situations where the maximum potential loss resulting from changes in the level or volatility of interest rates, foreign currency exchange rates or market values of the underlying financial instruments may result in changes in the value of a particular financial instrument in excess of the reported amounts of such assets and liabilities currently reflected in the accompanying consolidated balance sheets.

Inflation risk. Most of our assets and liabilities are interest rate sensitive in nature. As a result, interest rates and other factors influence our performance significantly more than inflation does. Changes in interest rates may, but do not necessarily, correlate with inflation rates and/or changes in inflation rates. Refer to "Quantitative and Qualitative Disclosures About Market Risk – Interest Rate Risk" in this Form 10-Q for a discussion on interest rate sensitivity.

Item 4. Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to its management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based on the definition of "disclosure controls and procedures" as promulgated under the Exchange Act and the rules and regulations thereunder. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The Company, including its Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of its disclosure controls and procedures as of March 31, 2024. Based on the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There have been no changes to the Company's internal control over financial reporting as defined in Exchange Act Rule 13a-15(f) during the quarter ended March 31, 2024, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, the Company may be involved in various claims and legal actions in the ordinary course of business. Currently, no material legal proceedings are pending or, to our knowledge, threatened against us.

Item 1A. Risk Factors

There have been no material changes from risk factors previously disclosed in the Company's Form 10-K under Part I, Item 1A. You should be aware that these risk factors and other information may not describe every risk facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

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

Share Repurchase Program

On March 6, 2018, our Board approved a share repurchase program authorizing, but not obligating, the repurchase of our common stock, and on September 29, 2022, our Board approved an increase to the size of the share repurchase program bringing the total authorized repurchases thereunder to \$50.0 million. To facilitate further repurchases, on June 1, 2023, our Board approved a new share repurchase program, replacing the previous program, authorizing, but not obligating, the repurchase of up to \$100.0 million of our common stock. Repurchases under the stock repurchase programs may be made at management's discretion from time to time on the open market, in privately negotiated transactions or otherwise, in each case subject to compliance with all Securities and Exchange Commission rules and other legal requirements and may be made in part under one or more Rule 10b5-1 plans, which permit stock repurchases at times when we might otherwise be precluded from doing so. The timing and amount of repurchase transactions will be determined by our management based on its evaluation of market conditions, share price, legal requirements and other factors.

The table below presents purchases of our common stock during the quarter.

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Maximum Shares (or Approximate Dollar Value) That May Yet Be Purchased Under the Program
January	13,848	\$ 10.02	—	\$ 81,953,841
February	205,806	8.97	113,895	80,954,310
March	2,025,055	8.88	2,025,055	62,967,390
Total	2,244,709 ⁽¹⁾	\$ 8.90 ⁽²⁾	2,138,950	\$ 62,967,390

(1) Total shares purchased includes shares of common stock owned by certain of our employees which have been surrendered by them to satisfy their tax and other compensation related withholdings associated with the vesting of restricted stock units and other equity awards.

(2) The price paid per share is based on the price of our common stock as of the date of the withholding.

Item 3. Default Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None of our officers and directors entered into, modified or terminated any "Rule 10b5-1 trading arrangements" or "non-Rule 10b5-1 trading arrangements" (each as defined in Item 408(c) of Regulation S-K) during the quarter ended March 31, 2024.

Item 6. Exhibits

Exhibit number	Exhibit description
2.1*	Merger Agreement, by and among Ready Capital Corporation, Ready Capital, RC Mosaic Sub, LLC, a Delaware limited liability company, Sutherland Partners, L.P., a Delaware limited partnership, Mosaic Real Estate Credit, LLC, a Delaware limited liability company, Mosaic Real Estate Credit TE, LLC, a Delaware limited liability company, MREC International Incentive Split, LP, a Delaware limited partnership, Mosaic Real Estate Credit Offshore, LP, a Cayman Islands exempted limited partnership, MREC Corp Sub 1 (VO), LLC, a Delaware limited liability company, MREC Corp Sub 2 (LA Office), LLC, a Delaware limited liability company, MREC Corp Sub 3 (Superblock), LLC, a Delaware limited liability company, Mosaic Special Member, LLC, a Delaware limited liability company, Mosaic Secured Holdings, LLC, a Delaware limited liability company, and MREC Management, LLC, dated as of November 3, 2021 (incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K filed November 9, 2021).
2.2*	First Amendment to Merger Agreement, dated February 7, 2022, by and among Ready Capital Corporation, Sutherland Partners, L.P., RC Mosaic Sub, LLC, Mosaic Real Estate Credit, LLC, Mosaic Real Estate Credit TE, LLC, MREC International Incentive Split, LP, Mosaic Real Estate Credit Offshore, LP, MREC Corp Sub 1 (VO), LLC, MREC Corp Sub 2 (LA Office), LLC, MREC Corp Sub 3 (Superblock), LLC, Mosaic Special Member, LLC, Mosaic Secured Holdings, LLC and MREC Management, LLC (incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K filed February 7, 2022).
2.3*	Agreement and Plan of Merger, dated as of February 26, 2023, by and among Ready Capital Corporation, RCC Merger Sub, LLC and Broadmark Realty Capital Inc. (incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K filed February 28, 2023).
3.1*	Articles of Amendment and Restatement of ZAIS Financial Corp. (incorporated by reference to Exhibit 3.1 of the Registrant's Form S-11, as amended (Registration No. 333-185938)).
3.2*	Articles Supplementary of ZAIS Financial Corp. (incorporated by reference to Exhibit 3.2 of the Registrant's Form S-11, as amended (Registration No. 333-185938)).
3.3*	Articles of Amendment and Restatement of Sutherland Asset Management Corporation (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed November 4, 2016).
3.4*	Articles of Amendment of Ready Capital Corporation (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed on September 26, 2018).
3.5*	Articles Supplementary to the Articles of Amendment of Ready Capital Corporation designating the shares of 6.25% Series C Cumulative Convertible Preferred Stock, \$0.0001 par value per share (incorporated by reference to Exhibit 3.7 to the Registrant's Registration Statement on Form 8-A filed on March 19, 2021).
3.6*	Articles Supplementary to the Articles of Amendment of Ready Capital Corporation designating the shares of 6.50% Series E Cumulative Redeemable Preferred Stock, \$0.0001 par value per share (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on June 10, 2021).
3.7*	Articles Supplementary to the Articles of Amendment of Ready Capital Corporation designating the shares of Class B-1 Common Stock, \$0.0001 par value per share, Class B-2 Common Stock, \$0.0001 par value per share, Class B-3 Common Stock, \$0.0001 par value per share, and Class B-4 Common Stock, \$0.0001 par value per share (incorporated by reference to Exhibit 4.8 to the Registration Statement on Form S-3 filed with the SEC on March 21, 2022).
3.8*	Amended and Restated Bylaws of Ready Capital Corporation (incorporated by reference to Exhibit 3.2 to the Registrant's Form 8-K filed on September 26, 2018).

- 3.9* [Certificate of Notice, dated May 11, 2022, relating to the automatic conversion of the Class B-1 Common Stock, \\$0.0001 par value per share, Class B-2 Common Stock, \\$0.0001 par value per share, Class B-3 Common Stock, \\$0.0001 par value per share, and Class B-4 Common Stock, \\$0.0001 par value per share, into Common Stock, \\$0.0001 par value per share \(incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-K filed on May 10, 2022\).](#)
- 3.10* [Articles Supplementary to the Articles of Amendment of Ready Capital Corporation reclassifying and designating the Class B-1 Common Stock, \\$0.0001 par value per share, Class B-2 Common Stock, \\$0.0001 par value per share, Class B-3 Common Stock, \\$0.0001 par value per share, and Class B-4 Common Stock, \\$0.0001 par value per share, as Common Stock, \\$0.0001 par value per share \(incorporated by reference to Exhibit 3.2 to the Registrant's Form 8-K filed on May 10, 2022\).](#)
- 4.1* [Indenture, dated February 13, 2017, by and among ReadyCap Holdings, LLC, as issuer, Sutherland Asset Management Corporation, Sutherland Partners, L.P., Sutherland Asset I, LLC and ReadyCap Commercial, LLC, each as guarantors, and U.S. Bank National Association, as trustee \(incorporated by reference to Exhibit 4.1 of the Registrant's Current Report on Form 8-K filed February 13, 2017\).](#)
- 4.2* [First Supplemental Indenture, dated February 13, 2017, by and among ReadyCap Holdings, LLC, as issuer, Sutherland Asset Management Corporation, Sutherland Partners, L.P., Sutherland Asset I, LLC, ReadyCap Commercial, LLC, each as guarantors and U.S. Bank National Association, as trustee and as collateral agent, including the form of 7.5% Senior Secured Notes due 2022 and the related guarantees \(incorporated by reference to Exhibit 4.2 of the Registrant's Current Report on Form 8-K filed February 13, 2017\).](#)
- 4.3* [Indenture, dated as of August 9, 2017, by and between Sutherland Asset Management Corporation and U.S. Bank National Association, as trustee \(incorporated by reference to Exhibit 4.2 of the Registrant's Current Report on Form 8-K filed August 9, 2017\).](#)
- 4.4* [Second Supplemental Indenture, dated as of April 27, 2018, by and between Sutherland Asset Management Corporation and U.S. Bank National Association, as trustee \(incorporated by reference to Exhibit 4.2 of the Registrant's Current Report on Form 8-K filed April 27, 2018\).](#)
- 4.5* [Third Supplemental Indenture, dated as of February 26, 2019, by and between Ready Capital Corporation and U.S. Bank National Association, as trustee \(incorporated by reference to Exhibit 4.7 of the Registrant's Annual Report on Form 10-K filed March 13, 2019\).](#)
- 4.6* [Amendment No. 1, dated as of February 26, 2019, to the First Supplemental Indenture, dated as of August 9, 2017, by and between Ready Capital Corporation and U.S. Bank National Association, as trustee \(incorporated by reference to Exhibit 4.8 of the Registrant's Annual Report on Form 10-K filed March 13, 2019\).](#)
- 4.7* [Amendment No. 1, dated as of February 26, 2019, to the Second Supplemental Indenture, dated as of April 27, 2018, by and between Ready Capital Corporation and U.S. Bank National Association, as trustee \(incorporated by reference to Exhibit 4.9 of the Registrant's Annual Report on Form 10-K filed March 13, 2019\).](#)
- 4.8* [Fourth Supplemental Indenture, dated as of July 22, 2019, by and between Ready Capital Corporation and U.S. Bank National Association, as trustee \(incorporated by reference to Exhibit 4.3 of the Registrant's Current Report on Form 8-K filed July 22, 2019\).](#)
- 4.9* [Fifth Supplemental Indenture, dated as of February 10, 2021, by and between Ready Capital Corporation and U.S. Bank National Association, as trustee \(incorporated by reference to Exhibit 4.3 of the Registrant's Current Report on Form 8-K filed February 10, 2021\).](#)

- 4.10* [Sixth Supplemental Indenture, dated as of December 21, 2021, by and between Ready Capital Corporation and U.S. Bank National Association, a Sixth Supplemental Indenture, dated as of December 21, 2021, by and between Ready Capital Corporation and U.S. Bank National Association, as trustee \(incorporated by reference to Exhibit 4.3 of the Registrant's Current Report on Form 8-K filed December 21, 2021\) as trustee \(incorporated by reference to Exhibit 4.3 of the Registrant's Current Report on Form 8-K filed December 21, 2021\).](#)
- 4.11* [Seventh Supplemental Indenture, dated as of April 18, 2022, by and between Ready Capital Corporation and U.S. Bank Trust Company, National Association, as trustee \(incorporated by reference to Exhibit 4.3 of the Registrant's Current Report on Form 8-K filed April 18, 2022\).](#)
- 4.12* [Eighth Supplemental Indenture, dated as of July 25, 2022, by and between Ready Capital Corporation and U.S. Bank Trust Company, National Association, as trustee \(incorporated by reference to Exhibit 4.3 of the Registrant's Current Report on Form 8-K filed on July 25, 2022\).](#)
- 4.13* [Specimen Common Stock Certificate of Ready Capital Corporation \(incorporated by reference to Exhibit 4.1 to the Registrant's Form S-4 filed on December 13, 2018\).](#)
- 4.14* [Specimen Preferred Stock Certificate representing the shares of 6.25% Series C Cumulative Convertible Preferred Stock, \\$0.0001 par value per share \(incorporated by reference to Exhibit 4.13 of the Registrant's Registration Statement on Form 8-A filed on March 19, 2021\).](#)
- 4.15* [Specimen Preferred Stock Certificate representing the shares of 6.50% Series E Cumulative Redeemable Preferred Stock, \\$0.0001 par value per share \(incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on June 10, 2021\).](#)
- 4.16* [Specimen Warrant Certificate \(incorporated by reference to Exhibit 4.2 to Broadmark Realty Capital Inc.'s Form 8-A12B filed with the SEC on November 14, 2019\).](#)
- 4.17* [Warrant Agreement, dated as of May 14, 2018, between Trinity Merger Corp. and Continental Stock Transfer & Trust Company \(incorporated by reference to Exhibit 4.3 to Broadmark Realty Capital Inc.'s Form 8-A12B filed with the SEC on November 14, 2019\).](#)
- 4.18* [Amendment to Warrant Agreement, dated November 14, 2019, by and among Broadmark Realty Capital Inc., Continental Stock Transfer & Trust Co., and American Stock Transfer & Trust Company, LLC \(incorporated by reference to Exhibit 4.4 to Broadmark Realty Capital Inc.'s Form 8-K filed with the SEC on November 20, 2019\).](#)
- 4.19* [Second Amendment to Warrant Agreement, dated November 14, 2019, by and among Broadmark Realty Capital Inc., Continental Stock Transfer & Trust Co., and American Stock Transfer & Trust Company, LLC \(incorporated by reference to Exhibit 4.5 to Broadmark Realty Capital Inc.'s Form 8-K filed with the SEC on November 20, 2019\).](#)
- 4.20* [Third Amendment of Warrant Agreement, dated May 31, 2023, by and among Ready Capital Corporation, RCC Merger Sub, LLC, Computershare Inc. and Computershare Trust Company, N.A. \(incorporated by reference to Exhibit 4.21 to the Registrant's Quarterly Report on Form 10-Q filed with the SEC on August 8, 2023\).](#)
- 31.1 [Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31.2 [Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32.1** [Certification of the Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 32.2** [Certification of the Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)

101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Scheme Document
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document
101.DEF	Inline XBRL Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Linkbase Document
101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded with the Inline XBRL document)

* Previously filed.

** This exhibit is being furnished rather than filed, and shall not be deemed incorporated by reference into any filing, in accordance with Item 601 of Regulation S-K.

SIGNATURES

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

READY CAPITAL CORPORATION

Date: May 10, 2024

By: /s/ Thomas E. Capasse
Thomas E. Capasse
Chairman of the Board, Chief Executive Officer and Chief
Investment Officer
(Principal Executive Officer)

Date: May 10, 2024

By: /s/ Andrew Ahlborn
Andrew Ahlborn
Chief Financial Officer
(Principal Accounting and Financial Officer)

CERTIFICATIONS

I, Thomas E. Capasse, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ready Capital Corporation (the "registrant") for the period ended March 31, 2024;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit Committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2024

By: /s/ Thomas E. Capasse
Name: Thomas E. Capasse
Title: Chief Executive Officer

CERTIFICATIONS

I, Andrew Ahlborn, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ready Capital Corporation (the "registrant") for the period ended March 31, 2024;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the Audit Committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2024

By: /s/ Andrew Ahlborn
Name: Andrew Ahlborn
Title: Chief Financial Officer

**CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002, 18 U.S.C. SECTION 1350**

In connection with the quarterly report on Form 10-Q of Ready Capital Corporation (the "Company") for the period ended March 31, 2024 to be filed with the Securities and Exchange Commission on or about the date hereof (the "report"), I, Thomas E. Capasse, Chief Executive Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

It is not intended that this statement be deemed to be filed for purposes of the Securities Exchange Act of 1934.

Date: May 10, 2024

By: /s/ Thomas E. Capasse
Name: Thomas E. Capasse
Title: Chief Executive Officer

**CERTIFICATION PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002, 18 U.S.C. SECTION 1350**

In connection with the quarterly report on Form 10-Q of Ready Capital Corporation (the "Company") for the period ended March 31, 2024 to be filed with the Securities and Exchange Commission on or about the date hereof (the "report"), I, Andrew Ahlborn, Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

It is not intended that this statement be deemed to be filed for purposes of the Securities Exchange Act of 1934.

Date: May 10, 2024

By: /s/ Andrew Ahlborn
Name: Andrew Ahlborn
Title: Chief Financial Officer
